



Annual Report
2021

Welcome to our 2021 Annual Report

Notwithstanding the ongoing global pandemic, RWS ended the year with a strong cash position and, following our recent acquisitions, we remain confident about our future growth prospects.

DAVE PARÉ | USA

For the first time, we invited all RWS employees to participate in a photography competition with a selection of their images being used in this year's Annual Report. Receiving over 800 entries, the theme for the competition was 'clouds'. As the key regulator of the planet's average temperature, clouds have an enormous influence on the earth's energy balance, climate and weather; increasingly, the cloud is the basis on which our product solutions are delivered; and cloud communication is a way of building, deploying and scaling enterprise communications systems, something which we help our clients do every day.

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Group Overview

RWS is a world-leading provider of technology-enabled language, content management and intellectual property services. We help our clients to connect with and bring new ideas to people globally, by communicating business critical content at scale and enabling the protection and realisation of their innovations.

Our specialist teams combine the latest technology, proven processes and highly skilled people to deliver complex services at each stage of the product life cycle to meet the diverse needs of a global, blue-chip client base.

Our language services are delivered to, and are trusted by, world-leading companies including 90 of the global top 100 brands, the top 20 pharmaceutical companies, 8 of the top 10 Contract Research Organisations (CROs), 40 of the top 50 asset management companies and 19 of the top 20 patent filers worldwide. Our key industries cover technology, pharmaceutical, medical, legal, financial services, chemical, automotive, government and telecommunications sectors, which we serve from offices across five continents.

RWS operates an ISO-certified Quality Management System that fulfils regulatory and industry requirements as applicable to services provided (and holds certifications ISO 9001, ISO 17100, ISO 13485, ISO 18587 and ISO 21500).

Our Information Security Management Systems contain the policies which govern the implementation of information security and privacy throughout the Group; the framework we use has enabled us to achieve ISO 27001 certification for many of our products, services and supporting people, processes and technology.

We have ISO 14001 Environmental Management certification at our head office in Chalfont St Peter, our Maidenhead office and our Chinese offices in Beijing, Rizhao and Xi'an. Currently, our Environmental Management System certifications cover at least 10% of our business by headcount.

Over the last 63 years we have built a reputation for quality, reliability and flexibility with our global team of linguists, searchers and technical experts.

With headquarters in the UK, we have over 80 offices worldwide and our shares are traded on the Alternative Investment Market (AIM), the London Stock Exchange regulated market (RWS.L).



LANGUAGE SERVICES

The Language Services division is recognised as one of the world's largest language service providers and helps clients to create, translate, and deliver content across 250+ languages. Our global team of linguists, project managers, subject matter experts and localisation professionals work closely with clients to ensure their communications and multilingual content is compelling, accurate, consistent and tailored to the audience they need to reach.



REGULATED INDUSTRIES

The Regulated Industries division provides a full suite of language services exclusively for highly regulated industries such as life sciences, managed healthcare, financial services and legal. Language services include support for clinical trial management and linguistic validation of Clinical Outcomes Assessments (COAs), insurance, retail, commercial and investment banking, compliance, mergers and acquisitions and litigation.



IP SERVICES

The IP Services division delivers high quality patent translations, seamless patent filing and unmatched IP research capability. Our clients benefit from expert and experienced translators supported by innovative language technology which lowers costs and increases consistency. We offer the most robust intellectual property research services and tools available, from traditional to crowd-based search. The division enjoys a reputation for delivering solutions that support strategic decision-making throughout the IP lifecycle.



LANGUAGE AND CONTENT TECHNOLOGY

The Language and Content Technology division offers the latest innovations in language and content management technology to help enterprises engage with global audiences across any device. Our language technology and artificial intelligence (AI) solutions enable enterprises to create, manage, translate and automate content in any language globally. Our content management technology supports the creation, translation and delivery of global content at scale in ways that are efficient, secure and compliant. The combination of our language and content technology – enhanced with state-of-the-art award-winning machine learning (ML) and AI – offers the capability to manage the 'end-to-end' translation supply chain.

Financial and Performance Highlights

£55.0m

Profit before tax ("PBT")

2020: £58.7m

£6.2m

Net debt including lease liabilities

2020: £37.9m

10.9p

Basic earnings per ordinary share

2020: 16.9p

7,674

FTE employees at 30 September 2021

2020: 3,095 FTE at 30 September 2020

Note: Unless otherwise indicated, all figures relate to FY21 (1 October 2020 – 30 September 2021).

IP SERVICES 

£113.6m

▲ +1%

LANGUAGE AND CONTENT TECHNOLOGY 

£100.4m

▲ +25,000%

LANGUAGE SERVICES 

£317.6m

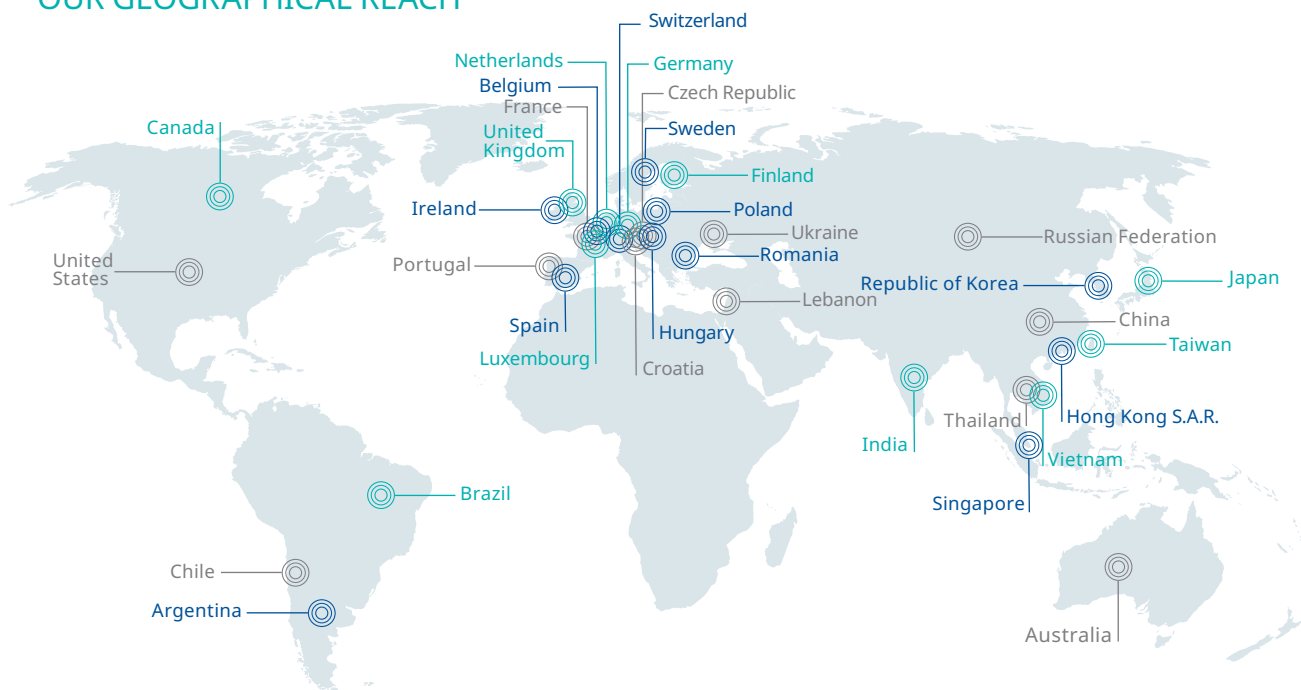
▲ +85%

REGULATED INDUSTRIES 

£162.9m

▲ +128%

OUR GEOGRAPHICAL REACH



REVENUE

£694.5m

+95%

+4% OCC²

2020: £355.8m

ADJUSTED PBT³

£116.4m

+66%

2020: £70.2m

ADJUSTED EPS³

23.8p

+20%

2020: 19.9p

CASH

£92.5m

+80%

2020: £51.4m

PROPOSED FINAL DIVIDEND

8.5p

+ 17%

2020: 7.25p

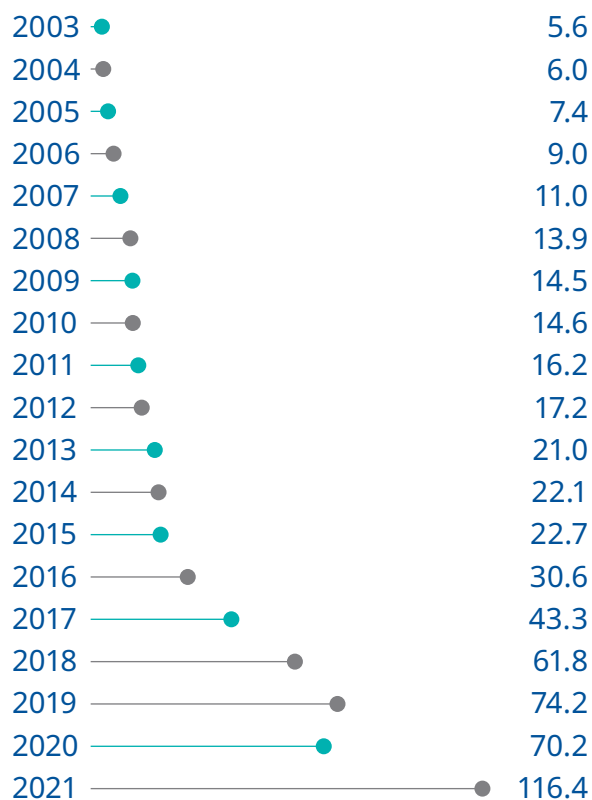
NET CASH / (DEBT)¹

£45.3m

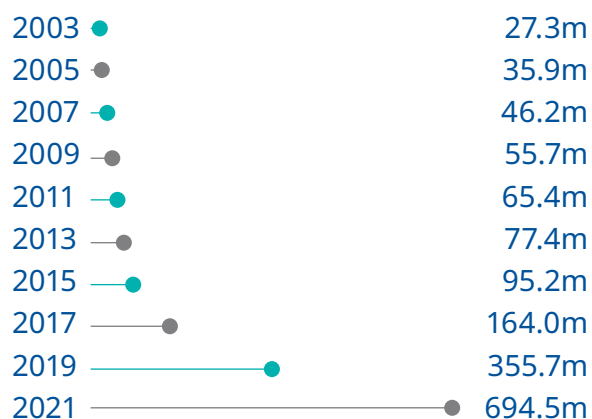
4x growth

2020: (£15.1m)

ANNUAL ADJUSTED PBT (£M)



ANNUAL REVENUE (£M)



¹ Comprises loans less cash and cash equivalents excluding lease liabilities (refer to Note 16).

² Excluding the impact of acquisitions and assumes constant currency.

³ Adjusted profit before tax or Adjusted PBT – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items (refer to page 164). Adjusted earnings per share adjusts for amortisation of acquired intangibles, share based payment expense, acquisition costs and exceptional items, net of associated tax effects.

Chairman's Statement

INTRODUCTION

RWS celebrated its 63rd year in business in 2021, having become the world's leading provider of language services.

This year has been dominated by the significant task of integrating the most substantial acquisition in our history, SDL plc ("SDL"), into the Group; a task that is well advanced, delivering excellent levels of synergies and opening up additional opportunities. Upon completion of the integration, we will have successfully optimised the world's leading language services and technology group. The acquisition has been a real landmark for the Group and we were delighted to be awarded "Best use of AIM", at the 2021 AIM Awards, for the SDL acquisition.

PERFORMANCE

The Group achieved revenues of £694.5m for the year, 95% ahead of 2020 (£355.8m). These revenues include an eleven-month contribution from former SDL, alongside 4% organic growth, on a constant currency basis. Within the Group numbers, there was a strong performance from the Regulated Industries division and we were pleased to see the IP Services division revenues stabilised. All of this was achieved, of course, against the background of Covid-19.

Adjusted profit before tax rose to £116.4m (2020: £70.2m), an increase of 66% representing a stronger than expected margin performance.

As a result of the SDL acquisition, the Group's balance sheet expanded significantly to net assets of £1,010.9m (2020: £408.9m). At 30 September 2021 net cash¹ was £45.3m, compared with net debt¹ of £15.1m in 2020. This strong position was achieved despite the significant one-off outlays associated with the SDL integration and an increased full-year dividend.

PEOPLE AND BOARD

The enlarged Group employed 7,674 people as at the financial year end, spread across the Americas, Europe and Asia Pacific. For the majority of FY21 we continued to work primarily from home with all of the constraints posed by the pandemic, as did our clients. I am particularly proud of the manner in which our world-wide team has continued to provide our products and services to the high-quality standards expected by our broad range of world leading clients.

We have continued to invest in training and the provision of the latest technological support to allow our colleagues to deliver a superior service. Above all, our priority has been to embrace government guidelines and keep our people safe.

As announced in June 2021, Ian El-Mokadem became the Group's CEO, and Richard Thompson stepped down from this role with effect from 25 July 2021 following a short handover period. On behalf of the Board, I would like to reiterate our thanks to Richard for his strong leadership of the Group over the last nine years.

Andrew Brode | CHAIRMAN

¹ Comprises loans less cash and cash equivalents excluding lease liabilities (refer to Note 17).



Ian was appointed following an extensive external succession process seeking a candidate with the necessary blend of skills and expertise to lead our ambitious, international group. He has over 20 years of experience in senior management roles in which he grew substantial people and services businesses globally, both organically and through acquisitions. The CEO transition has gone well, with a unified Executive Team having been established, supporting the Group's strong Board. As I highlighted in my statement last year, regulatory and governance developments make the role of a non-executive director ever more important and we have enhanced our Board to reflect this. I would like to extend a special welcome to the three new non-executive directors who joined the Board in November 2020. Frances Earl has been appointed as Chair of the Remuneration Committee. She served for many years as a Partner at Accenture, latterly in the most senior HR roles. As a result of the SDL acquisition, David Clayton, formerly the non-executive Chairman of SDL, and Gordon Stuart, a recently appointed non-executive director at SDL, joined the Board of RWS, bringing extensive financial, technology and listed company experience to the Board. Gordon has also been appointed Chair of the Audit Committee.

David Shrimpton stepped down from the Board at the AGM in February. David was RWS's Senior Independent Director and Deputy Chairman. He had served as a director for 10 years, and I am particularly grateful for his wise counsel. David has been appointed as Chairman of the Trustees of the RWS Foundation.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

RWS is committed to achieving and maintaining high standards of corporate sustainability in its business activities and interactions with our people, our clients, our suppliers, our investors, our community and the environment around us.

In line with this commitment, we have made significant progress recently. Having joined the United Nations Global Compact Initiative in 2020, our commitment to sustainability is channelled through specific goals which underpin our actions, operations and reputation. These goals are aligned with the United Nations' Sustainable Development Goals (SDGs), and we submitted our first Communication on Progress report in June 2021.

RWS has also chosen to evolve its sustainability reporting by disclosing sustainability topics and certain accounting metrics in line with the SASB Standards and, in 2021, we became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) and have started working towards aligning ourselves with and adopting TCFD.

We are also developing our carbon emissions reduction plan and it is our intention to develop a science-based target, aligned with the Science Based Target initiative (SBTi) criteria and submit the plan to the SBTi for validation.

This progress sits alongside our commitment to high standards of governance, having adopted the QCA Corporate Governance Code in 2018, and our ongoing support for our broader communities through our work to improve access to careers in languages through school and university partnership programmes including the RWS Campus, the RWS Scholarship Programme with the University of Manchester and Urban Synergy; and through our commitment to philanthropic initiatives through the RWS Foundation.

Later in this Annual Report we provide an extensive update on the Group's sustainability initiatives and all aspects of our Corporate Governance.

We are pleased to have noted excellent improvement in the ratings accorded to RWS by the bodies engaged in governance and sustainability analytics and will look for further improvement in the years to come.

DIVIDEND

RWS first listed its shares in November 2003 and has raised its dividend in every year since the IPO. We have a highly cash generative business model with relatively low capex expenditure and have historically distributed between 40% and 60% of earnings. As at 30 September 2021, we had net cash of £45.3m.

The Board is, therefore, pleased to recommend a final dividend of 8.5p per share which, together with the interim dividend of 2.0p per share, will result in a total dividend for the year of 10.5p per share, an increase of 17% compared with 2020. Subject to final approval at the AGM, the final dividend will be paid on 25 February 2022 to shareholders on the register at 28 January 2022.

SUMMARY

In summary, the Group has delivered a strong set of results in spite of the challenges posed by Covid-19 and the integration of SDL.

I am confident that the Group is in a stronger position than ever, with an excellent team in place to drive the business forward and build on its leadership of its growing, fragmented markets. With a healthy balance sheet to support the Group's strategy, I am excited about the plans we are developing to build on RWS's longstanding track record of delivery.

Andrew Brode | CHAIRMAN
20 December 2021

Market Overview

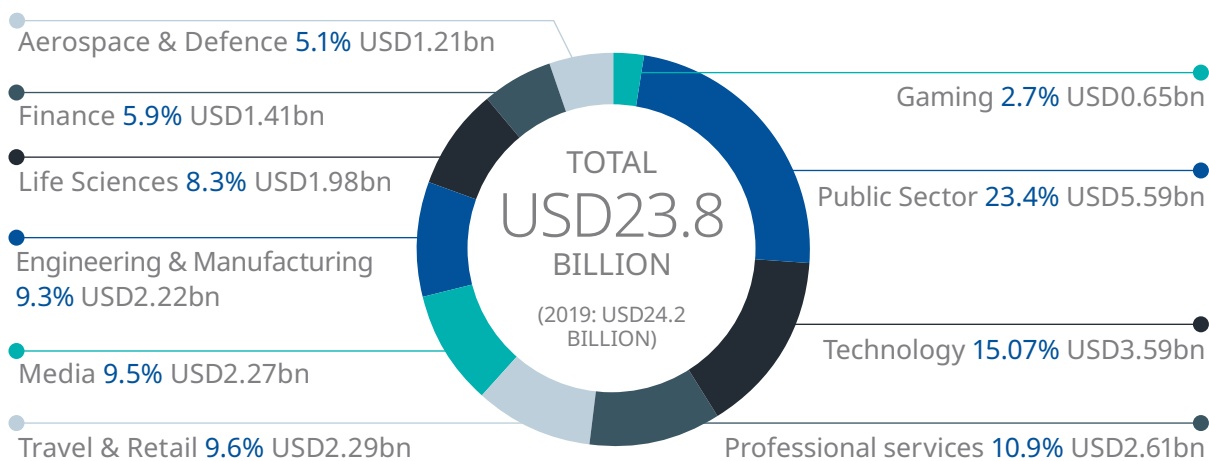
BIANCA BADARAU | ROMANIA

GLOBAL LANGUAGE SERVICES MARKET

Slator¹ estimates the language industry's addressable market to be worth USD23.8bn in 2020. Despite significant disruption from Covid-19, the overall market size remained stable in 2020, shrinking slightly (by 1.57%) from 2019. In the first half of 2021 the market has shown good signs of recovery. Barring any major disruption, Slator expected the language market to grow in 2021, surpassing previous years.

Slator segments the language industry into 10 primary verticals based on the areas in which buyers of language services operate.

The language services market by sector in 2020



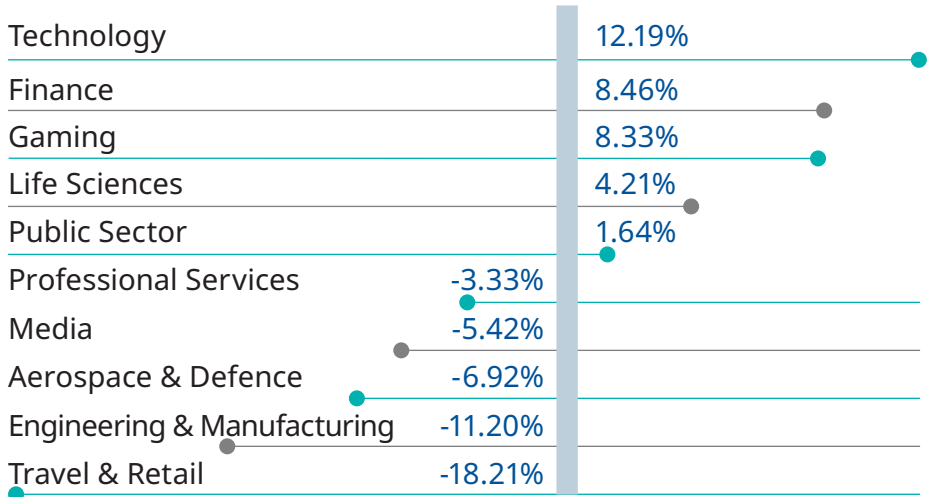
1 Slator 2021 Language Industry Market Report



Growth across the verticals was mixed in 2020 as the tables below set out. Technology, Finance, and Gaming markets grew fastest in percentage terms, while the Technology, Finance, and the Public Sector markets grew most in US dollar terms. Life Sciences was among the top growth verticals in both percentage and real terms.

FASTEST GROWING VERTICALS IN 2020

Percentage growth per end-customer vertical in 2020

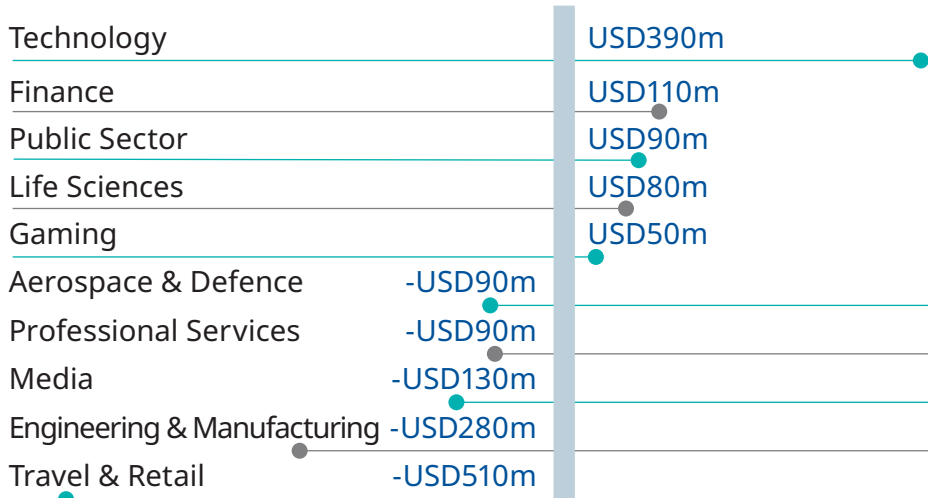


(Source: Slator 2021 Language Industry Market Report)

The Travel and Retail market experienced the most severe contraction, and decreased by 18% (USD 0.051bn in real terms) in 2020, reflecting the collapse of global travel and the sharp decline in retail sales linked to the Covid-19 pandemic. This vertical (as with others that suffered in 2020) has already shown some signs of recovery in 2021.

TOP GROWING VERTICALS IN 2020 BY MARKET GROWTH

Top growth per end-customer vertical in 2020 (in USDm)



(Source: Slator 2021 Language Industry Market Report)

One of the strengths of RWS's business model is that the Group serves a broad range of these verticals, a number of which continued to grow through 2020 despite the challenges posed by the global pandemic.

Market Overview (continued)

LIFE SCIENCES

Slator² estimates the Life Sciences market size accounts for 8.3% (USD1.98bn) of the language services market (USD 23.8bn) and is made up of sub-industries such as medical devices, clinical life sciences and telehealth. Life Sciences is among the top growth verticals in both percentage (4.21%) and real terms (USD80m), and this growth is expected to continue.

Navigating the pandemic was a huge challenge and life sciences companies responded fast and are emerging stronger.

The pandemic accelerated the adoption of practices, new ways of living and working, and technologies that were expected to take years to develop. Amid the tragic consequences of Covid-19, life sciences and medtech companies reacted swiftly and professionally to unparalleled demand for diagnostic tests, personal protective equipment, ventilators and other critical medical supplies. The dedication of health care providers was met by the fastest novel vaccine development in history, and traditional competitors partnered to accelerate research and manufacturing.³

In addition to the extraordinary measures underway to rapidly ramp up manufacturing capacity and capabilities, medtech leaders are also looking outside their normal sector boundaries to explore creative solutions to further supplement capacity, such as partnerships with companies outside the sector, open-source equipment design, and deployment of medically trained employees to support public-health needs.⁴

The Covid-19 pandemic led to an unprecedented number of postponed and cancelled elective surgical procedures in 2020, substantially negatively impacting the general surgery devices market, especially in its worst hit months of April and May. While many of the general surgery device markets returned to pre-pandemic sales volumes and growth rates during H2 2020, the exacerbated backlog of elective procedures due to the pandemic has continued to fuel demand well into H1 2021. GlobalData's analysis of the market trends in 2021 has revealed that general surgery device sales have continued to increase in both revenue and sales unit volumes and are forecast to maintain this growth pattern well into 2022.⁵

Deloitte reports that the rapid development of novel vaccines for Covid-19 demonstrated that a new type of streamlining and efficiency is possible. Deloitte also reports that clinical trials for the vaccine development took less than a year whereas previously the industry mean average for new drug development and review was 8.2 years.⁶

Accelerated digital transformation during the pandemic saw agile teams, release of the minimum viable product, and senior management aligned with the process changes required for increased speed to market. Biopharma companies are adopting various strategies for innovating clinical trials to shorten timelines, including new trial designs and new technologies such as artificial intelligence.⁷

New collaborations with academia, biotech, platform companies and data providers were already happening before Covid-19, but the pandemic accelerated time, attention and capital to these types of collaborations by the sector. Trial design and execution have also undergone changes. Pandemic trials have proven that big studies need not necessarily be multi-year affairs. Regulators are becoming more flexible about clinical trial design and the speed at which trials are conducted. Virtual trials, and remote patient interviewing and monitoring, enable greater patient involvement and give patients an active voice in research. With support from regulatory bodies, there is a trend toward more decentralised, patient-centric trials in the long term, and they offer many advantages. More trials will be hybrid trials going forward, a combination of in-person and virtual visits.⁸

As the pandemic progressed, the US Food & Drug Administration (FDA) reviewed over 2,300 Emergency Use Authorization (EUA) requests and provided EUAs to more than 600 products, enabling therapies to be available to patients faster. With the desire to shorten new drug development and review timelines, regulators have felt the added pressure throughout 2021. The European Medicines Agency (EMA) uses the rolling review for vaccines, one of their expedited regulatory tools for emergencies that also includes rapid scientific advice, accelerated marketing authorisations and compassionate use programs. Developers were allowed to use platforms approved in other areas, such as mRNA, for new development, provided they had the data to support it.⁹

Novel strategies and technologies, including real-world evidence, platform trials, remote clinical trial monitoring and advanced analytics can help organisations succeed in the new regulatory environment, compress timelines and accelerate insights. Also, run-on clinical trials may be here to stay, but compliance with good manufacturing processes (GMP), which had been relaxed during the pandemic, may return.¹⁰

² Slator 2021 Language Industry Market Report

³ Deloitte, 2021 Global Life Sciences Outlook

⁴ McKinsey & Company, Reimagining medtech for a Covid-19 world

⁵ Medical Device Network, General Surgery Devices Market Continuing its Growth in H1 2021

⁶ Deloitte, 2021 Global Life Sciences Outlook

⁷ Deloitte, 2021 Global Life Sciences Outlook

⁸ Deloitte, 2021 Global Life Sciences Outlook

⁹ Deloitte, 2021 Global Life Sciences Outlook

¹⁰ Deloitte, 2021 Global Life Sciences Outlook



FINANCIAL SERVICES

Slator¹¹ estimates the finance market accounts for 5.9% (USD1.41bn) of the language services market (USD23.8bn) in 2020 and was one of the fastest growing verticals in both percentage (8.46%) and real terms (USD110m) and this growth is expected to continue.

Although RWS has clients across all sub-sectors in finance, the most prevalent are asset management and banking.

Despite volatile financial markets, the asset management industry has fared relatively well. Key themes such as sustainability and the use of technology accelerated in response to end-client demands, but pressure remains for improvement in efficiency, diversity and tackling health and climate challenges. In March 2021, the EU Sustainable Finance Disclosures Regulation took effect, requiring for the first time that asset managers provide information about their investments' environmental, social and governance risks as well as impact on society and the planet.

The USA and UK remain the first and second largest asset management centres globally. For cross-border distribution, over 56% of the domicile share of authorisations is in Luxembourg and its top three distribution markets are Germany, Switzerland and France.¹²

Deloitte¹³ reports that, for the banking industry, the economic consequences of the pandemic have not been on the same scale as those during the Global Financial Crisis of 2008–10, but they are still significant. In addition to the financial fallout, Covid-19 is reshaping the global banking industry on a number of levels, ushering in a new competitive landscape, stifling growth in some traditional product areas, prompting a new wave of innovation, recasting the role of branches and accelerating digitisation in almost every area of banking and capital markets.

On that note, it is clear that Covid-19 has acted as a catalyst for digitisation. In addition to hastening digital adoption, the crisis has also served as a litmus test for banks' digital infrastructures. While institutions that made strategic investments in technology came out stronger, laggards may leapfrog competitors if they take swift action to accelerate tech modernisation.

LEGAL SERVICES

The *Slator 2021 Language Industry Market Report* further identifies that legal translation is part of a USD2.61bn Professional Services market. Moreover, such is the breadth of legal translation needs that it spans multiple themes across industries, most notably that of "Complying with regulations" which is estimated at USD4.43bn globally. The role of legal translation in this field encompasses critical operational functions such as contracts, licences and data regulations, meaning that it has broad appeal across corporate departments as well as heavily underpinning the legal operations of global law firms.

Although the report identifies that Professional Services localisation spending dipped in 2020 (by 3.33%), it has rebounded strongly in key areas where growth has been driven by a Covid-19 bounce. A key area where this recovery is clear is in capital markets¹⁴, where legal is aligned closely with financial services; specifically, there has been strong demand for corporate finance and legal advisory services in supporting M&A activity, IPOs and SPACs (special purpose acquisition companies), all of which often have a significant cross-border element.

Like financial services, Covid-19 has driven a surge in innovation within the legal sector. Slator notes that, in the localisation industry, this digital transformation is being evidenced in areas like interpreting technology and machine translation.

GOVERNMENT, AEROSPACE AND DEFENCE

The Government sector accounts for the largest portion of localisation spend at USD5.59bn (23.4%), while the Aerospace and Defence industry represents USD1.21bn (5.1%), according to the *Slator 2021 Language Industry Market Report*.¹⁵

In terms of growth, the Government sector was one of the top three highest growing verticals in 2020. The need for organisations to comply with regulations was a major driver in the large Public Sector vertical. For example, laws that govern community access to legal and health services drive demand for interpreting. International institutions such as the EU stipulate language requirements relating to the translation of official documents and legislation, giving rise to major public sector RFP opportunities for Language Service Providers.

However, the Aerospace and Defence sector experienced declines in both percentage and real terms, declining by 6.92% (USD90m).

11 Slator 2021 Language Industry Market Report

12 PwC, Global Fund Distribution Poster – 2021 edition

13 Deloitte, 2021 Banking and Capital Markets Outlook

14 Reuters, "Global M&A volumes hit new record in 2021, overtaking last year's haul"

15 Slator 2021 Language Industry Market Report

Market Overview (continued)

TECHNOLOGY

The technology industry represents the second largest language services market at USD3.59bn (15.07%), according to the *Slator 2021 Language Industry Market Report*. It is also recognised as the fastest growing sector in the report. Largely driven by a shift among businesses towards digital, the technology sector has been buoyed throughout the pandemic by an increased demand for its products and services. Major market trends that are driving a boom among technology companies, particularly the “big tech firms,” include demand for automation services, artificial intelligence, cloud technology, content services, employee collaboration technology and data training services.

Companies are looking to reduce costs by introducing automation and AI technology across their operations. This trend is reflected in Gartner’s forecast that the market for hyperautomation services, which includes artificial intelligence, is up from USD481.6bn in 2020 and projected to reach USD532.4bn in 2021.¹⁶

With the increased adoption of cloud technology, Gartner also sees this as a significant growth area for technology companies. Gartner first predicts that worldwide end-user spending on public cloud services is forecast to grow 23.1% in 2021 to total USD332.3bn, up from USD270bn in 2020.¹⁷

Consumers today expect more personalised online experiences, which is fuelling demand for content services among technology companies. In its latest market sizing report Gartner indicates that the content services software market grew 6.7% (to USD12.6bn) in 2020. Given the move towards home working, companies are having to find new collaborative ways to build a knowledge-based workforce. According to Gartner, revenues in three software market segments – collaborative work management, enterprise social networks and employee communication software – are set to reach almost USD4.5bn in 2021, a 17% increase from USD3.8bn in 2020¹⁸. The five-year revenue forecast across these three segments predicts that revenues will increase by double-digit percentages each year to USD6.9bn in 2024.¹⁹

The total market size for data labelling services is estimated to reach USD2.43bn in 2021 by Cognilytica Research, almost doubling to USD4.1bn by 2024.²⁰

The pandemic has made companies rethink their short and long-term strategies, forcing many to accelerate their digital initiatives. This has led to an increased demand for technology companies’ products and services, and their ability to support their digital transformation initiatives.

¹⁶ Gartner, Inc. report: Forecast Analysis: Hyperautomation Enablement Software, Worldwide, 2021

¹⁷ Gartner, Inc. report: Forecast: Public Cloud Services, Worldwide, 2019-2025, 1Q21 Update, 2021

¹⁸ Gartner, Inc. report: Forecast Analysis: Social and Collaboration Software in the Workplace, Worldwide

¹⁹ Gartner, Inc. report: Market Share Analysis: Content Services, Worldwide, 2020
²⁰ Cognilytica Research. Data Engineering, Preparation and Labelling report, 2020

PATENT FILING STATISTICS

In 2020 Patent Cooperation Treaty (PCT) application activity slowed down soon after the pandemic began. Throughout the four months prior to the World Health Organization declaring the Covid-19 pandemic, monthly growth rates [compared with the same month in 2019] varied between 7.6% and 10.3% thereafter slowing from 9% in March to 2.1% in June. From July to September, filing activity growth varied between 4% and 5% per month, coinciding with the temporary lifting of containment measures in many high-income economies. In the last quarter of 2020, when stronger measures to fight the virus returned, PCT filing activity fell, from a 0.4% growth in October to a 0.2% decline in December.

The geographical distribution of PCT filings has changed significantly since the last economic crisis in 2008. This is due to China having undergone strong growth in PCT filings since 2008 and by 2020 accounting for approximately one quarter of all applications. A much steeper decline in filing is seen when China is removed from the total count, with filing activity dropping sharply from March onward. Between May and December 2020, the number of applications filed decreased month on month compared with the previous year, with October seeing the steepest fall (-4.3%). From November, the gap between the overall filing trend and the trend excluding China narrowed, reflecting a slower rate of growth in PCT applications filed in China, though remaining at higher volumes than in the rest of the world.

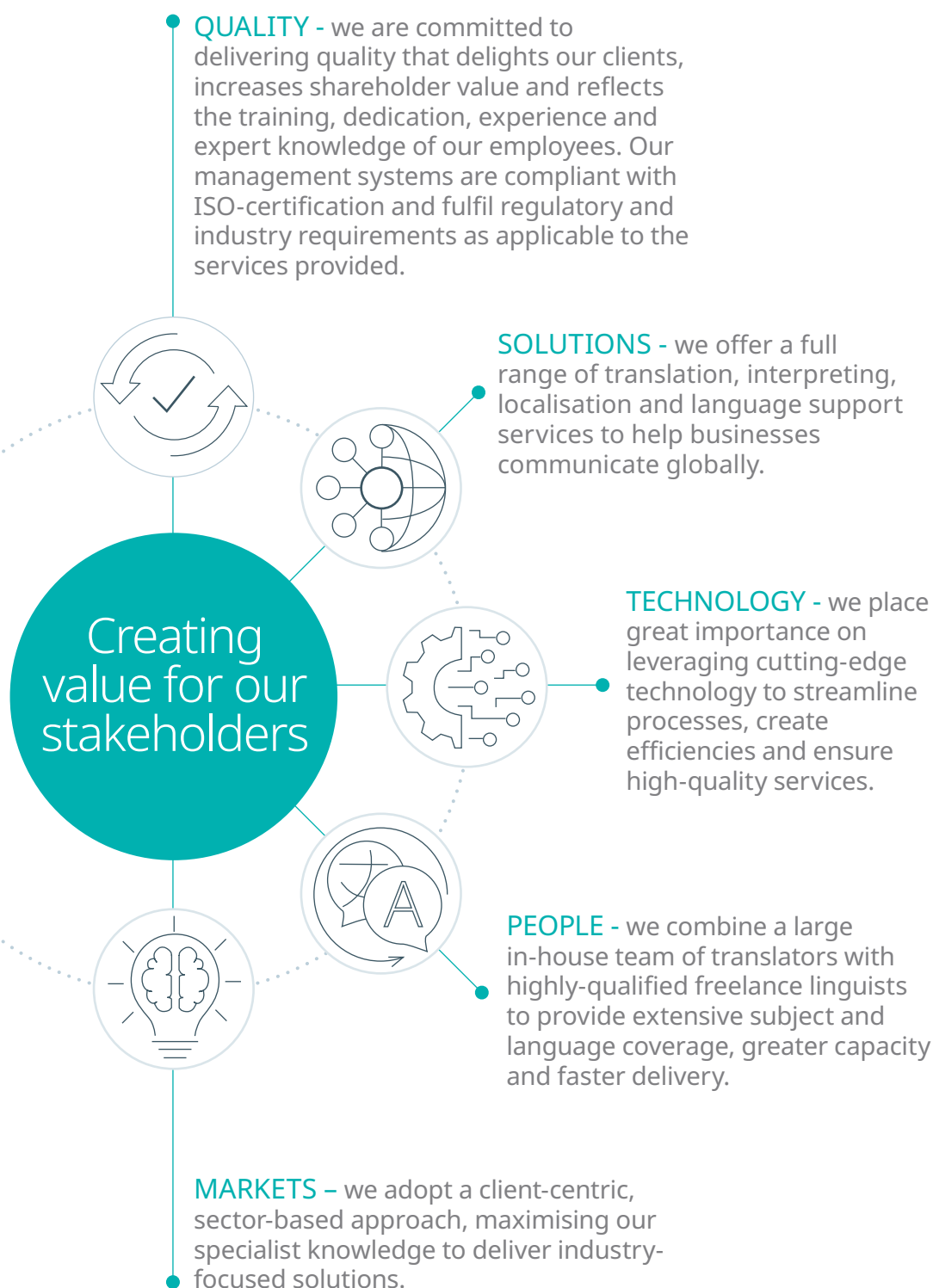
At the beginning of the pandemic, the number of PCT applications filed slowed rapidly and dramatically in Germany, the US and the Republic of Korea. Germany had a short lag during the financial crisis before filings declined but then saw filing activity fall particularly steeply during both crises – in June 2020, filings dropped by nearly 13%. In 2020, Japan’s filing activity fell sharply, from a growth of 8% in February to a decline of 6.7% in May. Filings from Japan decreased every month between March and December, with the sharpest fall coming in October (-11%). Of the top five origins, Germany and Japan saw the steepest declines in PCT filings following the onset of the pandemic. Although China maintained high growth rates during the first months of the pandemic, these slowed progressively from August (+28.4%) to December (+7%). Countries outside the top five, combined, saw filing activity slow and fluctuate, but not plunge as steeply as it did during the financial crisis.²¹

The *EPO Annual Review 2020* shows that demand for European patents remained nearly on a par with 2019. The Office received a total of 180,250 European patent applications, 0.7% fewer than in 2019.²² ... Further, the EPO published 133,715 European patents in 2020, -3% compared with 2019, but well above its target of 120,000.

²¹ Source: Patent Cooperation Treaty Yearly Review 2021

²² European Patent Office, EPO Annual Review 2020 reflects organisation’s rapid transformation, <https://www.epo.org/news-events/news/2021/20210629.html>

Our Business Model





Chief Executive Officer's Review

I am delighted to have joined RWS and would like to start by thanking my predecessor, Richard Thompson, for his support during our handover.

I have spent my first few months learning the business and meeting with as many of our people, our clients and our other stakeholders as possible. Overall, I have found the Group to be in a very good place and have been most impressed by the incredibly talented team of colleagues that I have joined as well as the wonderful list of high quality clients, many leaders in their fields, who trust us to help them protect their ideas and to reach the global markets that they serve.

Under my leadership, continuing to respond to our clients' changing needs and impress them with the integrated language solutions we can offer them will remain the Group's key priority.



Ian El-Mokadem | CHIEF EXECUTIVE OFFICER

STRATEGY

The acquisition of SDL has strengthened the Group considerably, enhancing our position in segments we were already serving while also enabling us to offer a wider range of technology products. The Group is now highly technology-enabled which allows us to both operate more efficiently and positions us better than ever to offer a fuller and more tailored solution to each client's needs.

Despite our considerably increased scale, the Group's core focus remains largely unchanged. First, we continue to seek organic growth through winning new business and growing our levels of business with existing clients. Second, our unique combination of talented people, experience and technology enables us to drive operational efficiency and margin improvement whilst delivering high levels of client service and remaining responsive to our clients' changing needs. Third, we continue to seek to strengthen our market position via targeted and well-integrated acquisitions which either add capabilities or increase the Group's geographic reach.

PRIORITIES AND PROGRESS

During FY21 we worked hard to ensure the successful integration of SDL, starting to use its language technology across the wider business, streamlining back-office procedures and operations, and increasing cross-selling opportunities across the Group. In parallel, we maintained focus on our clients, continuing to meet their evolving needs with the high-quality service, responsiveness and technology solutions that they trust us to deliver.

Whilst the process of evolving the Group's culture and strengthening our systems infrastructure will continue, the integration of SDL's clients, people and capabilities is now largely complete and operating under a unified leadership team. Our results reflect the delivery of over £16m of cost synergies in FY21, a figure we expect to grow as we realise the full year effect of the merger in FY22.

We are now working on plans to optimise the Group's structure, making the most of our expanded scale, footprint and capabilities, to deliver for clients and create further shareholder value through sustainable organic growth allied to an efficient cost base. In a highly fragmented market, where clients look for partners with the scale and capacity to invest, RWS is now in an ideal position to capitalise on this opportunity as a technology-enabled services business leading in its markets.

With the benefit of a strong balance sheet, we will continue to look for selective acquisition opportunities in the intellectual property services, specialist language services and language and content technology spaces. We seek earnings enhancing acquisitions that are highly complementary and can therefore reinforce the Group's leading positions in the markets that we serve.

1.7 billion

words translated by RWS translators

330+

language variants supported

40+ billion

words translated in cloud with MT

DIVISIONAL OVERVIEW

Following the acquisition of SDL on 4 November 2020, the enlarged Group has been reorganised to operate and report under four divisions, namely Language Services, Regulated Industries, IP Services, and Language & Content Technology.

The Language Services division was formed from RWS's Moravia and SDL's Commercial Enterprise (CE) businesses. It works with many of the world's largest companies to manage their complex localisation needs and ensure brand consistency on a global scale. The division provides a comprehensive set of technology-enabled services and has an extensive global network of specialised resources, drawing on freelancers alongside its in-house capabilities to deliver the expertise, consistency and scalability needed by enterprises to ensure that their content connects with global audiences. Its portfolio includes translation services, linguistic quality services, AI data training services, e-learning, video localisation and interpreting services.

The Regulated Industries division focuses on the language service needs of the life science, financial, legal and managed healthcare industries, providing a range of linguistic services including high value linguistic validation which supports clinical studies of new medicines and vaccines. It was formed from the integration of SDL's Regulated Industries division with the RWS Life Sciences division.

The IP Services division is a leading supplier of patent translations and filing solutions, offering a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services.

Chief Executive Officer's Review (continued)

RWS differentiates itself from the competition through the quality of its translations, its high level of intellectual property expertise, its client service and its use of technology, including a global web-based patent filing platform, inovia; one of the world's largest searchable commercial patent databases, PatBase; and the world's leading IP research platform, AOP Connect.

The Language & Content Technology division is one of the world's leading technology providers of language technology, linguistic AI and content management. The combination of our language and content technology – enhanced with state-of-the-art Machine Learning (ML) – offers the capability to manage the 'end-to-end' translation supply chain for our clients.

90 out of the top 100
global brands

16 clients on Fortune's top 20
most admired companies list

20 out of the top 20
pharmaceutical companies

10 out of the top 10
insurers

18 out of the top 20
law firms

19 out of the top 20
patent filers

OPERATING REVIEW

Language Services' operating margin improved, with growth from major technology and commercial clients



The Language Services division accounted for 46% of Group sales, with revenue of £317.6m (2020: £171.3m), an 85% increase over the prior period on a reported basis, and up 4% on an organic constant currency basis. The result includes full year revenues of the RWS Moravia business, a full year contribution from the former Webdunia business and eleven months of post-acquisition performance of the SDL CE business.

Growth was driven by strong sales to several of the division's major global technology clients and good growth in revenues from other large international commercial clients. Much of the division's focus was on expanding new solutions and offerings such as creative content, e-learning, testing, multimedia localisation and data training. This helped to offset some Covid-19 impact on revenues from automotive and travel clients, while sales to both the retail and manufacturing sectors performed strongly year-on-year.

The growth from technology and retail clients was underpinned by increased demand to communicate with their partners and customers during the Covid-19 pandemic. Additionally, the growth in the retail sector was also supported by a shift by some clients to online (direct to consumer) sales channels. Lastly, our small-medium market proposition (GoGlobal) continued to grow, benefitting from increased sales and marketing investment and an attractive proposition for the target clients.

The division's organic constant currency revenue growth has been achieved despite a strong focus on the integration of the RWS Moravia and SDL CE businesses, which has involved a re-routing of production to our optimal best-in-class delivery model for our clients and bringing together our client delivery teams. Employee well-being and client satisfaction remains a priority for the division.

Overall adjusted operating profit for Language Services increased 92% to £47.4m on a reported basis. The improvement was driven by increased revenue and overhead synergies realised after combining the language services operations of RWS and SDL.

Strong performance from Regulated Industries, led by higher value Linguistic Validation



The Group's Regulated Industries division accounted for 23% of the Group's sales in the year. Revenue of £162.9m represented an increase of 128% over the prior period on a reported basis (2020: £71.3m), or a 8% increase on an organic constant currency basis.

The Life Sciences' vertical has performed well, driven by our alignment around key verticals.

The Life Sciences vertical delivered a strong performance across all segments, with revenues up by 8% (in constant currency). Growth was led by the division's higher value Linguistic Validation ("LV") offering, which grew sales by 16% in constant currency terms.

Sales to the division's top 10 life sciences customers also grew significantly in constant currency. Although medical device sales continued to be impacted by the Covid-driven slow-down on elective surgeries, we saw overall positive growth in our top 10 medical device clients, partly as a result of the EU Medical Device Regulations (MDR).

Our financial and legal verticals also showed improved performance and are positioned for growth in 2022 through our increased focus on ESG and risk and compliance offerings. Our managed healthcare customers continue to grow through our sustained leadership in annual enrolment in the United States.

The impact of Covid-19 on the division was marginally positive overall. Growth driven by extra work associated with clinical trials and translation work for vaccines, anti-viral medications and antibody testing equipment was largely offset by delays in other clinical trial areas and the postponement of elective surgeries. We are immensely proud to have supported our clients as they launched vaccines and treatments to combat the effects of the pandemic.

The division's operating profit increased 35% to £28.4m (2020: £21.0m), on a reported basis. This was driven by strong gross margins and effective cost control, in line with prior years.

IP Services improved operating margins on increased H2 2021 revenues



The Group's IP Services division represented 16% of Group sales in the year, with revenues broadly flat year-on-year at £113.6m (2020: £112.8m). Divisional performance was held back by the strengthening of the GBP against USD in particular, with revenues on an organic constant currency basis increasing by 2%. The reduction in patenting activity as a result of Covid-19, which impacted H2 of 2020, has stabilised but not yet recovered to pre-pandemic levels. In addition, the European Patent Office has granted fewer patents in 2021 compared with 2020. Tougher trading in patent translation and filing revenues was offset by a corresponding growth in IP search services, where revenue rose by 27%, reflecting a recovery from the levels in FY20 when search was the first area to experience a significant drop during the pandemic, and a 7% increase in PatBase revenues.

The Asia Pacific ("APAC") market continues to be a key strategic focus for the division's longer-term revenue growth ambitions, with the region continuing to attract North American and European enterprises seeking patent protection in APAC territories. In addition, the IP Services division achieved strong growth in sales to Chinese and Japanese corporates and patent attorneys. Revenue from the Chinese and Japanese IP Services businesses increased by 120% and 44% respectively over the prior year. The East Asia region was strengthened further by the acquisition of Horn & Uchida Patent Translation, Ltd for £2.3m. This acquisition gives the Group a team of in-house patent translators, facilitating deployment of technology-led workflows, and a strong roster of Japanese clients with potential to upsell additional services.

The division's adjusted operating profit increased 7% to £32.3m (2020: £30.2m). As a result of streamlining of operations in Q1 fiscal 2021 headcount was reduced by 24 employees, which resulted in increased gross margin, while overheads were held broadly in line with the prior year.

Chief Executive Officer's Review (continued)

Language & Content Technology's operating margin improved as revenue reflects transition



The Language & Content Technology division accounted for 15% of Group sales, with reported revenue of £100.4m (2020: £0.4m) being a significant increase over the prior year following the acquisition of SDL. On an organic constant currency basis, revenue was 1% higher than the prior year. The result includes eleven months of post-acquisition performance of the SDL part of the division and a full year of the Iconic business acquired in June 2020.

Growth in revenues from our content technology product suite during the year has been partly offset by lower revenues within our language technology suite of products due to a planned change in our software license mix as the division continues to transition towards recurring SaaS licenses.

We established Trados Live Team (a product built on the Language Cloud platform and compatible with RWS's leading CAT tool, Trados Studio) as a viable cloud solution for LSPs, corporations and enterprises with in-house translation teams.

Language Weaver, the Group's neural machine translation product, saw a strong performance in the legal and finance sectors in North America, and there was a strong focus on product development supporting higher scalability, an improved user experience, a new self-service offering for smaller clients and new ways for the core AI technology to adapt to diverse types of content in order to enhance its appeal to a wider range of clients.

Tridion products generated several new wins and upsells in the year, including new Electric Vehicle market clients and we saw increased demand for regulatory and compliance content.

Strong Net Promoter Scores (NPS) indicated that clients continue to be highly satisfied with our technology offering and Tridion has been recognised as a leader by industry analyst IDC in its MarketScape: Worldwide Content Management Systems for Authenticated Digital Workspaces 2021 Vendor Assessment.

The division's adjusted operating profit was £22.6m (2020: £nil) for the year. This was the result of the anticipated change in license mix, which has more than offset the synergies realised during the year.

OUR PEOPLE

To compete effectively in our markets, it is critical that RWS is well positioned to attract, recruit and retain the best people. Our activities are highly reliant upon the skills, dedication and passion of all of our colleagues and freelancers around the world, who we rely upon to meet our clients' demands for excellent quality and timely delivery. We aim to be a destination employer in every one of our key operating territories and markets.

Throughout the pandemic and the additional challenges posed through the integration of SDL, our people have continued to perform brilliantly, remaining focused on our clients whilst also supporting each other through a very difficult period.

RWS's main priority through the pandemic has remained the safety and well-being of our colleagues. At the onset of the pandemic we switched rapidly to a 'working from home' operating model, with the nature of RWS's business allowing us to do this more readily than many other organisations. We recognised that working from home can create different stresses which impact upon mental health, so we increased our efforts to ensure the well-being of our teams through enhanced communication and engagement alongside a number of activities for colleagues, ranging from mental health sessions to nutrition and exercise opportunities.

FY21 has also seen an important consolidation of our key people platforms, processes and initiatives as the Group comes together following the SDL acquisition and the broader changes to our organisational structure that followed. We have made good progress towards our goal of establishing a new People function that is both highly responsive at a divisional and local level, and efficiently supported by a set of newly formed specialist HR teams at group-level. At the start of 2022 Jim McHugh will join RWS as Chief People Officer (and a member of the Executive Team) to ensure that we fully realise the benefits of scale in all our people processes, while shaping a more unified culture across the expanded Group.

CURRENT TRADING AND OUTLOOK

RWS has delivered an encouraging performance against the background of the Covid-19 pandemic. In particular, we are pleased with the pace and effectiveness of our integration of SDL.

We are now focused on capitalising on the Group's expanded scale, footprint and capabilities to drive sustainable organic growth from an efficient cost base.

The current year has started in line with our full year expectations.

The Group's strong cash generation and balance sheet supports our plans to invest for growth, both in our software products and internal systems, and to make selective, earnings enhancing acquisitions.

A further update on the Group's medium term growth strategy and investment plans will be given at a Capital Markets Day in March 2022.

Ian El-Mokadem | CHIEF EXECUTIVE OFFICER
20 December 2021

Strategic Framework

ORGANIC GROWTH

We are focused on providing an increasing range of appropriate products and services to existing and new clients to drive organic growth.

INORGANIC GROWTH

This growth is supplemented by selective acquisitions that complement our existing business and which either add additional capabilities, deepen our presence in existing markets or enable us to extend our reach into attractive adjacent markets.

EFFICIENCY

We seek to leverage technology and our global reach and scale to operate as efficiently as possible, thereby enabling our offerings to remain competitive and to grow our margins over time.

SUCCESS

We are particularly pleased to be able to show our progress against this strategy. While we have been impacted by the Covid-19 pandemic, since flotation we have recorded 18 straight years of sustained growth. The acquisition of SDL plc in 2020 improved our competitive positioning substantially and, notwithstanding the ongoing global pandemic, we remain optimistic about our future growth prospects.

We work with

- > 7,600+ colleagues
- > 29,000+ freelancers
- > 20,000+ clients
- > 90 of the world's top 100 brands

To help overcome their content challenges of

- > Volume
- > Speed to market
- > Quality
- > Fragmentation
- > Security and compliance
- > Global understanding

With our unique combination of

- > Language and localisation services
- > Language technologies
- > Machine Translation (MT) and Artificial Intelligence (AI)
- > Content technologies
- > IP Research, patent translation and filing

Whilst we plan for the future

- > Innovating in language services
- > Providing next-generation technology
- > Developing our IP support ecosystems
- > And combining our services and technology into compelling digital offerings

To create a sustainable positive impact for all of our stakeholders

- > Exceeding our clients' expectations
- > Enabling our colleagues to be their best
- > Collaborating with our suppliers
- > Making a positive contribution to local communities
- > Growing total shareholder returns

Strategic Objectives

LEENA SHARMA | INDIA

Our business is focused on seven objectives and these are used to focus management conversations on future outcomes and performance improvements.

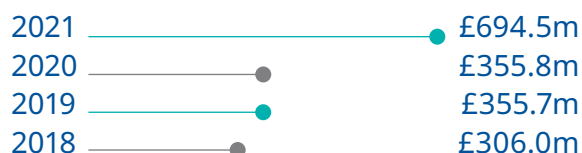
STRATEGIC OBJECTIVES

- > **Profit** – achieve target operating budget
- > **Revenue** – focus on growing revenue, both from new and existing clients as well as incremental growth from acquisitions
- > **Quality** – be the world’s best language service provider
- > **Solutions** – be the leader in solutions in our target segments
- > **Technology** – be the leader in language and content technologies
- > **People** – be an employer of choice
- > **Clients** – build strong and enduring relationships with our clients

Key Performance Indicators

GROUP REVENUE

£694.5m

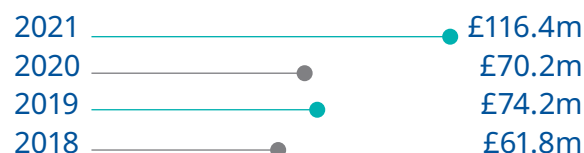


Description

Reflects the total value of work sold during the financial year.

ADJUSTED PROFIT BEFORE TAX

£116.4m



Description

Adjusted profit before tax is profit before tax before amortisation of acquired intangible assets, acquisition costs, share based payment expense and exceptional items. The Directors believe this alternative performance measure provides a more consistent measure of the Group's performance. See page 164 for further details.

GROSS MARGIN

45.1%

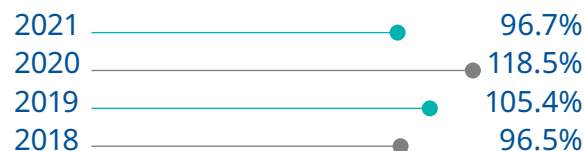


Description

Reflects gross profits, being revenues less costs directly incurred in generating revenues, expressed as a percentage of revenues.

CASH CONVERSION

96.7%

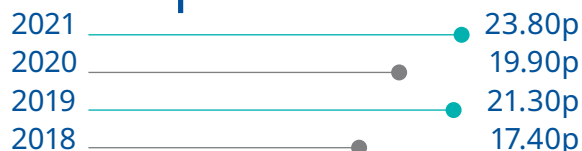


Description

Cash conversion is calculated as underlying cash flow from adjusted operating activities divided by adjusted operating profit. This is viewed as a key adjusted performance measure to understand how much of the Group's profits have been converted to cash. See page 165 for further details.

ADJUSTED BASIC EARNINGS PER SHARE

23.8p



Description

Adjusted basic earnings per share is calculated as adjusted earnings (calculated as profit for the year less amortisation of acquired intangible assets, acquisition costs, share based payment expense and exceptional items, net of any associated tax effects) divided by the weighted average number of ordinary shares in issue during the financial year. See note 11 for further details.

COLLEAGUE ATTRITION

19.2%



Description

Staff turnover is calculated as the number of FTE leavers compared with the average number of FTE during the financial year. This includes our managed services employees where the fluctuation is much higher as it varies according to client needs.

¹ Figure based on strongest collation possible from multiple data sources, arising from wide range of HR systems across the enlarged Group.

² SDL plc's turnover figures have been included in 19/20 number however Iconic Translation Machines and Webdunia's pre-acquisition figures have not been included.

Sustainability (ESG)

RWS's corporate sustainability policy encompasses the way we do business and interact with our people, our clients, our suppliers, our communities and the environment around us. Our commitment to corporate sustainability, which is underpinned by our values, aims to deliver continual improvement in our economic, social and environmental performance.

RWS is committed to achieving and maintaining high standards of corporate sustainability in its business activities and presents its corporate sustainability strategy to the Board annually.

In 2020 RWS joined the United Nations Global Compact Initiative, a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. Our commitment to sustainability is channelled through specific goals which underpin our actions, operations and reputation and are aligned with the United Nations' Sustainable Development Goals (SDGs). We submitted our first Communication on Progress report in June 2021.

Following engagement with all our stakeholders, RWS has mapped its sustainability goals and actions to four pillars.

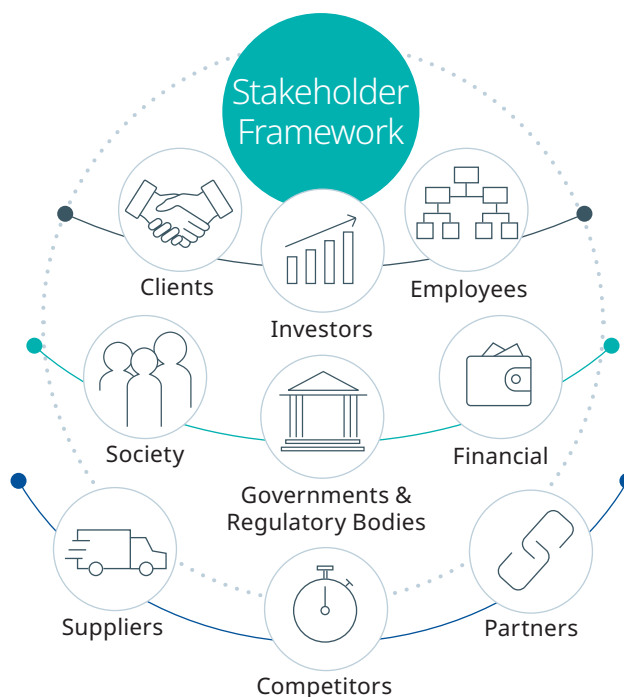
WE SUPPORT



STAKEHOLDER FRAMEWORK

Initiating and maintaining dialogue with our stakeholders enables the Group to align our sustainability initiatives and business model to their concerns. This feedback is important during our decision-making processes and enables us to better develop the four pillars of our sustainability strategy.

We recognise three distinct levels of RWS stakeholders in our framework, with our clients, employees and investors being the central stakeholders for the Group.



RWS'S FOUR PILLARS OF SUSTAINABILITY

OUR ENVIRONMENT

- > Reduce energy consumption and emissions
- > Reduce waste, increasing re-use and recycling
- > Take actions to improve the environment

OUR PEOPLE

- > Attract, recruit and retain the best people
- > Education and career opportunities
- > Diversity and inclusion
- > Health and well-being

OUR COMMUNITIES

- > Contribute positively to the communities in which we operate
- > Partnerships to support and empower young people through education

OUR GOVERNANCE

- > High ethical standards, including our supply chain
- > High standards of client service
- > Robust and secure infrastructure





MATERIALITY ANALYSIS

RWS discussed and reviewed areas of concern for key stakeholders before ranking and prioritising them in terms of materiality to the RWS Group. Engagement included an ESG Materiality survey which went to over 80% of our shareholders, over 20% of our key clients and over 80% of our suppliers, as well as attending meetings throughout the year. We also, for the first time, ran a group-wide employee engagement survey and we were very encouraged with the results. 80% of respondents believe RWS is committed to its responsibilities surrounding ESG.

Our ESG materiality survey and discussions identified that client services, cyber security, human capital and diversity and inclusion are particularly high priorities. We have also included intellectual capital management within our matrix as, following the acquisition of SDL, the Group now has a significantly enhanced product range.

We have developed our sustainability plan, taking into consideration insight about our materiality, to address the concerns, with targeted goals for each.

The matrix ranks the materiality of issues raised.



SUSTAINABILITY CONCERNS

ENVIRONMENT

1. Biodiversity impacts - Practices to preserve species and ecosystems.
2. Climate change and natural resource management - Commitment and practices for the reduction of energy consumption and GHG emissions.

PEOPLE

3. Health and Safety - Practices to guarantee our employees' health and safety.
4. Human capital practices - Practices to attract, support and retain skilled employees.
5. Equality, diversity and inclusion - Fair opportunities, recognition, treatment and remuneration for all employees.

COMMUNITY

6. Human rights - Practices to promote and protect human rights in our operations, including suppliers.
7. Community impacts - Impacts on and relations with local communities in which we operate.

GOVERNANCE

8. Risk management - Risk assessment and management procedures.
9. Corporate governance - Rules, practices and processes by which our company is run.
10. Intellectual capital management - Strategy to protect our intellectual capital.
11. Data privacy, cyber security and protection - Strategy to protect our data and infrastructure.
12. Innovation - Innovation for developing our services.
13. Client satisfaction - Overall performance of our services and client experience.
14. Economic performance - Strategic objectives linked to growth and margin.
15. Financial transparency - Timely, meaningful and reliable disclosures about RWS's performance.
16. Reputation risk - Strategy regarding our image and credibility.
17. Business ethics - Integrity and responsibility by which we run our operations and make decisions.
18. Bribery and corruption - It is the policy of RWS to conduct its business in accordance with the highest professional and ethical standards.
19. Stakeholder engagement - Dialogue and commitment with our stakeholders.

CORPORATE SUSTAINABILITY REPORT

In September 2015, all 193 Member States of the United Nations adopted a plan for achieving a better future for all, laying out a path over the next 15 years to combat poverty, inequality and injustice, and climate change. The Sustainable Development Goals (SDGs) have been adopted as part of the 2030 Agenda for Sustainable Development and comprise 17 goals, such as the elimination of poverty and hunger, fighting climate change, supporting decent work conditions, and creating sustainable cities and communities, and 169 targets.

Fulfilling these ambitions will take an unprecedented effort by all sectors in society and we all have an important role in the process. As part of our commitment, we have started aligning our business strategies and vision with the Sustainable Development Goals and Targets, driving change, developing partnerships and implementing best reporting practices.

FOUR PILLARS OF SUSTAINABILITY

For the second year, we have undertaken a materiality assessment which has enabled us to report on issues which are important to our stakeholders and outline future initiatives while taking into consideration our business goals and risks. A limitation we have encountered is the amount of feedback we have received from certain of our stakeholders regarding materiality – going forward this is something we will look to redress.

For each of the four pillars identified from the materiality index, we have identified primary goals aligned to the SDGs and have established a set of policies and guidelines to underpin our activities, whilst looking to improve our actions and reporting in each of the areas.



Responsibility for the environment

- > By providing policies and management systems based on environmental best practices, we ensure active prevention and limitation of potential impacts on climate change and the environment caused by our operations.
- > We are moving to renewable energy, where possible, and optimising LED and motion lighting in offices to improve energy efficiency.
- > We have a Green Agenda intranet and hold awareness days to increase understanding of climate change, what we can and are doing to mitigate risks and reduce its impact on our colleagues and operations.
- > We have established employee-led environment teams to suggest and action local initiatives to improve the environment.
- > RWS is an office-based business services operation and has little exposure to harmful and hazardous materials. Nevertheless, we have defined strict controls to manage, handle, store and dispose of harmful and hazardous substances to minimise the environmental release-risks according to local guidelines and regulations.
- > We provide innovative services which are delivered in a manner which does not compromise the environmental impact of our clients' operations in the communities where they operate.





Responsibility to our people

- > We foster working conditions which support effective health and safety programmes, non-discrimination principles as well as human and labour rights.
- > Health and safety for our employees is extremely important and our operations are therefore reviewed and monitored regularly; RWS is committed at the highest level to a robust health and safety policy.
- > During the Covid-19 pandemic, our staff have worked from home for various periods of time. The Executive Team has been in regular communication with employees globally, both through virtual meetings and through an enhanced group intranet which has provided information and advice on how to cope with working from home to ensure the mental and physical well-being of our teams.
- > We provide an environment that allows good career and professional-development opportunities and enables all RWS employees to fulfil their potential, therefore allowing the Group to retain and attract highly talented professionals.
- > We foster diversity among our teams based on the Group's Equality, Diversity and Inclusion Policy.
- > We train our professionals to improve existing skills and develop new capacities. We create a working environment for colleagues that nurtures innovation and provides the resources to facilitate this.



Responsibility for our communities

- > As a socially responsible company, we are an active and positive participant in local matters in the communities in which we operate.
- > A risk to RWS is the future availability of linguists. We have taken steps to encourage young people to study languages and consider a career in the language profession. In this way we hope to be able to help in the growth and development of tomorrow's industry leading translators.
- > All of RWS's corporate sponsorship is in line with the Group's Charitable Giving, Sponsorship and Collections policy and is aimed towards promoting the learning of languages by young people from non-privileged backgrounds.
- > We have renamed the SDL Foundation the RWS Foundation and we are in the process of consolidating all of our philanthropic initiatives and reviewing the Foundation's Deed and purpose.
- > We focus our business through a client-oriented strategy based on close communication, enabling us to understand and foresee our clients' needs and fulfil their expectations, supported by our network of suppliers.
- > We enable a better, healthier, more connected society as language plays a critical element in helping our clients find life-saving drugs and equipment as well as communicate with their clients.



Responsibility for strong governance

- > RWS has established a set of corporate rules, policies and processes that define our current corporate governance model and ensure our long-term vision is seen through the lens of excellent governance.
- > Our commitment to business ethics is managed by the Board through the CEO and the CFO to ensure ethical behaviour is integrated across all our teams and geographies through our Corporate Governance Code and associated policies, which are all visible on the Group's intranet.
- > We ensure disclosure and promote observance of our Corporate Governance Code across all divisions, suppliers and contractors.
- > RWS has a zero tolerance against corruption policy, and therefore we require suppliers and partners to observe professional and honest business practices. (Aligned to the UK's Bribery Act 2010).
- > We maintain our reputation as a trusted business partner through continual improvement of our services and business management through ethics, innovation, safety and environmentally sympathetic conduct, and the implementation of high-quality procedures across all teams and geographies.
- > We develop our own investor relations strategy that aims to ensure compliance with legal and market practice responsibilities.
- > We maintain clear communication channels with stakeholders and potential stakeholders to provide quick and effective responses to their requirements.



Environmental (ESG)



RWS SUSTAINABILITY ACTION PLAN

Each of the four sustainability pillars has a targeted action plan to ensure the right steps are taken to both improve RWS's business operations and make progress towards the UN's SDGs.



ENVIRONMENT

Climate change is posing a threat like never before. RWS and its employees are concerned about the environment and we are committed to helping the world transition to net zero. In 2021, we became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) and have started working towards aligning ourselves and adopting the TCFD ahead of it becoming mandatory (see pages 64 to 67). RWS is committed to reviewing and improving the environmental aspects and impacts of our operations by preventing pollution, protecting the environment and enhancing positive impacts wherever reasonably practicable. These actions improve the environment as well as RWS's attractiveness as a place to work, and they are a mitigation factor offsetting one of the Group's key risks, namely attracting and retaining good quality staff.

The CEO has overall responsibility for all climate-related issues and the CFO is responsible for managing climate-related risks across the Group. Both the CEO and CFO sit on RWS's Board and climate-related issues are presented and considered by the Board bi-annually.

We measure and monitor our principal environmental impacts and have set objectives and targets for their reduction.

Due to the impact of the Covid-19 pandemic and reduced travel and office occupation, it has been difficult to set accurate targets, so we have continued to use baseline data from FY19.

On 4 November 2020, RWS Holdings plc acquired SDL plc, adding 60 offices and over 4,300 employees. As a result of this, the carbon emissions for RWS for FY21 are considerably higher than those of FY20.

To date we have been targeting reductions year-on-year for the following:

- > Natural resources and consumables
- > Carbon footprint
- > Electricity kWh/measured by employee and turnover
- > Commercial waste
- > Landfill waste/measured by employee and turnover
- > Waste/measured by employee and turnover

We also strive to have no environmental incidents.

We are reviewing our climate change impact and going forward it is our intention to develop a carbon emission reduction plan using a science-based target aligned with the Science Based Target initiative (SBTi) criteria and submit the target to the SBTi for official validation. Initially we are aiming to reduce carbon emissions by 55% by 2030, using FY22 as a baseline (see pages 30 and 31 for measures taken in FY21).

We have ISO 14001:2015 Environmental Management certification at our head office in Chalfont St Peter, our Maidenhead office and our Chinese offices in Beijing, Rizhao and Xi'an. Our Environmental Management System certifications collectively cover 11% of our business by headcount and we have an objective to increase this to a minimum of 30% compliance in FY22.

During FY21 we have achieved the following:

- > Assessed, prioritised and started working on the mitigation of environmental risks in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) (see pages 64 to 67)
- > Rolled out the RWS Green Agenda intranet across the entire group, forming part of the new RWS Hub
- > Held four group-wide environmental awareness programmes to promote initiatives and actively encourage employees to get involved globally. These included National Recycling Week, Earth Day, World Environment Day and World Cleanup Day
- > Developed a network of environmental champions across our offices

We are committed to:

- > The continual improvement of our environmental management systems globally
- > Complying with the spirit as well as the letter of all applicable environmental legislation, approved codes of practice and any other requirements not codified by law to which we subscribe
- > Co-operating fully and maintaining open relationships with all regulatory authorities
- > Complying with the environmental requirements of the company's clients

Energy and greenhouse gas report

As part of the Streamlined Energy and Carbon Reporting (SECR) requirement, RWS is required to report its energy and Greenhouse Gas (GHG) Emissions within its Directors' Report. RWS appointed Carbon Footprint Ltd to independently assess the Group's GHG emissions in accordance with the UK Government's SECR guidance.

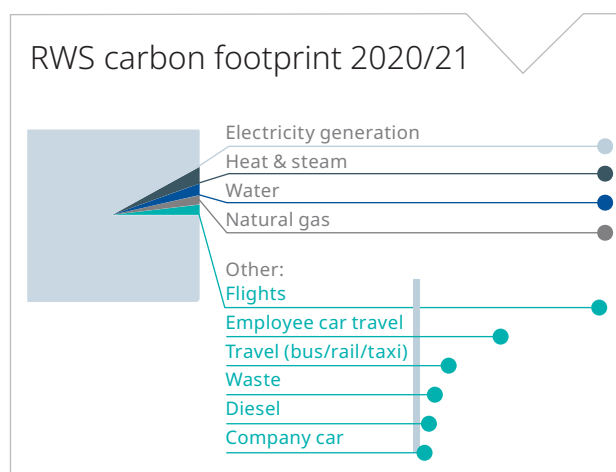
The GHG emissions have been assessed following the ISO 14064-1:2018 standard and Carbon Footprint Ltd used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The operational control approach has been used.

The table below summarises the group-wide GHG emissions for reporting year: 1 October 2020 to 30 September 2021. This is the third assessment that RWS has completed of its emissions and we have provided the baseline year assessment results for comparison.

Scope	Activity	Baseline Year 2018/19 Tonnes CO ₂ e	Previous Year 2019/20 Tonnes CO ₂ e	Current Year 2020/21 Tonnes CO ₂ e
Scope 1	Site gas	169.00	99.08	87.72
	Diesel	0.85	8.32	1.10
	Company car travel	9.06	4.96	0.65
Scope 1 Sub Total		178.91	112.36	89.47
Scope 2	Electricity (generation and transmission & distribution)	1,881.13	1,567.20	4,706.71
	Heat and steam	78.90	47.76	131.50
Scope 2 Sub Total		1,960.03	1,614.96	4,838.21
Scope 3	Water	29.04	22.37	95.57
	Flights	1,326.16	537.65	51.97
	Employee-owned car travel (grey fleet)	24.99	11.77	22.62
	Taxi travel	16.88	8.54	5.28
	Waste	230.36	68.65	2.90
	Rail travel	21.73	12.67	1.79
	Bus travel	0.16	0.02	0.05
	Hire cars	-	-	0.04
Scope 3 Sub Total		1,649.32	661.67	180.22
Scope 1 & 2 tonnes of CO₂e		2,138.94	1,727.32	4,927.68
Total tonnes of CO₂e		3,788.26	2,388.99	5,107.90
Tonnes of CO₂e per FTE		1.50	0.76	0.67
Total Global Energy Consumption (kWh)*		-	4,493,297	16,347,849
Total UK Energy Consumption (kWh)*		-	1,296,067	1,724,594

*Total Energy Consumption includes Electricity, Natural Gas, Diesel, Heat and Steam and Company Car Fuel Consumption.

The UK energy consumption accounts for 7.7% of RWS's total Scope 1 and 2 carbon emissions and 10.5% of RWS's total global energy consumption (kWh). This has been recorded since the previous year's assessment and will be captured going forward.



Environmental (ESG) (continued)

Energy use

Energy is a key driver of carbon emissions across the Group and we are committed to reducing our energy consumption across our operations.

RWS's total carbon footprint was 5,107.90 tCO₂e for FY21. Of these emissions, 96.46% were from energy, 92.15% of which was electricity, 1.72% natural gas, 0.02% diesel and 2.57% from heat and steam; the remaining 3.54% was from business travel, waste and water.

Managing energy use

As energy accounts for 96.46% of our emissions, we recognise the importance of investing in energy efficient offices and renewable energy. In FY21, the Group took several measures to reduce energy use and emissions. These included:

- > Moving to purchasing only renewable electricity across all offices wherever possible (currently we have green energy at 10 of our offices (Alnwick, Beijing, Chalfont St Peter (Randall House), Leuven, Nanjing, Rizhao, Stuttgart, Sydney, Xi'an and Versailles). Our office in Chalfont St Peter (Europa House) switched to green energy in November 2021 and our office in Brno is switching to green energy in January 2022
- > Replacing existing lighting with energy efficient LED lighting. We have LED lighting in our head office in Chalfont St Peter, as well as our offices in Brno, Indore, Lausanne, London, Nanjing and San Francisco
- > Trialling solar panels in our office in Indore
- > Ensuring energy efficient lighting and motion sensors are installed in our larger sites or as we open new offices. We have motion sensors in our head office in Chalfont St Peter, as well as Brno, London and San Francisco
- > Installed a building management system (BMS) monitoring tool in our Brno office to monitor the consumption of electricity and water continuously on each floor/meter. As a result of ongoing monitoring, we have, for example, downsized the need for a higher voltage circuit breaker in the server room
- > Setting timers relative to weather conditions and office opening hours
- > Implementing various energy efficiency actions such as: a "closed-door" policy to avoid unnecessary energy consumption for heating/cooling; and a "switch off at night" policy
- > Launching a Green Agenda intranet to educate, inform and engage employees around energy

Traditionally, the Group's second biggest cause of emissions is air travel. Clearly the Covid-19 pandemic has reduced the amount of travel in the year and carbon emissions have therefore reduced accordingly.

The Group has taken the opportunity to utilise software to hold virtual meetings and these will continue to be promoted as a way to curtail the number of flights in the future.

With many of our initiatives, we recognise that what is good for the environment is also good for business. Energy savings, for example, reduce our emissions output while cutting costs.

Each division within RWS tracks and monitors energy use, in line with our group-wide commitment to reduce emissions and to reach RWS's annual target to reduce energy use across its operations.

Minimising waste

Waste management is not a significant issue for RWS as, being a service-based company, our waste is naturally low. However, we do consider waste to be an important issue and, in managing waste, we strive to engage employees to take ownership and create more efficient operations and practices.

In FY21, the Group took several measures to reduce waste. These included:

- > Installing recycling facilities and increasing the amount of waste which is recycled (targeting those offices which reopened)

Below: Our colleagues in Brno (Czech Republic) and their families collecting litter for World Cleanup Day



- > Working with landlords regarding waste measurement and management
- > Working with suppliers to get more accurate reports detailing waste and recycling
- > Championing recycling through our 'National Recycling Week'
- > The team in our Rosario office donated its old hardware assets to a local charity; in other offices we recycled all hardware assets on a global buyback scheme with our asset supplier
- > Undertaking an expansion project in our Rosario office. Utilising an environmentally conscious approach from concept, we optimised existing resources through recycling and reuse of materials
- > Launching a group-wide Green Agenda intranet to educate, inform and engage employees around waste

Where our offices are in managed buildings, we will work with landlords to derive better data on waste and then implement programmes to reduce and recycle.

Water

Water accounted for 1.87% of our carbon emissions in FY21. The majority of our offices use water from municipal supply and are in developed countries with a high capability for water adaptation and mitigation. Our water usage increased in FY21 as a result of the SDL acquisition but, as we have relied on estimations for certain offices, the figures may not be 100% accurate. Moving forward we are looking to get more detailed data for our leased offices. Where possible we are also introducing measures to reduce water usage including low flow plumbing fixtures, identifying and fixing leaks, and communicating with employees about responsible water use measures.

Paper

RWS is not a manufacturing organisation, but because of the nature of its services we use paper extensively in certain divisions.

Recently we have seen a reduction in the amount of paper we use, partly as a result of the pandemic and increased remote working. In future, as RWS offices reopen, we will continue to deliver our services online where we can. We will also ensure that the paper we purchase is sustainably sourced from known and responsible sources and we print double-sided where possible.



Above: Trees in Elizabeth Diamond Jubilee Wood in Leicestershire



Above: RWS's team from Brno planting trees in Šarátice

Carbon offsetting

As part of its commitment to helping reduce carbon emissions, in 2019 RWS purchased 2,500 trees for the National Forest; at that time this represented one for each employee of the RWS Group. UK employees were able to select what species of tree they preferred and a number of colleagues travelled to the Queen Elizabeth Diamond Jubilee Wood in Leicestershire, UK to help plant some of the trees.

More recently (October 2021), a team of 26 from our office in Brno, Czech Republic, planted 100 trees in a new tree alley being developed as part of a walking/bike route Šarátice (about 20km from our office). The fruit trees were 1.5m high and included a mix of Apple, Plum and Cherry trees.

Social (ESG)



OUR PEOPLE

To compete effectively in our markets, it is critical that RWS is well positioned to attract, recruit and retain the best people. Our activities are highly reliant upon the skills, dedication and passion of all of our employees and freelancers around the world, who we rely upon to meet our clients' demands for excellent quality, timely delivery and effective product solutions. We aim to be a destination employer in every one of our key operating territories and markets.

The Covid-19 pandemic continued to present significant challenges in FY21, but also ongoing opportunities to test and learn new ways of operating together, building on the positive new ways established the previous year. Ensuring a safe work environment for our people, both physically and psychologically, remained a clear priority for the Group, and we also found good opportunities to start a number of new people initiatives, often leveraging the best divisional programmes to the advantage of RWS as a whole.

This year has been one of important consolidation of our key people platforms, processes and initiatives as the Group comes together following the acquisition of SDL and the broader changes to our organisational structure that followed. We have made good progress towards our goal of establishing a new people organisation that is highly responsive at a divisional and local level, and efficiently supported by newly formed specialist HR teams at group-level. Leveraging their expertise consistently across the whole organisation will help us to offer improved career opportunities for our people whilst shaping a more unified culture following the acquisition of SDL.



Above: Collage of some of our colleagues on International Women's Day

COMMUNICATION AND DIRECTION SETTING

Communication and dialogue are vital within RWS. At heart, we are a people business and therefore we have to talk; it improves business, is good for morale and is good for well-being. Communication within RWS is encouraged anywhere and it takes place everywhere – at group, divisional and local level. It includes all types of communication and consultation between RWS colleagues on all manner of topics including operational matters, business performance, social issues, environmental concerns, well-being issues and various other areas of common interest.

All divisions now have established, joined-up frameworks for communicating and cascading yearly objectives and progress against them.

Having virtualised many of our previously face-to-face forums due to the Covid-19 pandemic, our approach during FY21 has been to hone our utilisation of these virtual channels whilst incrementally adding back in more and more face-to-face communication depending on regional and local restrictions. We have found that virtual channels enhance communication across the business significantly, particularly as a means of enabling dialogue between teams separated by geography, and keeping a widely dispersed workforce connected. The interactivity that applications such as MS Teams bring to set piece communications events such as monthly/quarterly business updates moved these events beyond purely



one-way broadcasts to fully interactive events. Our leaders can now see and respond to questions and feedback from our people in real-time during these calls, so insight into employee ideas, opportunities and concerns, and our ability to act upon them quickly, has improved significantly.

At a more granular level, RWS’s enthusiastic adoption of these remote communication and collaboration tools is unlocking a dialogue between our many experts that has not been possible previously, and we are optimistic about the opportunities we see to accelerate insight sharing, collaboration and innovation across teams and divisions in future.

This year we rolled out the RWS intranet globally. Known as the “RWS Hub”, it creates a single destination where employees from across the Group can access essential company information they need to perform their roles most effectively, in addition to more division- or location-specific information that remains available to them on divisional intranet sites.

The RWS Hub has quickly gathered momentum as a source of connecting information across the business with big events such as our international awareness days, which typically focus on important inclusion topics and regularly attract wide readership - our PRIDE Month Hub page in particular achieved more than 1,700 views.

We also enhanced group-wide communications by launching a newsletter “Inside RWS”. This supports the development of a single unified RWS culture by keeping colleagues within all divisions informed about initiatives taking place across the entire organisation and invites them to get involved with our various group-wide people programmes as they are launched.

Divisional newsletters also play a critical role in our developing communications ‘ecosystem’.

All in all we are pleased with our ongoing efforts to enhance communication within RWS, and results from our recent employee engagement survey suggest we are making good progress with most communication related questions scoring 90%+ favourably. For example:

"My manager fosters an open, communicative environment where diverse perspectives are sought."
 – 91% favourable

"I understand how my role contributes to achieving company goals."
 – 93% favourable

Next year, in order to maintain the momentum gathered in FY21, we intend to fine-tune our communications framework to ensure our colleagues understand where the company is headed (our vision, mission and business objectives) and seek their engagement and feedback regularly. By doing this we will get a clearer picture of exactly what communication works most effectively for people, and do more of it. Having established a new rhythm of group-wide communication, we will also offer more support to the newly integrated divisions as they continue their efforts to do the same locally.

Below: Colleagues from Rosario (Argentina) collecting litter on the shore of the Paraná River



Social (ESG) (continued)

Employee engagement

Employee engagement is critical to our sustained success as an organisation. Research shows that more engaged employees advocate products and services more and better, stay longer and willingly provide their discretionary effort in favour of the business and all its stakeholders. We strongly encourage RWS colleagues around the world to get involved with a broad range of socially beneficial activities as this builds our brand in a positive and responsible way and improves teamwork, communication and camaraderie whilst helping our people develop important organisational and management skills.

In June 2021 we ran a group-wide engagement survey for the first time, and we were very encouraged by the results.

With 6,046 respondents, we had an excellent participation rate of 81% which gives us confidence the feedback we received through the survey is statistically valid and fully representative.

Engagement survey

6,046
Respondents

81%
Response rate

Our survey, which was completely anonymous, used off-the-shelf software and the results were analysed and verified by an external agency. We examined our people's opinions by asking 50 questions across nine areas to provide a comprehensive picture of their experience. These were:

- > Collaboration
- > Culture
- > Clients
- > Diversity
- > Innovation
- > Integration
- > Leadership
- > Operations
- > Strategy

Overall, we averaged 80% favourable scores which we were very pleased with, given the survey was conducted at a time when the pandemic was still proving globally disruptive and RWS was in the middle of a significant business integration programme. Scores across the divisions were similar to the Group average, with little material variation.

Our highest scoring area was Diversity at 88% favourable, with the Leadership, Strategy and Innovation areas all over 80%. On our critical 'employment recommender' question, commonly regarded as a key indicator of engagement, we also scored well at 80%.

Our lowest scoring areas were Operations (work tools and joined-up processes) at 77% and Integration at 71%. Clearly, there is more work to be done in the two areas and we have programmes in place to address them.



Above: Colleagues in Beijing (China) building a terrarium on Earth Day

Perhaps more fundamentally, our high scoring areas are more complex, subtle and typically take longer for organisations to improve, and for this reason it is likely they can give us a more enduring competitive advantage in the markets in which we operate.

The current global labour market remains highly challenging with high hiring demand significantly outstripping available talent in all skilled areas and geographies, resulting in wage inflation, attrition and increased time to onboard many colleagues.

To address these market and attrition challenges RWS has:

- > Increased capacity within the Talent Acquisition Centre of Excellence to meet demand while implementing new attraction channels
- > Developed an agile work policy to support new colleague expectations
- > Developed a more flexible geographical hiring approach to where the talent is available rather than simply replacing in the same location
- > Reviewed and increased salary bandings in high attrition geographies
- > Focused on internal mobility to enable colleagues to develop their careers within RWS
- > Invested in scaling our online learning platform, MyLX, across the company to enable colleagues to develop themselves whenever and wherever they want
- > Continued to invest in tangible ways and actions to build a culture of diversity, inclusion and belonging



Currently our voluntary attrition runs at 14.3% and involuntary attrition at 4.9%. We are comfortable with these levels but we monitor them closely to ensure they stay within a desired range.

Staff attrition	20/21	19/20
RWS	19.2%*	16.8%*

*Estimation of staff turnover = number of FTE leavers during the financial year/average number of FTEs during the year. Figure is based on strongest collation possible from multiple data sources, arising from wide range of HR systems across the enlarged Group.

SDL plc's turnover figures have been included in 19/20 number however Iconic Translation Machines and Webdunia's preacquisition figures have not been included.

The encouraging engagement survey scores reflect the wide range of programmes that we have established across well-being, environment, remote working and awareness days. With the impact of the pandemic, colleagues were lacking in social interaction and dealing with the pressures of daily life; all of which had a significant impact on physical, emotional and mental health.

As a result, we increased our focus on a range of well-being events, in partnership with an external provider, which encouraged colleagues to take time out of their schedules and focus on themselves. Sessions included Zumba, cooking, well-being for working parents, musical sessions, sleeping tips and more. We also ran stress awareness, mindfulness and personal training and yoga programmes in-house. These were well attended by over 3,300 people and received great feedback.

We ran eight awareness days throughout FY21, where we sought employee engagement around a whole host of topics including Black History Month, International Women's Day, and World Cleanup Day with employees sharing their stories on video, sending in pictures and getting involved in events to mark these occasions. These were then promoted via our Group communication channels to show our pride gratitude and to inspire others.

These activities provided an excellent foundation for our "Life at RWS" programme, which is intended to accelerate the development of a single unified RWS culture as the integrated organisation fully takes shape in FY22.

In FY22, we will develop a refined group-wide engagement plan that takes the feedback from the survey, examines it in the context of RWS's strategic priorities for FY22, and then sets out a series of key actions that both amplify our current strengths and address our most relevant lower scoring areas.

Diversity and inclusion

Being part of a vibrant, globally diverse community, we know that tremendous value is gained from people's differences. An inviting culture that recognises and celebrates diversity enables people to reach their maximum potential and be their best, which is fundamental to us and critical to our success.

Research has shown that when employees experience a diverse, caring company it is a key driver of revenue outperformance. When companies invite every employee into the innovation process, they generate more high-quality ideas, realise greater speed in implementation, achieve greater agility, beat sales targets and outperform their competition.

Given the unquestionable impact diversity and inclusion has on people, the business, and society at large, we have placed a renewed focus on diversity and inclusion which is based on the Group's Equality, Diversity and Inclusion Policy. It is simply the right thing to do. Learning from our efforts in this regard, we take an holistic approach to inclusion, choosing to develop a fair, equal and inviting work environment for all people, rather than purely targeting the most obvious groups that are typically under-represented in organisations with our profile.

In FY21 we established dedicated group-wide pillars in the following areas, each of which emerged naturally as areas of broad-based employee interest. Each has their own Employee Resource Group to provide feedback into the group diversity and inclusion plans, and support initiatives that are bespoke to their pillar. Each pillar has an Executive Team member and HR leader sponsoring it to ensure appropriate organisational prioritisation and influence:

- > Culture
- > Ethnicity
- > LGBT+
- > Persons with Disabilities
- > Well-being
- > Women at RWS



Above: Colleague Danny Forero (Bogotá, Colombia) celebrating PRIDE 2021.

Social (ESG) (continued)

The purpose of these groups is to identify strategies for meeting the collective interests reported by each group, thereby driving engagement and increasing the representation, voice and contribution/influence of that group over time. These cross-divisional groups collect ideas from around the world and build activity plans for the next period. Resources are then allocated to the plan as appropriate. Streams typically break into sub-streams to harness specific user interests and experience, and to share workload.

We know there is more to be done to improve the representation of minority groups across all areas, and in FY21 for the first time we sought to establish a demographic baseline across RWS along with a comprehensive Group diversity and inclusion plan - starting with a robust feedback collection exercise through a sub-set of specific diversity and inclusion questions in our first group-wide engagement survey, as well as dedicated employee focus groups and 1:1 meetings with each Executive Team member.

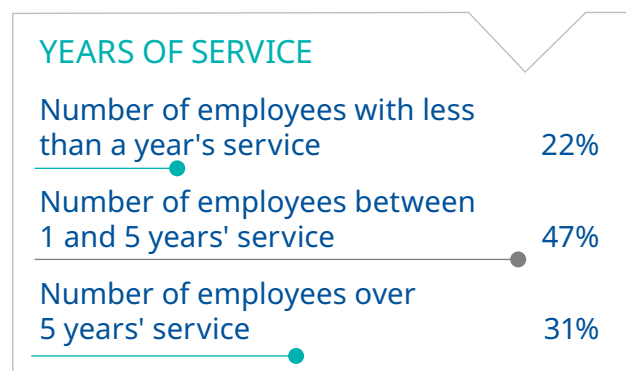
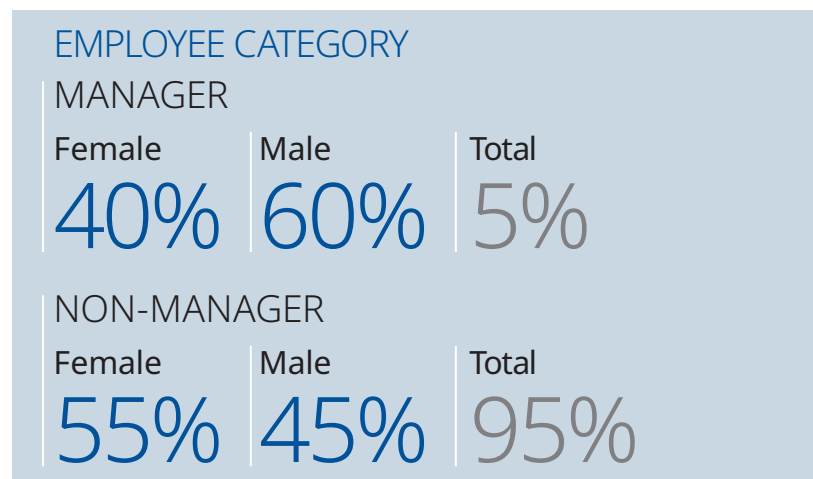
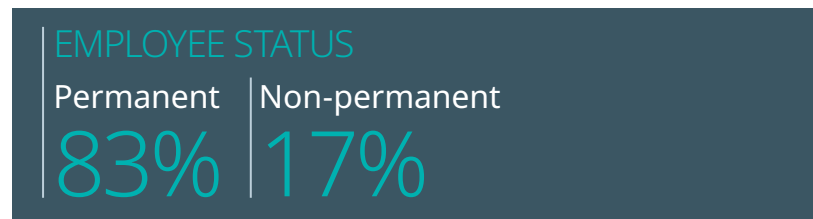
The information collected from the engagement survey was invaluable and also encouraging. In fact, diversity was the highest scoring area in this all-employee survey with an 88% favourable score (versus an 80% target) with very low unfavourable scores at 5%. We were particularly pleased with our scores as they suggest the various actions we have been taking over the last two years have genuinely moved us closer to our inclusion ambitions.

Whilst clearly the fact that we are a global organisation means we already have a more culturally and ethnically diverse work force than many, we recognise that there are still gaps to be addressed and, in FY22, we will fully leverage our newly established resource groups to move things further forward in each of their focus areas.

Whilst RWS is not legally required to report its gender pay situation on a group-wide basis (we do where required for specific in scope UK entities), it is something we do measure. We have started implementing spot-checks to examine relative pay in various sample job families, and so far we are comfortable that individuals in the same job families are paid within a reasonable local range in offices around the world, with no particular adverse trend by gender. However, taking all roles into consideration we know that we do have a general pay gap between male and female employees.

We remain fully committed to addressing this general gap over time, principally through recruitment and training initiatives aimed at bringing more women into technology-oriented roles and developing more women into management and leadership roles. We know that these initiatives do make a significant difference - for example, recent recruitment initiatives in technology where we have specifically

Diversity of our employees globally including office-based and remote workers as at 30 September 2021



targeted women have increased the number of female recruits into RWS technology roles, with 25% of our hires over the course of 2021 being female. While this is a higher proportion than the external market typically achieves in this area, given the relatively low number of women in the technology profession globally (19% - source Women in Tech), naturally 50% would be our ideal.

Talent acquisition

In early 2021 we created a single central recruitment Centre of Excellence, with a direct recruitment mandate for core internal non-linguistic hiring to establish recruitment channels into new and more diverse labour pools, as well as making recruitment more effective and efficient in all key markets.

This new recruitment sourcing capability, along with an improving recruitment branding and better consolidated applicant tracking (generally through the consolidation of our many applicant tracking systems), will allow us to more accurately manage and monitor our diverse talent attraction efforts.

We have quickly added new recruitment channels that help us reach a number of underrepresented groups. In particular we are now fully active on Diversity Jobs (strong reach across multiple underrepresented groups in the US) and myGworks (strong reach into the LGBTQ+ community globally) and active on a number of smaller channels targeting individuals with a disability and veterans.

In FY22 we intend to build on this momentum with a renewed focus on upskilling both recruiting managers and recruitment team members on high quality inclusive recruitment techniques, along with executing our plan to consolidate all applicant tracking systems onto a single platform.



Above: Colleagues in Xi'an (China) before their badminton match

Talent assessment and management

Maximising the potential of our employees is critical to our growth. We have implemented initiatives globally to help our employees maximise their contribution and sense of achievement, as well as develop their careers.

All our divisions run systematic Performance and Development review processes within their teams. These reviews provide the opportunity for employees to set their objectives for the year, discuss subsequent performance including any particular achievements or challenges, and consider future career opportunities with their line manager. Feedback from our engagement survey suggests these reviews serve as an effective tool amongst others for aligning individual goals with organisational goals and enabling a supportive two-way dialogue between employees and their manager.

In FY21 we set up a comprehensive group-wide talent review process intended to develop a pipeline of diverse talent ready to assume critical leadership roles within the business as they materialise. The framework considers leadership potential across three neutrally biased dimensions: learning agility, change agility and relationship agility. It is our intention to roll it out to Senior Leadership Team in FY22.

Social (ESG) (continued)



Above: Training session in Chalfont St Peter

Learning and development

Each of our divisions ran its own curriculum of learning programmes covering technical skills, more generic soft skills and management development. IP Services, for example, started the final year of its “Talent Development Programme” covering a third of the workforce each year with a set of critical performance skills: time management; client service; self-development; stress management; and teamwork.

Many of these programmes, historically classroom delivered, were paused in FY20 as the pandemic moved people out of offices for a period and then re-oriented towards virtual delivery. FY21 saw us adapt fully to a virtual training environment and, anecdotally, this year education and learning events have reached more employees than ever as virtual meeting and training tools like MS Teams have increased global training capacity exponentially relative to the largely classroom-oriented curriculum that was most prevalent previously.

During FY21 we have been piloting our new group-wide learning platform “MyLX” for 250 sales roles in the Group, and will begin extending its reach across the Group in October 2021. This platform will, for the first time, make available a much wider range of learning content to all employees across the organisation. MyLX includes a comprehensive range of training modules from Skillsoft, and provides the capacity for us to add almost infinite additional learning content into the RWS curriculum, including our own proprietary training developed by internal experts, which we intend to leverage across all relevant roles.

This year we also made our “Foundations of Leadership” programme available to all divisions and business units, initially in a virtual format to maximise participation in a multi-location environment. This high-quality programme, originally developed within SDL, provides a consistent set of foundational leadership skills across RWS in support of our aspirations to develop common standards of high-quality leadership across RWS. In FY21, 301 managers attended from multiple geographies and the programme continues to build momentum based on its reputation for providing excellent learning. We have created capacity for more than 600 delegates in FY22.

Training

Year	FY21
Percentage of employees receiving training	79%
Average number of training hours per employee	11.7
Percentage of employees receiving business ethics training*	32.5%
Average training costs per employee	£164.69

*In FY22 our training portal MyLX will be extended to all colleagues across the Group and our business ethics modules consolidated.



Health, safety and well-being

RWS is committed to providing a safe environment for its employees. Whilst we recognise that the nature of our business is low risk relative to many in relation to health and safety, we still focus very hard on it, driving continuous improvement to ensure we meet or exceed local legislative requirements in all units.

All our divisions and cross-divisional functions have formal governance processes in place for health and safety matters. Our group-wide policy uses UK health and safety standards (recognised internationally as being very high standards) as a guideline for all offices around the world. In FY22 all offices will be required to meet this UK standard irrespective of whether the country or jurisdiction they are in operates to a lower legal compliance threshold. If the jurisdiction has a higher threshold than the UK, we comply with that elevated standard.

We are proud of our health and safety practices and in FY21 there were only a small number of work-based accidents reported amongst our employees globally. Naturally, our efforts continued a particular focus in two areas during the course of this year in light of Covid-19 disruption, safe home working and mental well-being.

Absenteeism rate for illness and work accidents	1.6%
Accident frequency rate	0.339%

With the majority of our employees working primarily from home for the whole of FY21, we continue to provide training and guidance for our employees on home workspace ergonomics including correct display screen equipment set up, lighting, and posture. We also provide or subsidise equipment, such as chairs and peripherals, for home use where there are certified medical needs. We know these efforts will deliver ongoing value as we anticipate a move to

Below: A colleague in Rizhao (China) enjoys growing her own vegetables



hybrid working in most locations during the first half of FY22, or otherwise when it is deemed safe to do so.

We continued to develop a very comprehensive programme of communication and activities to support mental health and well-being across our entire employee base during FY21. This portfolio includes a wide range of excellent resources on stress management, meditation, virtual yoga, etc., as well as ongoing guidance to managers on how to spot the signs of mental ill-health within their teams, and resources for them to support any employees finding themselves in need.

In 2021 we launched our new well-being portal to bring all of these resources together in one place. We also made plans to provide external expert support by introducing Employee Assistance Programme support to all employees in all countries that do not already have this in place, no matter how small. This plan is fully set up and went live on 1 October 2021.

Human and labour rights compliance

Our divisions generally have their own Code of Conduct or equivalent ensuring that managers and employees are aware of their obligations in relation to meeting local minimum wage standards and ensuring compliance with human rights, child labour and anti-slavery measures.

In 2021, following the integration of SDL, we have been developing a comprehensive RWS Group Code of Conduct, along with a series of other RWS employment policies. As these policies are developed, they are made available progressively to all employees on the new RWS Hub intranet and complement our divisional efforts by ensuring we address any new global policy gaps as they emerge.

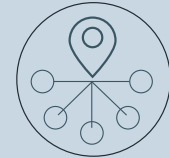
In 2022 we will launch the full new Code of Conduct, and train in any new knowledge or skills required to comply with the Code's requirements. Our intention is to progressively replace the need for divisional policies with this single set of Group policies as they are published to ensure the highest degree of consistency across the Group.

We also intend to bring in new measurement and reporting frameworks to further validate our belief there are no breaches of human or labour rights within the Group, and we are currently evaluating systems which would allow us to check the same, right through our supply chains.



COMMUNITY

We provide an active programme of charitable support to charities proposed by our employees. We also promote foreign language learning actively through school and university partnership programmes including the RWS Campus, the RWS Scholarship Programme with the University of Manchester and Urban Synergy. Other partnerships have included the Street Business School, Food for the Hungry, Brighter Children and St Wilfrid's Centre.



RWS Campus

RWS Campus is our global university programme. We aim to be recognised in our industry for inspiring and developing localisation talent and markets worldwide.

We have a global presence with initiatives in more than 35 countries. We collaborate with more than 220 university partners to focus on our two pillars: branding of RWS as a work giver, and development of localisation talent.

Through RWS Campus we have developed a wide array of content ranging from presentations, trainings, and guest lectures to extensive workshops, all of which allow students to gain more insight and understanding of the trends and realities of the industry. As part of the programme, we also act as consultants to universities on areas such as curricula development and tailored guest lectures. All in all, we participate in or host more than 100 events in a typical year.

Internships and scholarships are other key areas within RWS Campus, with between 150 and 200 interns globally each year, and 50 students taking part in our scholarship programme in the UK.

Since early 2020, we have been working on virtualising our content and approach. Not only has this enabled us to continue to develop RWS Campus through all of 2020 and 2021, but it will allow us to continue to expand our global presence through a digital footprint in the future.

As part of this digital transformation, we have been able to adapt our approach so that, in 2020, 89% of internships transitioned to a full or partial virtual set up. Initiatives



Above: Students at the Chinese University of Hong Kong following a presentation by RWS

such as Support Guides and Best Practices for Managers & "How to" Guides for Interns were developed to support this methodology. With a successful implementation of these initiatives, we have enabled the choice to conduct physical internships in the offices, full remote internships or any hybrid model to accommodate the different needs and opportunities in each of our locations.

RWS Scholarship Programme with the University of Manchester

As one of the world's largest language services provider, we see the growing demand for translation services required to support our clients' global business goals, whilst witnessing a decline in the number of students studying languages at university. As a large employer of language graduates, we believe we have a role to play in encouraging the next generation to consider a degree in languages and support those who may not have the financial means to complete their studies.

In 2019 we launched a scholarship programme in collaboration with the University of Manchester to encourage students to complete a degree in modern languages. Named after our Chairman, Andrew Brode, the 'RWS-Brode Scholarship Programme' supports a total of 50 undergraduate students who joined the university between 2019 and 2021 from a state school.

As part of the scholarship programme, our colleagues, many of whom are linguists, act as mentors to the students, offering support with their studies and guidance on future career opportunities. Covid-19 permitting, we offer students first-hand experience of working in the language services industry through summer internships and work placements, with the potential for full-time graduate roles on completion of their studies. We are delighted that Rozerin Demirci, a second-year BA (Hons) Spanish and Portuguese student, has started a four-month placement in our Porto office.

We share the experiences of some first and second year RWS-Brode scholars. They are leading the way for future cohorts of RWS-Brode Scholars, and we wish them all well with their future studies.



Above: University of Manchester where we sponsor 50 undergraduate students on the RWS-Brode Scholarship Programme



Fiona Mccudden-Hughes
BA (Hons) French and Spanish | Year 2

"Looking back on the year, I think it has been a big period of readjustment. I am very proud of the work I managed to do this year, especially in the second semester. I weighted my hours heavily on this term which was incredibly challenging as my modules were mostly literature-based.

"I am forever thankful for the support that this scholarship has afforded me. It allowed me to get involved in extracurricular activities (social secretary for the woman's hockey club and co-presenter for fuse in focus, the university radio station's flagship news programme) which I believe helped secure my internship with Java Films – a company in Paris that distributes documentaries."



Rozerin Demirci
BA (Hons) Spanish and Portuguese | Year 2

"The past year has been strange for everyone. I would never have imagined my second year would take place entirely online. It was a new and challenging experience, at times lonely and frustrating, but as the year progressed, I adapted to the new normal.

"The virtual RWS insight event that took place during the second semester was a great way of gaining knowledge about the different careers at RWS. I am delighted I will be working as a Translation Intern at the RWS offices in Porto and look forward to meeting the team, learning from specialists and gaining insight into a career in translation and translation technology.

"I am very grateful for the continued support you have given me despite how challenging this year has been."



Michael Mccolgan
BA (Hons) French and Spanish | Year 2

"It would be disingenuous to suggest that this year has been straightforward, and it has come with its own set of challenges. I am pleased with the modules I selected as they were diverse in their themes and ranged from humanities-oriented units to Spanish linguistics.

"I am spending next year in Toulouse and Almería as a student in their respective universities which will allow me to become proficient in both French and Spanish.

"The RWS-Brode Scholarship has become even more vital to me this year. The pandemic has meant I have not been able to return home to Ireland and by alleviating the financial burden, I have focused fully on my studies, my personal development and been in a position to buy any required course materials."



Sam Clarke
BA (Hons) Russian and Spanish | Year 2

"My second year at university has been very different to the first. With all my classes now being delivered online, I have had to adapt to a new style of learning that was strange at first but has now become the norm.

"The highlight of this year has been being able to invest more time in myself and improving my academic skills. I have enjoyed developing my language skills in Spanish and Russian; the language aspect of my course will always be my favourite.

"My scholarship has helped me achieve what I have so far during my time at university. It has eased the financial pressure and allowed me to purchase materials that have helped me with my academic studies. I cannot put into words how grateful I am for this award."

Social (ESG) (continued)



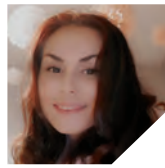
Aidan Findler

BA (Hons) French and Chinese | Year 1

"My first year at university has been a bit of a peculiar one, to say the least! With Covid-19 disrupting the lives of everyone all over the world, the University was no exception.

"In my joint honours course, I have had the opportunity to study six different modules this year - the Chinese side of my degree, both cultural studies and language, has been the most enjoyable so far. It's been a challenging shift to such a drastically different language and history, but it has been a fun challenge, nonetheless.

"I am extremely thankful to you, my donors, for aiding me financially this year. Though this year has been a rough one for many, not having to worry massively about my financial position has been a great help."



Emma Pivovarnikova

BA (Hons) Russian and Spanish | Year 1

"This year has truly been challenging and difficult; however, I feel I have dealt well with all the challenges. The module I have enjoyed the most was my Russian language class, and the highlight was how well I have been doing in my Russian language classes. I am so proud of how far I have come in my first year.

"I am looking forward to meeting my classmates in person next year. This will have a positive impact on my learning as we will be able to share our knowledge and practise our language more.

"Thanks to this scholarship I have been able to buy the books that I require. It has also given me the opportunity to secure a house in Manchester for the next academic year."



Eleanor Bramley

BA (Hons) Arabic and a Modern European Language | Year 1

"It has been a great year for me, despite being difficult and far from a normal first year at university.

"I have enjoyed all my courses and modules this year, particularly learning the Arabic language. I have surprised myself by how much Arabic I have picked up in such a short space of time. I still hope to move abroad and work for a while, either as a translator or language teacher. My highest aspiration for the future would be to work for the government as an Arabic translator or language analyst.

"I would like to thank Andrew Brode and RWS for the extra support I have received from this scholarship, and for the extra events you held this year. I look forward to continuing my degree."



Yassin Lopez Ruiz

BA (Hons) French and Spanish | Year 1

"This first year of university has been completely different to what I thought it would have been. Although I struggled a little at first, I have really enjoyed my "Spanish Cultures" module in particular, learning about my culture in a way that I never have before.

"This year has come with many life lessons, I am super excited to start another academic year with everything that I know now. Thanks to this scholarship, I have finally been able to buy a new, reliable laptop which makes it so much easier to study. When I was living in Spain, my dream was to study at a British university, but I never thought it would be possible. Being awarded this scholarship truly makes all the hard work and struggles worth it."



Urban Synergy has
reached 4,611
 young people through
40 e-Seminars

Urban Synergy

At RWS we understand the importance and benefit of diversity, equity and inclusion and supporting education which is why we have been actively supporting and involved with Urban Synergy over the last year, taking meaningful action that generates long-term impact.

Urban Synergy is a youth empowerment charity which inspires, guides and ignites the ambitions of young people in the UK. It has supported more than 15,000 students since 2007.

Due to the global pandemic, Urban Synergy has pivoted its programmes online to support even more young people from black, minority ethnic and disadvantaged communities. The pandemic has further increased uncertainties and this is adversely affecting young people from black and ethnic minority communities more. For example, black graduates are twice as likely to be unemployed than their white counterparts.

Urban Synergy connects underrepresented communities to mentors and corporate partners such as RWS, implementing effective programmes, training and recruitment opportunities that directly address systemic barriers to success in the workplace.

2021 impact so far

Urban Synergy has reached 4,611 young people through 40 e-Seminars, registered 172 new mentees on their e-Mentoring Programme and provided 132 work opportunities, in technology, finance, law, engineering, business, trading and marketing.

Urban Synergy won a number of accolades for its work during 2021: Leila Thomas, CEO and Founder, was named on The Top 10 Black Role Model List, sponsored by Google. She was also listed on The EMpower 100 Ethnic Minority Executives List and awarded a Profile in Courage Award, from the National Black Crown Prosecution Association.

Leila said: **"Talent is everywhere, but opportunities are not. Working with RWS to raise the aspirations of young people has been a joy. The language specific seminars have really shown our young people to be proud of their additional languages, and that they can gain employment and fulfilling careers using them."**



Social (ESG) (continued)

Urban Synergy's reach

Urban Synergy has 1,042 role models in its network accruing 1,653 volunteer hours this year, though it is seeking even more role models, as well as recruiting mentors to join its three-month online e-Mentoring programme. It works with students from 105 schools across Greater London.

RWS employees are able to work with Urban Synergy by volunteering for both e-Mentor and e-Seminar opportunities. The e-Mentor volunteers help the students with presentation skills, creating their CVs, mock interviews, goal setting and organisational skills.

e-Seminars are inspirational panel discussions with students from 10-18 years old, with the aim of providing relatable role models and insight into the available roles in the workplace, as well as the qualities required to succeed. They are interactive sessions and provide time for questions from the students.

This year Urban Synergy has also developed inspirational interactive workshops to further support students in their subject choices due to the slimmed down curriculum that has been in place as a result of pandemic restrictions.

RWS HIGHLIGHTS

Number of RWS volunteers:

17

Number of students impacted:

619

This is broken down into the following:

e-Mentoring - seven colleagues have been involved in the e-Mentoring programme so far this year, though 16 colleagues in total have registered their interest in the programme.

Colleagues have volunteered for a total of 27 hours, with a further two volunteers awaiting training.

e-Seminars - eight colleagues have been active role models on the e-Seminar programme supporting 612 students. They have attended 11 sessions and completed 18.75 volunteer hours.

Student feedback

"My mentor was very helpful and patient in helping me make my CV and also I enjoyed presenting my final presentation on the measurements of time."

Joe Lister, aged 17, e-Mentee (matched with RWS mentor).

"My mentee and I built a good rapport, and Dylan took several of the discussion points from our meetings and proactively applied them to his career research. He was also willing to step out of his comfort zone and try new things that he initially felt nervous about and felt good about having done them."

Andy, e-Mentor (RWS mentor).

"I think that Henry (from RWS) was brilliant because of the simplicity of his talk and how direct his message was. He highlighted the importance of keeping your options open at A-Level and really studying what interests you in tandem with what degree you study at university."

Prince, aged 16, seminar attendee.

Together RWS and Urban Synergy are building an equitable world where everyone, regardless of their background, is empowered to write their own future.



RWS AND THE OUTWARD BOUND TRUST

The Outward Bound Trust was established in 1941, and is a leading educational charity that uses the great outdoors to help young people from all walks of life develop. They provide adventurous learning courses for young people to learn the social and emotional skills that will play a pivotal role in how they navigate the challenges of adolescence and beyond. The aim is for young people to return home with a stronger sense of self-belief, and empowered with the attitudes, skills and behaviours they need to make positive change in their lives.

Unfortunately, due to the Covid-19 pandemic, schools across the UK were not allowed to run residential programmes which had a hugely detrimental impact on charities such as the Outward Bound Trust which has had to cancel its summer Adventures Programme in 2020 but, we are delighted that the residential programmes restarted in 2021.



Above: Outward Bound Trust

RWS FOUNDATION

As part of the integration of SDL, we have renamed its foundation and are consolidating all our philanthropic initiatives under the new RWS Foundation. As part of this, the trustees of the RWS Foundation will be reviewing the Foundation's Deed and purpose and submitting it to the Board for approval in FY22.

Initiatives supported by the SDL Foundation this year include Street Business School, Food for the Hungry, Brighter Children and St Wilfrid's Centre.

RWS encourages its employees to volunteer in the community and five working days can be taken by employees to get involved in charitable initiatives.



Above: Street Business School

Social (ESG) (continued)

Street Business School (Uganda)

The Foundation has supported Street Business School (SBS) since 2019 when it was provided with an initial grant of USD50,000 in a three year pledge. The partnership has enabled SBS to test a number of solutions seeking an efficient way to create large scale change for thousands of women in Uganda. Education is a fundamental need for everyone and SBS aims to educate and empower 1 million women by 2027, lifting them out of poverty and educating the next generation.

Food for the Hungry (Kenya)

The Foundation has supported Food for the Hungry since 2009. The partnership has developed into a solid relationship over the past 10+ years and we have witnessed the development of a community – Maisha Bora, Kenya. Food for the Hungry's development interventions are based on two main principles:

- > Education in terms of wisdom and understanding is more valuable than material things
- > The key to empowering indigenous leadership is educating children as when they mature, the things they have been taught remain with them.

"We know that a community is transforming when we see the children flourishing, all interventions can be seen as preconditions needed to achieve quality learning."

Paul Cornelius, President UK, Food for the Hungry

Brighter Children (Worldwide)

Our partnership with Brighter Children started in 2019. Brighter Children works with schools' partners in impoverished communities across the world. It provides an annual scholarship to children who are at risk of dropping out of education. Brighter Children also supports the communities by investing in farming to help with food supply, healthcare including vaccines, general care, hygiene, and home care.

St Wilfrid's Centre (UK)

St Wilfrid's Centre, based near our Sheffield office, is a community where homeless, vulnerable and socially excluded adults can find understanding, practical assistance, a sense of belonging and the support to regain self-esteem. Our Sheffield office has supported it since 2013 with individual donations, team building efforts and smaller fund-raising by employees. Recent donations by the Foundation have been used to help the Centre's Rough Sleeper Programme. With the global pandemic, the grant helped get many homeless people off the streets and was used to fund a member of the welfare team ensuring the charity could assist with Sheffield's HelpUsHelp partnership.

Below (top): Brighter Children

Below (bottom): Food for the Hungry



CLIENTS

RWS strives to satisfy its clients' needs by providing services that meet and/or exceed their expectations. Our clients rely on our expertise, integrity and creativity to help them overcome their translation challenges and keep their businesses moving forward in a global environment. Our employees are aware of the role they play in achieving this which is reflected in improving and optimising existing processes and controls, striving for:

- > On-time delivery
- > Right first time
- > Client satisfaction

Good client relations

Good client relations are of paramount importance to us and we are proactive in building long-term relationships with our clients and have a proven track record in doing so. We work closely with them to understand their requirements and always put in place a team and process that meets their specific needs.

Most importantly, however, are the open channels of communication we like to maintain with our clients. We remain in regular contact to help us anticipate their needs and pre-empt and/or immediately address possible areas of concern and always remain alert to identifying areas for streamlining our processes and continuous business improvement.

Efficient and high-quality service

We are highly committed to delivering an efficient and high-quality service to all our clients and take a proactive approach to ensure this is achieved. Internally we measure and report on the number of projects delivered on time and client satisfaction through the logging of positive and negative feedback received, either through the response to questionnaires sent with completed projects or gathered during account review meetings or received directly from clients.

We seek client feedback in a number of ways, this includes:

- > At client onboarding we define service level agreements (SLAs) and Key Performance Indicators (KPIs) by which our performance will be evaluated. We also define reporting requirements to ensure full visibility within the programme

- > Business Relationship Management (BRM) with key accounts
- > Map reporting to client specific needs - tracking performance against specific metrics providing feedback anecdotally and at quarterly business reviews, etc.
- > Net Promoter Score (NPS) tracking and interviews
- > Project questionnaires and annual client service-level questionnaires including our Voice of the Client and Voice of the Vendor surveys
- > Webinars and roadshows
- > Annual conference (which attracted 6,000 users in 2021)
- > Calls and contact via our help desks
- > Live chats, user communities and user groups (for Trados clients)
- > Telemetry which is built into Trados Studio to report errors in the software to a centralised database
- > Technical support surveys on closing every incident reported (for Trados clients)
- > Product uptime KPIs (for Cloud Operations)

The RWS Account Management teams attend regular account review meetings according to a timescale agreed with the client where we discuss our performance and provide updates and service developments with the potential to further enhance the added value delivered by RWS. During such meetings, we present and discuss data relating to service delivery and our performance against agreed KPIs.

Improving client outcomes

- > Innovation, automation, efficiency, accessibility, security making us more agile – RWS has always adopted technology in its process and its innovative use of technology in our translation process is one of the Group's unique selling points. The acquisition of SDL allows the Group to combine the businesses' language technology tools with the Group's industry-leading language business services to further improve our client outcomes
- > Responding to client needs – as described above we do this through our in-depth knowledge of the market and constant dialogue with our clients
- > Continue to improve our products to further empower clients – we operate in a fast-moving market where technology plays an increasingly important role. We constantly strive to deliver new business services designed to streamline and improve the efficiency of our clients' services

Social (ESG) (continued)

SUPPLIERS

RWS is committed to ethical and responsible sourcing and working with vendors who share common principles of fair and honest trading, demonstrate a commitment to maintaining satisfactory working conditions, and comply fully with all legal requirements and with the labour, health and safety standards of those regions in which operations take place.

The maintenance of a well-managed supply chain is a priority to RWS. Our suppliers are selected on quality, service and cost criteria as part of our responsible procurement practices. Our Supplier Code of Conduct outlines our core principles for supplier conduct, including compliance with laws and regulations, terms and conditions of employment, discrimination, harassment and retaliation, wages and benefits, child labour, health and safety, sustainable development and environmental protection, data privacy and anticorruption and bribery. We are mindful of our obligations under the Modern Slavery Act, 2015 and our commitment to eliminate slavery and human trafficking in our supply chain. Our 2021 Modern Slavery and Human Trafficking Statement sets out our commitment to eradicating these abhorrent practices, and our policies and governance.

RWS has a diverse supply chain with suppliers located in 169 countries across multiple categories. These include technology (hardware, software, cloud, telecom, etc.), indirect (consulting, marketing, vendors, travel, etc.), and direct (production services, print, paper, stationery, etc.) suppliers.

RWS's supply chain can be categorised into two main areas:

- > **Vendors** – these include:
 - > Freelancers – individuals who provide us with localisation services
 - > Single language vendors (SLV) and multi-language vendors (MLV)
 - > Non-professionals – individuals who are part of our crowdsourcing service
- > **Suppliers** – these are both small and large companies who provide us with products and services

We believe it is important to have two-way communication with our suppliers to foster better relationships and keep them updated on our requirements, as well as assisting with efficiencies, quality, insight, costs and reliability.

During FY21 we engaged with our suppliers in numerous ways. These included newsletters, vendor feedback and satisfaction surveys, holiday capacity surveys, buddy meetings between language leads, monthly welcome calls, on-boarding sessions, specialised training sessions (such as programme-specific post-editing training delivered on an individual basis, workshops on creative translations and best practices for our service providers, specialised training on subtitling and challenges for APAC languages), as well as surveys to get feedback on the training provided and their feedback on ESG materiality.

We believe sustainable sourcing is essential as it helps reduce risks in the supply chain and meets the expectations of our stakeholders. It helps us make informed and balanced decisions when purchasing products and services. We will get the best value for money while ensuring we take into account the environmental, social and ethical aspects over the whole product or service lifecycle.

We wish to do business with responsible suppliers and subcontractors who understand the nature of the products, materials and services they are supplying, and with those who recognise their responsibility to protect the environment and manage good relationships with their employees and local communities.

We expect all suppliers and subcontractors to manage the environmental and social impacts of their business operations. Suppliers and subcontractors should, where appropriate, adapt their business practices to ensure that they meet with our Supplier Code of Conduct. Our supply chain has our full support in working towards compliance.

RWS prides itself on paying its suppliers promptly and in FY20 signed up to the Prompt Payment Code. During FY21 RWS's average payment terms to suppliers was 31 calendar days.

Going forward, it is our intention to roll out our Supplier Code of Conduct to all suppliers, capturing evidence of acceptance. We will develop a group-wide Sustainable Procurement Policy which, demonstrates our commitment to the United Nations Ten Principles. Additionally, we will set formal group-wide KPIs which are approved by, and reported to the Board, a cohesive global onboarding processes for new suppliers and a formal audit capability (focusing initially on geographic regions and revenue. This will enable us to review findings on a group-wide basis and co-ordinate the necessary activities to enhance supply chain resilience and reduce business risks.



GOVERNANCE

We are strongly committed to upholding the values of good corporate governance as we believe it is important for the long-term success of the business – our clients can depend on us, we can attract the top talent we need to help us innovate, our suppliers can rely on us, and it helps us secure the support of our investors. RWS is committed to promoting transparent, fair and timely decision-making that considers the needs of all our stakeholders.



Business ethics

We take a zero tolerance approach to bribery, corruption, and other financial crime.

RWS operates in accordance with professional standards and, following the acquisition of SDL plc, has integrated its policies and is in the process of developing a new group-wide Code of Conduct.

Although we recognise that, with our exacting policies and procedures, controls and indeed the nature of our business, the risk of the Group encountering financial criminal or other criminal activity is very low, we must always be vigilant and prepared to identify such activity and know how to deal with it if encountered.

RWS has specific policies in place which ensure that professional integrity is adhered to covering the following subjects – Anti-Money Laundering, Anti-Bribery and Corruption, Financial Sanctions, Modern Slavery and Human Trafficking - and the protection of confidential information. In 2021 RWS launched its new Supplier Code of Conduct which requires everyone in its supply chain to adhere to the same highest ethical standards as RWS.

RWS requires all employees, contractors and partners to operate in a professional, ethical, diligent manner and be transparent on all possible conflicts of interest. RWS is setting up a formal process where all potential conflicts of interest will be logged with the Company Secretary. Under this process, all members of the Board, Executive Team, office managers and anyone in a decision-making role, will be required to sign a declaration each year confirming that no conflicts of interest are known to them. In the event a conflict of interest does arise, this must be declared to the Company Secretary who will advise on any necessary actions. Training on conflict of interest matters has been set up in the RWS training portal, MyLX.

RWS works with external law firms to keep up-to-date globally on any changes to ethical standards to ensure that any new legal requirements are reflected in its policies, such as the EU Whistleblowing Directive, which came into force December 2021.

RWS is setting up a formal process for filing the declarations confirming no conflict of interest which

will fall within RWS's internal audit process and will be managed by the Audit Committee. A report will be tabled to the Board annually. This process will be managed by the Group Company Secretary and also reviewed by the Head of Legal quarterly.

All confidential data is governed by terms of engagement with clients and suppliers. Internal confidential data is handled by select key personnel in a secure manner in accordance with GDPR regulation. RWS also adheres to the retention and destruction of data as required through the process.

All billing and spend is managed locally at divisional and regional levels and is overviewed by the finance functions, ensuring all spend is pre-approved as per any Delegation of Authority.

We encourage any form of corrupt or suspicious behaviour to be reported either through an independent third-party portal or via an internal process specified in our Speaking Up / Whistleblowing Policy, which is managed by the Regulatory and Compliance representative and reported to the Head of Legal. The Head of Legal is tasked with investigating the matters with oversight from a member of the Board. In all cases a report is created, recommending next steps and/or possible disciplinary actions.

RWS has a zero tolerance for violations against professional integrity. Disciplinary actions are reviewed in conjunction with the Head of Legal and Chief People Officer, together with local legal advice.

RWS manages sensitive data in accordance with GDPR and relevant data privacy laws which is led by the Group Privacy Officer (GPO). The GPO has regular meetings with the security teams and divisional leads to ensure compliance and reports back to the Chief Financial Officer and the Head of Legal on a monthly basis.

Training for relevant regulations has been set up on the RWS training portal, MyLX.

RWS strives to comply with best practice and benchmarks itself against leaders in business ethics and professional integrity, as well using knowledge gleaned from attending conferences such as the annual

Corporate Governance (ESG) (continued)

European Compliance and Ethics conference. RWS adopts an open and transparent approach showcasing its zero tolerance of violations against professional integrity and business ethics.

The company is managed in accordance with The Quoted Companies Alliance Corporate Governance Code (the QCA code) and Rules of the AIM, the London Stock Exchange regulated market (RWS.L), and any associated legal disclosure requirements based on where the legal proceedings may have originated.

There was no material litigation in FY21.

Governance and reporting

As an AIM listed company, RWS has chosen to implement The Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures laid out by the QCA Code provide a framework to ensure we have the appropriate corporate governance arrangements in place. The Board considers that RWS does not depart from any of the principles of the QCA Code and our 2021 Annual Report includes details of our compliance, which is reviewed annually in line with the requirements of the QCA Code.

Governance structure

At RWS, the Chairman and CEO roles are separate. The Chairman leads the Board and has overall responsibility for corporate governance and promoting the values of the Group, both internally to employees and externally to the broader stakeholder group. The CEO manages the day-to-day operations of the Group (see Corporate Governance Report page 77).

As part of our commitment to high standards of governance, the Board recognises the importance of having Non-Executive Directors who are independent in character and judgement, and free from relationships which may affect, or could appear to affect, their judgement. The RWS Board consists of seven members, the Chief Executive Officer and Chief Financial Officer as Executive Directors, the Chairman and four Independent Non-Executive Directors (see pages 74 to 75).

RWS has two specialised committees, the Audit Committee and the Remuneration Committee.

The Audit Committee monitors the integrity of the financial statements of the Company including but not limited to its annual and half-yearly reports, preliminary announcement of, and any other formal announcements relating to, its financial performance, and reviews and reports to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

The Remuneration Committee is responsible for setting the remuneration policy for all Executive Directors and the Company's Chair, including pension rights and any compensation payments. The Remuneration Committee also recommends and monitors the level and structure of remuneration for the Executive Team. No Director or Senior Executive is involved in any discussion or decision about their own remuneration.

Tax transparency

RWS is committed to being a responsible corporate citizen within each jurisdiction in which it operates, and does not use "tax haven" countries or other tax avoidance arrangements as part of its tax planning.

RWS is straightforward, transparent and cooperative in all its dealings with tax authorities, ensuring that it is in compliance with all local taxation legislation and meets all applicable filing and payment deadlines.

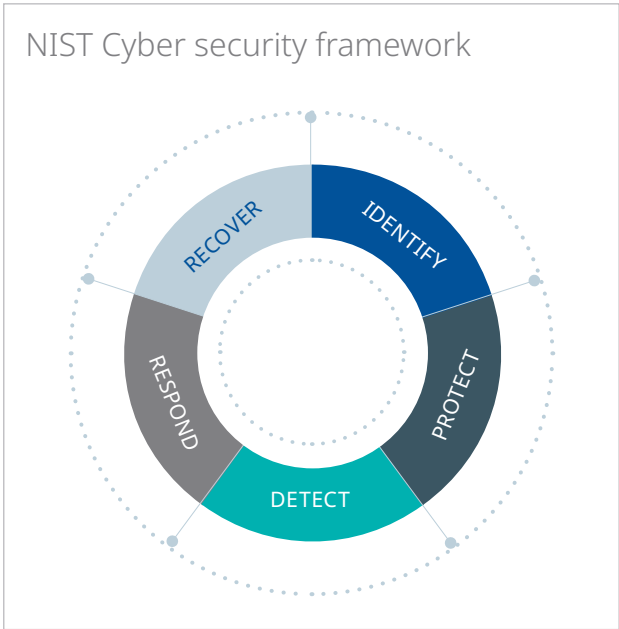
As an employer of more than 7,600 employees across 36 countries and over 80 offices globally, RWS also makes significant tax payments in respect of payroll taxes, value-added taxes and business/premises taxes.

Cyber security

Cyber security is the practice of defending computers, services, mobile devices, electronic systems, networks and data from malicious attacks. Cybercrime is not new. Increased connectivity, remote working, reliance on technology, and automation increases the risk of attack. Furthermore changes in ways of working driven by the pandemic have created more opportunities for cybercriminals. RWS understands that our cyber security preparedness must continue to evolve to address the changing risk.

The strategic security posture for RWS is set by the Information Security Steering Committee (ISSC), chaired by the CTO who is the executive sponsor for security. This group includes stakeholders from all divisions and selected business units to collaborate on the continual improvement of the Information Security Management System (ISMS) which also helps drive our integration program, increases awareness and supports a consistent risk based approach to information security. Furthermore, the ISSC provides oversight and governance of information security risks.

RWS is adopting the NIST Cybersecurity framework to provide a commonly understood structure to our Information Security Management System (ISMS) and focus our efforts. This helped us achieve the globally recognised ISO27001:2013 certification for our hosted product solutions, Regulated Industries division, IP Services division and their supporting services, people,



processes and technology. RWS also holds SOC2 certificates for its Cloud Operations and Language Services functions. The ISMS provides a robust baseline which gives RWS the agility to develop further the controls necessary to meet a variety of sector specific information security compliance requirements if identified as being in the business interest. Our ongoing work to improve and expand the scope of our certified ISMS ensures the implementation and external validation of internationally recognised information security controls which benefit both RWS and our clients.

Acknowledging that security risks will always exist, an important part of our ongoing integration efforts is the implementation of a suite of information security policies which will provide high level security guidance to all RWS functions in a number of areas including, but not limited to: risk management; physical security; privacy, and incident management. They set out RWS' approach to supporting business aims and objectives whilst ensuring a consistent approach to the management of risk.

The analysis of security risks in accordance with approved policies and processes identifies threats, considers the likelihood of the threat materialising and assesses any potential impact on business objectives. This structured approach informs decision makers and allows them to identify whether mitigation is appropriate and if so, what form it should take. This could, for example, be to stop an activity, to implement technical controls or update processes which reduce the risk to an acceptable level. Selection of appropriate mitigating measures or controls are informed by advice and guidance from the security team but is the

responsibility of the asset/risk owner. If the owner of an asset is unable to address the risk satisfactorily, it can be escalated to the next level in the management chain. Security risks are captured and managed through our risk management process which is the responsibility of our CFO, and shared with the Board annually.

RWS employs 'defence in depth' in its security posture and understands that regular testing of its security controls is important. As such we routinely conduct vulnerability scanning of our internal and external infrastructure and, at the request of some of our clients, elements of our public facing infrastructure are subject to periodic penetration testing. This allows the identification of weaknesses which are analysed to determine the most appropriate mitigation to be applied.

The UK's Cyber Security Breaches Survey identified that 83% of businesses reported phishing attacks in the last 12 months, making it the most prevalent type of attack. RWS has also been regularly subjected to such attacks and whilst our technical controls block most spam and malicious messages, it is inevitable that some phishing emails get through. Because we realise this is likely to be the weakest link, we maintain and continually improve our security awareness regime to provide employees with the information necessary to identify such threats thereby reducing the risks. In addition to regular messaging and security awareness delivered through our learning management system, MyLX, RWS uses external providers to deliver security training, knowledge assessments, and testing, allowing us to identify where additional training may be needed, track its delivery and participation and test its effectiveness.

We acknowledge that the implementation of cyber defences can be expensive but we know that we must continue to develop our resilience to support the business. Our security roadmap takes a cost effective and balanced approach to its continual improvement to provide appropriate protection so that our defences are sufficient to meet known threats, but not excessive. As an example, RWS has almost completed the implementation of multi-factor authentication (MFA) to access our virtual private network. Furthermore we understand that not all cyber-attacks can be prevented and have engaged an external partner to provide a 24/7 detection and response capability to enable incidents to be addressed as soon as possible to minimise any business impact.

Corporate Governance (ESG) (continued)

Data protection

RWS ensures it complies with the relevant jurisdictional data protection legislation. Headquartered in the UK, RWS has adopted the EU GDPR and UK Data Protection Act 2018 as its benchmark for data protection. We have a comprehensive set of policies which reflect the applicable privacy legislation and identify processes, procedures and practices focused on the protection of Confidential Business Information (CBI) and personally identifiable information (PII).

RWS, being cognisant of the requirement for privacy by design, provides functionality within RWS software to enable clients to comply with their obligations under data protection law.

RWS processes personal data on behalf of clients when providing localisation services or when licensing our software via SaaS. Our clients collect the data and transfer it to RWS to process. Client data is translated, transmitted and stored within the RWS environment and on completion is deleted in accordance with internal deletion policies or as specified by the client.

Similarly, when RWS licenses web content management software, the client determines the parameters of data collection and retention. RWS processes client data in accordance with instructions agreed with clients in Non-Disclosure Agreements, contracts and Data Processing Agreements.

RWS does not undertake detailed profiling of consumer clients on behalf of clients. Data provided by clients is never sold or rented. As required to perform the services, RWS will disclose data between affiliate companies and approved third party sub-contractors; Appropriate Data Processing Agreements are in place to govern these transfers.

In FY21 there have been no disclosures or unauthorised movement of sensitive information including PII and CBI. As a result, no clients have been affected by any such incidents.

FY21 INVESTOR AND OTHER RECOGNITION



During FY21 the Group had:

- > 55 of 55 applicable sites* with BS EN ISO 9001:2015 for Quality Management Systems in place
- > 3 of 3 applicable sites* with BS EN ISO 13485:2016 for Medical Devices in place
- > 53 of 53 applicable sites* with BS EN ISO 17100:2015 for Translations Services in place
- > 5 sites have BS EN ISO 14001:2015 for Environmental Management Systems (EMS) in place
- > 4 of 35 applicable sites* with BS EN ISO 18587:2017 for Translation Services - Post-editing of Machine Translation Output in place (Awaiting certificates for remaining applicable sites)
- > 14 of 14 applicable sites* with BS EN ISO 21500:2012 for Project, Programme and Portfolio Management in place
- > 6 of 9 applicable sites* with BS EN ISO 27001:2013 for Information Security Management in place

* Applicable sites are sites providing services which are relevant to the ISO certification within the reporting year.



> 14th percentile out of 14,000+ companies

> Climate programme score - B

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SASB Disclosure

SERVICE SECTOR: PROFESSIONAL AND COMMERCIAL SERVICES

REPORTING YEAR: ALL DATA REPORTING FOR FY21 UNLESS SPECIFIED

RWS has chosen to evolve its sustainability reporting by disclosing sustainability topics and certain accounting metrics in line with the SASB Standards. SASB Standards are maintained under the auspices of the Value Reporting Foundation, a global nonprofit organisation that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value.

The Value Reporting Foundation Board of Directors oversees the strategy, finances, and operations of the entire organisation, and appoints the members of the SASB Standards Board. The SASB Standards Board is an independent board that is accountable for the due process, outcomes, and ratification of the SASB Standards.

RWS is supportive of the SASB framework as it allows companies to provide comparable and consistent ESG-related data. We have modified some metrics to reflect our domicile in the UK. In addition, we have provided additional metrics where we believe they will provide further information regarding a specific sustainability topic.

We have chosen to report in conformance with the SASB Standard for the Professional & Commercial Services industry, which includes the following disclosure topics:

- > Data security
- > Workforce diversity and engagement
- > Professional integrity

These ESG topics are reviewed along with specific metrics in the following sections of the Annual Report:

Topic	Summary approach	For more information
Data Security	We understand that information security is important to all our stakeholders including clients, investors and employees. We take a risk-based approach to the implementation and maintenance of a robust baseline of security controls which are specified in our information security management system, monitored by senior management and subject to regular external and internal validation. This allows RWS to ensure our safeguards are appropriate and proportionate and facilitates the continual improvement of our information security position.	SASB metrics: page 53 and 54 Discussion and Analysis: pages 50 to 52
Workforce Diversity & Engagement	RWS's success is based on its delivery of high-quality solutions. RWS recognises the importance of having an engaged, motivated and diverse team of employees and has several initiatives in place that seek to maintain an inclusive culture, recognising achievement and support of all its employees.	SASB metrics: pages 54 and 55 Our people: pages 32 to 39
Professional Integrity	For RWS, acting and being seen to act with the highest level of professional standards and integrity is fundamental to developing and maintaining trusted partnerships with its various stakeholders. RWS seeks to act with transparency, honesty and integrity at all times.	SASB metrics: pages 54 and 55 Corporate Governance: pages 49 to 52

SUSTAINABILITY DISCLOSURE TOPICS AND ACCOUNTING METRICS

Topic	Accounting metric	Category	SASB code	Response
Data Security	Description of approach to identifying and addressing data security risks	Discussion and Analysis	SV-PS-230a.1	See pages 50 to 52
	Description of policies and practices relating to collection, usage, and retention of customer information	Discussion and Analysis	SV-PS-230a.2	See page 52

SASB Disclosure (continued)

Topic	Accounting metric	Category	SASB code	Response
	(1) Number of data breaches (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII) (3) number of customers affected	Quantitative	SV-PS-230a.3	(1) (2) (3) In FY20/21 there have been no disclosures or unauthorised movement of sensitive information including PII and CBI. As a result, no clients have been affected by any such incidents.
Workforce Diversity & Engagement	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees	Quantitative	SV-PS-330a.1	<p>As RWS is a global business, and in keeping with local legislation which differs from region to region, the decision was taken to reach out to all employees globally but on a totally anonymous and voluntary basis. This was done so that RWS was deemed to be acting inclusively rather than excluding certain regions.</p> <p>The survey asked employees to share information on their gender, age, ethnicity, sexuality and disability.</p> <p>This was the first time that RWS has undertaken such a survey and the response rate was 31.4%. Due to the response rate being relatively low, we are unable to substantiate that RWS is a truly diverse company.</p> <p>Going forward we hope that the voluntary response rate will increase.</p> <p>For the results of our survey, please see Tables 1, 2 and 3</p>
	(1) Voluntary and (2) involuntary turnover rate for employees	Quantitative	SV-PS-330a.2	See Table 4
	Employee engagement as a percentage	Quantitative	SV-PS-330a.3	<p>See Table 5</p> <p>Until FY21 all employee engagement surveys had been undertaken on a divisional-basis. We undertook our first group-wide employee engagement survey in FY21 using off-the-shelf software and the results were analysed by an external agency. The response rate was 80.7%. The survey covered key areas including diversity, leadership, strategy, innovation, clients, collaboration, culture, business operation and integration.</p> <p>We used the percent favourable response for the question concerning – "I would recommend RWS as a place to work to my friends."</p> <p>Diversity is viewed as a organisational strength with a favourable score of 88%.</p>
Professional integrity	Description of approach to ensuring professional integrity	Discussion and Analysis	SV-PS-510a.1	See pages 49 to 52
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	Quantitative	SV-PS-510a.2	There was no material litigation in FY21 and we manage ourselves in accordance with the QCA Code (see pages 80 to 82) and rules of the AIM, the London Stock Exchange regulated market (RWS.L), and any associated legal disclosure requirements based on where the legal proceedings may have originated.

ACTIVITY METRICS

Activity metric	Category	Code	Response
Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract	Quantitative	SV-PS-000.A	(1) 69% (5,295 FTE) (2) 31% (2,378 FTE) (3) We have around 29,000 vendors and freelancers who are paid on invoice.
Employee hours worked, percentage billable	Quantitative	SV-PS-000.B	14,964,300 16% Our primary business model is based on words translated but billing per hour is typical of some services adjacent to localisation such as testing, DTP and multimedia services, etc.

Table 1. Role representation of RWS employee responses (FY21)

Role	%
Senior Management	8.87%
Junior Management or Team Leader	19.32%
Employee	66.07%
Prefer not to say	5.73%

Table 2. Global gender representation of RWS employees* (FY21)

Gender	%
Female	60.13%
Gender non-binary	0.93%
Intersex	0.00%
Male	35.97%
Transgender	0.08%
Transsexual	0.04%
Prefer not say	2.08%
Other	0.76%

*For inclusivity, we included additional options under gender representation.

Table 3. Racial/Ethnic group representation* (%) (FY21)

Ethnicity	All employees
Arab	0.90%
East or South-East Asian	21.10%
South Asian	5.52%
Black or African Caribbean	0.85%
Hispanic or Latino	8.04%
Mixed or Multiple ethnic groups	21.16%
Native Hawaiian or Pacific Islander	0.00%
Native American or Alaska Native	0.76%
White	55.81%
Prefer not to say	2.87%
Other	2.65%

*As RWS is a UK-based company, and for inclusivity, we did not restrict the racial/ethnic groups to US employees.

Table 4. Employee turnover rates, % (FY21)

FY21	%
Turnover*	19.2%
Voluntary	14.3%
Involuntary	4.9%

*Challenges remain with data accuracy given the manual collation of data required as a result of the current multiple HR information systems. SDL plc's turnover figures have been included in 19/20 number however Iconic Translation Machines and Webdunia's preacquisition figures have not been included.

Table 5. Employee engagement scores (FY21)

	Favourable	Unfavourable	Don't know	Skipped
I would recommend RWS as a place to work to my friends.	80%	13%	7%	13%
I am proud to work at RWS.	84%	9%	8%	13%
Overall my workplace is respectful.	96%	3%	2%	13%

Chief Financial Officer's Review

INTRODUCTION

2021 has been a transformational year for the Group and we enter the new fiscal year with an exciting platform from which to continue to drive organic growth and a strong balance sheet which will enable the Group to continue to deploy our capital allocation strategy. Whilst the primary focus is on organic growth, we are also focused on driving cost saving efficiencies across the Group. We also continue to review selective potential acquisitions that would further accelerate growth.

The year began in earnest with the announcement that effective 4 November 2020, following the previous 27 August 2020 statement that the Group had reached agreement with SDL for an all share combination. RWS had acquired the entire issued and to be issued share capital of SDL by means of a court-sanctioned scheme of arrangement. Accordingly, 114,054,320 new ordinary shares were issued by the parent company of RWS representing a consideration of £625.5m to acquire 100% of the shares in SDL.

We are pleased to report significant progress on the subsequent integration of SDL into the wider RWS Group. Following the implementation of a detailed integration plan we have identified total cost synergies in excess of £33m, of which over £16m were realised in the current fiscal period. The total expected cost synergies are substantially greater than the original independently identified synergy projection of £15m. The cost to achieve these synergies in the current fiscal period was £10.5m which compares favourably with the original independent projection of £17m. The Group will continue to assess additional operational synergy opportunities as they arise.

The Group remains exposed to currency fluctuations and results this fiscal period have been impacted by significant FX headwinds which have materially impacted reported revenues. As a large proportion of RWS's revenue is denominated in USD, a 7% swing in the GBP/USD currency pairing formed the principal FX headwind in the period.

The Group continues to be highly cash generative, resulting in a movement from net debt (excluding lease liabilities) of £15.1m as at 30 September 2020 to a position of net cash of £45.3m as at 30 September 2021, notwithstanding significant acquisition costs, and costs associated with delivering synergies following the acquisition of SDL. Net debt, including lease liabilities, is £6.2m, significantly improved from an equivalent net debt measure of £37.9m as at 30 September 2020.

Desmond Glass | CHIEF FINANCIAL OFFICER



REVENUE

Group revenue increased to £694.5m, an increase of 95% on the prior financial year. The results this year are materially affected by the acquisition of SDL in November 2020, as Group financials include an 11 month SDL contribution. When we adjust for the impact of this, and that of the much smaller acquisition of Horn & Uchida, on an organic basis Group revenue has decreased by 1%. This reduction is due to the impact of FX headwinds experienced this year, primarily due to the strength of Sterling, and on an organic constant currency ("OCC") basis, revenues have increased by 4%. The growth in OCC revenues was mainly due to the strong performance of our Regulated Industries division which increased by 8% and our Language Services division, which grew by 4%.

Group revenue in the second half of the year increased by 5% on an OCC basis compared with a 3% increase in the first half of the fiscal year. This has led to a slight increase in the revenue weighting towards the second half of the year which now accounts for 51% of full year revenues. The acquisition of SDL has not materially impacted the organic cyclical revenue split between fiscal half year periods.

In terms of divisional revenues, Language Services recorded revenues of £317.6m, an increase of 85% on the prior fiscal period and 4% on an OCC basis. RWS Regulated industries recorded revenues of £162.9m, an increase of 128% on the prior year and 8% on an OCC basis. IP Services posted revenues of £113.6m, an increase of 1% on the prior period comparative of £112.8m and was up on an OCC basis by 2%. Finally, RWS Language & Content Technology recorded revenues of £100.4m, which represented an OCC increase of 1% year on year.

Group revenue, categorised by geography, continues to migrate towards the US market which now accounts for 43% (2020: 41%) of Group revenue. Following the acquisition of SDL, client concentration has reduced and no one client accounts for more than 10% of Group turnover while in the prior financial year a client accounted for more than 10% of Group turnover.

GROSS PROFIT

Gross profit increased by 124% to £313.2m with an associated gross margin of 45.1%. Group gross margin has increased from 39.2% in the prior year mainly as a result of the change in revenue mix as a result of the relatively higher margin revenues recorded consequent to the SDL acquisition while an OCC basis gross margin has remained stable year on year.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased to £257.0m (2020: £88.4m). Administrative expenses as a percentage of revenue have increased from 25% to 37%, which reflects the impact of the significantly higher structural cost base of SDL. Adjusted administrative expenses (gross profit less adjusted operating profit) increased by £128.0m to £194.7m, an increase of 192%.

Exceptional items of £14.1m (2020: £7.8m) include the impact of the IP Services transformation (£4.8m) and the impact of integration costs in relation to SDL (£10.5m). This is offset by proceeds from a warranty claim relating to Moravia of £1.2m

FINANCE COSTS

Net finance costs were £2.4m (2020: £1.5m). Net finance costs have increased year on year due primarily to increased lease interest costs under IFRS16 as a result of the acquisition of SDL of £0.8m and the non-recurrence of a debt modification gain of £1.4m recorded in the prior year. This has been partially offset by reduced bank interest payable, which has fallen by £0.9m as a result of lower financing costs consequent to the Group's reduced level of debt and favourable FX rates.

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax ("Adj PBT") is stated before amortisation of acquired intangibles, share based payment expense, acquisition costs, and exceptional items (see reconciliation on page 164). The Group uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent and meaningful measure of the Group's underlying performance across financial periods. Adj PBT of £116.4m (Adj PBT margin: 16.8%) recorded in the period has increased from £70.2m (Adj PBT margin: 19.7%) in the financial year ended 30 September 2020, an increase of 66%, following the acquisition of SDL.

TAX CHARGE

The Group's tax charge for the year was £13.8m (2020: £12.3m) representing an effective tax rate on profit before tax of 25.1% compared with 21.0% in the prior financial year. The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the UK corporate income tax rate of 19% which results in a higher effective rate than the headline UK rate.

Chief Financial Officer's Review (continued)

EARNINGS PER SHARE AND DIVIDEND

Basic earnings per share for the financial year decreased from 16.9p to 10.9p, a decrease of 36%, while adjusted basic earnings per share increased from 19.9p to 23.8p, representing an increase of 20% which reflects the after tax impact of significant adjusting items this fiscal year consequent to the acquisition of SDL. The weighted average number of ordinary shares in issue for basic and adjusted basic earnings increased from 275.0m to 378.5m, principally due to new ordinary shares issued in connection with the SDL acquisition.

A final dividend for the financial year end 30 September 2021 of 8.5 pence per share has been proposed, equivalent to £33.1m, while an interim dividend of 2.0 pence per share, equivalent to £7.8m, was paid during the fiscal period. A comparative final dividend for the year ended 30 September 2020 of 7.25 pence per share, equivalent to £28.2m, was paid in this fiscal period.

The proposed total dividend for the year of 10.5 pence per share represents a 17% increase on the total dividend relating to the prior fiscal period of 9.0 pence per share.

BALANCE SHEET AND WORKING CAPITAL

Net assets at 30 September 2021 increased by £602.0m to £1,010.9m. The main driver of this increase was the acquisition of SDL for total consideration of £625.5m and comprised total identifiable net assets of £248.1m and goodwill of £377.4m.

Current assets at 30 September 2021 of £287.8m have increased by £153.7m on the prior financial year including an increase in trade and other receivables of £109.7m. Cash balances of £92.5m have increased by £41.1m notwithstanding significant acquisition related costs and restructuring costs necessary to realise cost synergies. The increase in trade and other receivables is primarily driven by the acquisition of SDL and includes an increase in trade receivables of £72.9m and an increase in accrued income of £20.8m. This increase reflects stronger revenue in the second half of the financial year and a strong year end performance across the Group whilst the average days' sales outstanding (the calculation of which measures the number of days' billings in trade receivables) has remained stable.

Current liabilities have also increased due to the acquisition of SDL from £64.5m at 30 September 2020, to £190.9m at 30 September 2021 an increase of £126.4m, primarily due to an increase in trade and other payables balances of £94.4m. Non-current liabilities have also increased by £26.3m, despite a reduction in loan balances under our RCF facility of £19.3m, due to an increase in deferred tax liabilities of £20.9m and non-current lease liabilities of £20.9m following the acquisition of SDL.

CASH FLOW

Cash generated from operations was £102.0m, £7.4m more than the prior financial year when cash generated was £94.6m. This increase has been generated notwithstanding significant cash costs including £11.2m of acquisition fees and £10.0m of restructuring and integration costs following the acquisition of SDL. Operating cash flow before movements in working capital and provisions increased from £87.5m to £125.5m. A net investment in working capital of £23.5m has been predominantly driven by the timing of deals closing and the renewal cycles for our Language and Content Technology division, coupled with a strong finish to the fiscal year for the Group with record revenues in September.

Significant cash flows from investing activities included net cash acquired in connection with the acquisitions of SDL and Horn and Uchida of £53.5m, partially offset by an increase in purchases of intangible software of £13.8m.

Cash flows from financing activities included £17.7m in repaid debt and associated interest and dividends paid within the financial year ended 30 September 2021 of £36.0m.

Cash balances at the financial year end amounted to £92.5m with external borrowings of £47.2m, excluding lease liabilities, resulting in a net cash position of £45.3m (2020: £51.4m cash and external borrowings of £66.5m, resulting in net debt of £15.1m). Net debt including lease liabilities was £6.2m (2020: £37.9m).

POST BALANCE SHEET EVENTS

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

Desmond Glass | CHIEF FINANCIAL OFFICER
20 December 2021



PARTH PATEL | INDIA



Principal Risks and Uncertainties

The risks outlined below are those that the Board considers material to the Group. They are not presented in any order of priority. There may be other risks that are either currently unknown, or considered by the Board to be immaterial, which could adversely affect the Group's business, results of operation or financial condition.

The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve strategic goals, its financial condition and the results of its operations. The Board is supported by senior management personnel who collectively play a key role in risk management and regularly report to the Board.

Risk category	Description	Mitigation
STRATEGIC RISKS		
Loss of a key client	Being a global leader in localisation, the Group has a number of key clients who are supported by large teams which are located globally. Any failure with regard to service, or breakdown in the relationship, would impact our revenue.	Good client relations are of paramount importance to us and we are proactive in building long-term relationships with our clients and have a proven track record in doing so. We work closely with them to understand their requirements and always put in place a team and process that meets their specific needs. Most importantly, however, are the open channels of communication we maintain with our clients which ensure we anticipate their needs, pre-empt and/or immediately address possible areas of concern and always remain alert to identifying areas for streamlining our processes and continuous business improvement (see page 47).
Reputation	Failure to manage our reputation will mean that clients will be less likely to give us new business or renew existing business. It will also impact on our ability to attract new talent.	We have policies in place that apply to each and every employee. The policies detail the standard of ethical behaviour that all RWS employees, partners and suppliers must adhere to. Policies, for example our Speaking Up/ Whistleblowing Policy, are also provided as a guideline on the responsibilities of each employee on how to act, to encourage employees to do the right thing, and as a mechanism to report any violations (see pages 49 to 52).
PEOPLE		
Failure to attract, engage and retain key talent	The quality of services provided by RWS is fundamentally derived from the quality of our people. Our performance could therefore be adversely affected if we are unable to recruit, train and retain key talent in the Group's businesses and across the Group.	Retention of key people is supported by a competitive salary structure, annual bonuses, long-term incentive programmes, a good working environment, clear communication of role requirements, career planning opportunities and RWS's role in promoting ESG activities. With regard to Covid-19, the Group implemented work from home policies to protect our people and ensure continuity of service for our clients. We have regular communication forums with all teams focusing on their health and well-being (see pages 32 to 39).



Risk category	Description	Mitigation
OPERATIONAL		
Cyber security	RWS may be adversely affected by activities such as system intrusions, denial of service attacks, virus spreading and phishing.	The Group has in place data recovery and systems recovery procedures, security measures and business continuity plans in the event of failure or disruption or damage to the Group's technology or systems. In addition the Group carries out third party penetration testing, trains colleagues on data security risks and holds cyber crime insurance (see pages 50 and 51).
Failure of a business-critical partner, supplier or national infrastructure	Failure of a business-critical partner or supplier, or critical infrastructure, resulting in RWS being unable to deliver and/or perform to the required standard.	Where possible, the Group's reliance on a single partner or supplier is avoided. Key partners and suppliers are monitored carefully and we review the most significant risks and the status of related mitigation projects at our Quarterly Business Reviews. We are cognisant of our dependence on the national infrastructure and associated resilience in the regions where we have offices. As part of our risk strategy we are mindful of which countries we operate in. We monitor the situation globally, and where necessary, will take steps to ensure the safety of our employees and the continuity of our services to clients. During the Covid-19 pandemic, there has been no outright business-critical partner or supplier failure.
Mergers and acquisitions	Failure to integrate acquired businesses successfully.	The experience and knowledge gained, and integration frameworks developed from acquisitions in recent years, will continue to be utilised on future acquisitions. Integration is considered as part of any acquisition process. A broad understanding of how the acquisition target will operate within the Group is established at the time an indicative offer is submitted. This view is validated during due diligence and detailed integration plans and related timetables are established following completion of the acquisition. The Group's integration plan/process is under continuous review.
Systems	Systems need to be reviewed continually and, where necessary, updated to manage the increasingly complex business and data analysis needs of our clients. As a result of a number of acquisitions over the last few years, we currently have a number of different systems which we need to consolidate and simplify to improve synergies.	Ongoing reviews of internal systems are undertaken, fully utilising existing internal IT resources and third party experts when necessary. RWS is working on an update of existing workflow practices which will enable the Group to strengthen and further automate the production environment which will allow for more efficient enterprise resource planning investment, streamlining the workflow process. We are in the process of internal reviews to identify best practice as we integrate the Group's systems and procedures.

Principal Risks and Uncertainties (continued)

Risk category	Description	Mitigation
TECHNOLOGY		
New technology	RWS has always embraced new translation technologies, such as Machine Translation (MT), Neural Machine Translation (NMT) and Translation Memory (TM), however we are mindful that new technology could be developed which may reduce the need for our services or disrupt the way in which they are delivered.	There is continuous review of the technology available and full consideration of its implications and potential benefits for RWS. The quality of NMT will improve over time and, as a leader in language services and language technology, we will continue to differentiate ourselves by focusing on the development of our Language Weaver product, and the opportunities it provides.
FINANCIAL		
Currency	A significant proportion of the Group's revenues and costs are generated in foreign currencies which mean these amounts, in GBP, will fluctuate depending on prevailing exchange rates.	The Group performs currency analyses on both its revenues and costs regularly to ensure that adequate transactional hedging measures are in place to minimise financial volatility and to validate the overall currency exposures within the Group.
LEGAL AND COMPLIANCE RISKS		
Legislative / regulatory changes	Legislative and regulatory changes (e.g. unitary patent / medical device regulations / the FDA approval process that simplifies the linguistic validation process) that reduce the need for RWS's services or new, often more rigorous legislation (e.g. climate-related legislation) that creates an elevated compliance and reputational risk.	The Group considers new legislation requirements as part of its risk management process. The Group will continue to pursue an acquisition strategy that diversifies revenue streams and further reduces the risk of individual regulatory issues.
HAZARD RISKS		
Climate change and natural disasters	Risks to RWS resulting from long-term climate change.	We are reviewing our global network of offices to identify which offices and services could be affected by the associated physical risks of climate change. All our offices have business continuity plans, and where identified, we will relocate offices and services which could be impacted. We are also reviewing carbon emissions of the offices globally and taking steps to reduce the carbon emissions, or where necessary, moving to new locations. If extreme weather events start to increase in severity and frequency, preventing our employees from commuting to work, this would have a negligible impact due to the availability of remote working for employees. Extreme weather could also impact on our supply chains and networks and we are reviewing our supply chain vulnerabilities and addressing them. For further details see the TCFD section (see pages 64 to 67).

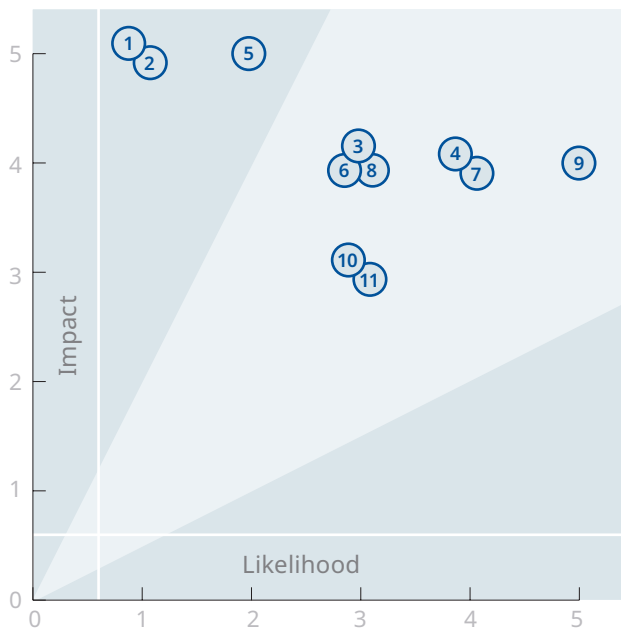


MAPPING OUR RISK

The Group categorises risks according to the likelihood of occurrence and the potential impact on the Group.

The Directors consider the following to be principal risks and uncertainties facing the Group.

The Directors have assessed the 11 principal risks and uncertainties that the Group faces.



STRATEGIC RISKS

1. Loss of a key client
2. Reputation

PEOPLE

3. Failure to attract, engage and retain key talent

OPERATIONAL

4. Cyber security
5. Failure of a business-critical partner, supplier or national infrastructure
6. Mergers and acquisitions
7. Systems

TECHNOLOGY

8. New technology

FINANCIAL

9. Currency

LEGAL AND COMPLIANCE RISKS

10. Legislative / regulatory changes

HAZARD RISKS

11. Climate change and natural disasters



Task Force on Climate-related Financial Disclosures (TCFD)

VIPIN PANDIT | INDIA



TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Climate change is one of the greatest challenges of our time and threatens the lives and livelihoods of billions of people. We all need to work together in helping the world transition to net zero and RWS is committed to helping achieve this. In 2021 we became a signatory to the Task Force on Climate-related Financial Disclosures and we have started working towards aligning ourselves and adopting the TCFD ahead of it becoming mandatory in 2022.

The disclosures included below outline the work we have done to date to align our climate risk disclosure with the TCFD recommendations. Doing so will enable our stakeholders to understand the ways in which climate change is affecting our business now, and in the future.

These disclosures will evolve as the company moves towards full alignment, which we will report on in our 2022 annual report.

In June 2017, the TCFD published recommendations to encourage businesses to increase disclosure of climate-related information. These recommendations focus on governance, strategy, risk management, and metrics and targets. We are aware that new guidance has been published in 2021 and we are looking to include this in future reporting periods.

GOVERNANCE

The Board has direct oversight of climate-related issues and it agrees our position and commitments on climate change.

The CEO retains overall responsibility and management of the Group's policies regarding climate change. He is supported by the CFO who communicates potential climate change issues and manages appropriate mitigation measures. These are presented to the Board bi-annually for support and approval. This process ensures that the company responds and reacts to climate change risks and opportunities in a timely manner.

The CFO holds overall responsibility for risk management. This is done by engaging leadership, including the Divisional Presidents and the Chief Technology Officer. Climate-related risks, as well as Group risks, are assessed firstly to determine their potential impact using hazard vs probability of occurrence. These are then ranked, and appropriate management strategies are developed ensuring that the identified risk is mitigated as much as reasonably possible.

The Board reviews performance against climate targets and going forward will set carbon net zero commitments.

STRATEGY

Internally we use business risk strategy scenarios to help quantify and conceptualise the impact that risks, including climate change, might have on our business practices. Certain risks may need to be assessed and reviewed at a business strategic level whilst others focus on divisional or local practices. Dependant on the risk being assessed, inputs include probability of risk occurring, severity of the risk, assessment of current methods in place to manage the risk and cost of mitigation versus cost of inaction. These scenarios look at the impact from risks over short-, medium- and long-term i.e., 1 to 10 years.

The climate change risk examples we have identified include:

- > Enhanced reporting obligations – there is an increasing number of emerging regulations which require organisations to report on how they are managing their climate change impact and associated carbon emissions e.g., UK ESOS and SECR legislation. Non-compliance with these regulations could potentially result in negative publicity and fines.
- > Increased stakeholder concern or negative stakeholder feedback – our stakeholders' needs are at the heart of our business. Consequentially, we have been experiencing an increased demand

to demonstrate our climate change management. In response to our stakeholders' needs we have committed to reducing our climate change impact continually. (See Environment section pages 28 to 31).

- > Changes in stakeholder demands of "wanting companies to be greener" - we recognise that the demand for "greener" practices will increase in future years. This can be seen with the UK Government's commitment to become carbon net zero by 2050. As previously described in our Environmental section, we too are responding and demonstrating how we will reduce our carbon emissions.
- > Increases in severity and frequency of extreme weather events such as cyclones and floods – our business offerings rely on technology and we recognise the need to future proof our operations against any acute physical climate change risks, so as to ensure our business services are not disrupted. Our IT infrastructure continues to be developed to enhance our ability to respond to climate change disaster level scenarios.

The business risk strategy scenarios also identify opportunities which could improve and enhance the service we provide to our clients. Examples of climate change opportunities are provided below:

- > Moving to more efficient buildings – as mentioned earlier, climate change has an adverse impact on weather patterns and conditions and if we do not respond to this risk our business operations could be negatively affected. As such we regularly review our site portfolio, which provides us the opportunity to be able to move when needed to more energy efficient sites.
- > Improvements in energy and transport fuel efficiencies - we recognise that improving our climate change impacts generate financial gains, for example, a reduction in energy and transport consumption will reduce related costs.
- > Increased demand for goods and services – as mentioned previously, we take climate change seriously and it is managed at Board level. We are able to confidently demonstrate to our clients our climate change management strategies to show how we are reducing our impacts. As a natural consequence, the demand for our products and services may well increase.

RWS has considered and developed three qualitative climate change scenarios based on details in the Intergovernmental Panel on Climate Change's (IPCC) fifth assessment report. These scenarios include RCP1.9 which limits global warming to below 1.5°C, the aspirational goal of the Paris Agreement; RCP2.6 which represents a mitigation scenario aiming to limit the increase of global mean temperature to

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

around 2°C above preindustrial levels for mid-range climate sensitivity; and RCP8.5, a high-emissions scenario frequently referred to as “business as usual”, suggesting that is a likely outcome if society does not make concerted efforts to cut greenhouse gas emissions. The above scenarios take into consideration the strategic and financial risks and opportunities that are posed to our business.

This analysis is an important element in making disclosures consistent with the guidance from the TCFD. Based on current weather fluctuations, we have made a number of assumptions associated with those states and what could be experienced, for example, carbon tax levels, extreme weather impacts on the business and supply chains.

We have incorporated these scenarios into our climate change risk assessment and based on our assessments so far, no significant risks have been identified from the scenario planning that we are unable to mitigate. The risk assessment is reviewed bi-annually. Over time, as global trends develop, any additional significant risks and opportunities which are identified will be incorporated into the scenario planning.

We believe we are well positioned to offset potential adverse impacts by adapting our operations and engaging with our clients and suppliers to maximise opportunities as we transition to carbon net zero. We are focused on reducing our global carbon emissions as quickly as possible. As part of our goals (see page 28), we are driving emissions out of our business through a range of initiatives including improving energy efficiencies and adopting green tariffs across our offices, reducing travel where possible, availability of home working and developing a socially responsible suppliers’ network.

Our research and development investment focuses on enhancing our service offering. This includes improving the efficiency of how we deliver our services in which we utilise technology which in turn reduces the carbon emissions generated from our services. Investment in research and development is considered over short-, medium- and long-terms (from 1 to 10+ years).

We are working with our suppliers to ensure that their carbon management ethos matches our own. This will expand our influential reach beyond that of just our company and demonstrates a consistent and truthful message is shared with our stakeholders regarding our own environmental management practices. We are in the process of rolling out our updated Supplier Code of Conduct and our engagement will focus on the short to medium term (1 to 5 years).

As mentioned previously, we have seen an increased demand for companies to show effective management of their climate change impact, for example, the market, and existing and upcoming legislation. This supports our efforts in demonstrating that we are an

ethical, responsible, and trustworthy organisation. As such we review our operations regularly to ensure that we operate as efficiently as possible. This risk is considered over short-, medium-, and long-terms (1 to 10+ years).

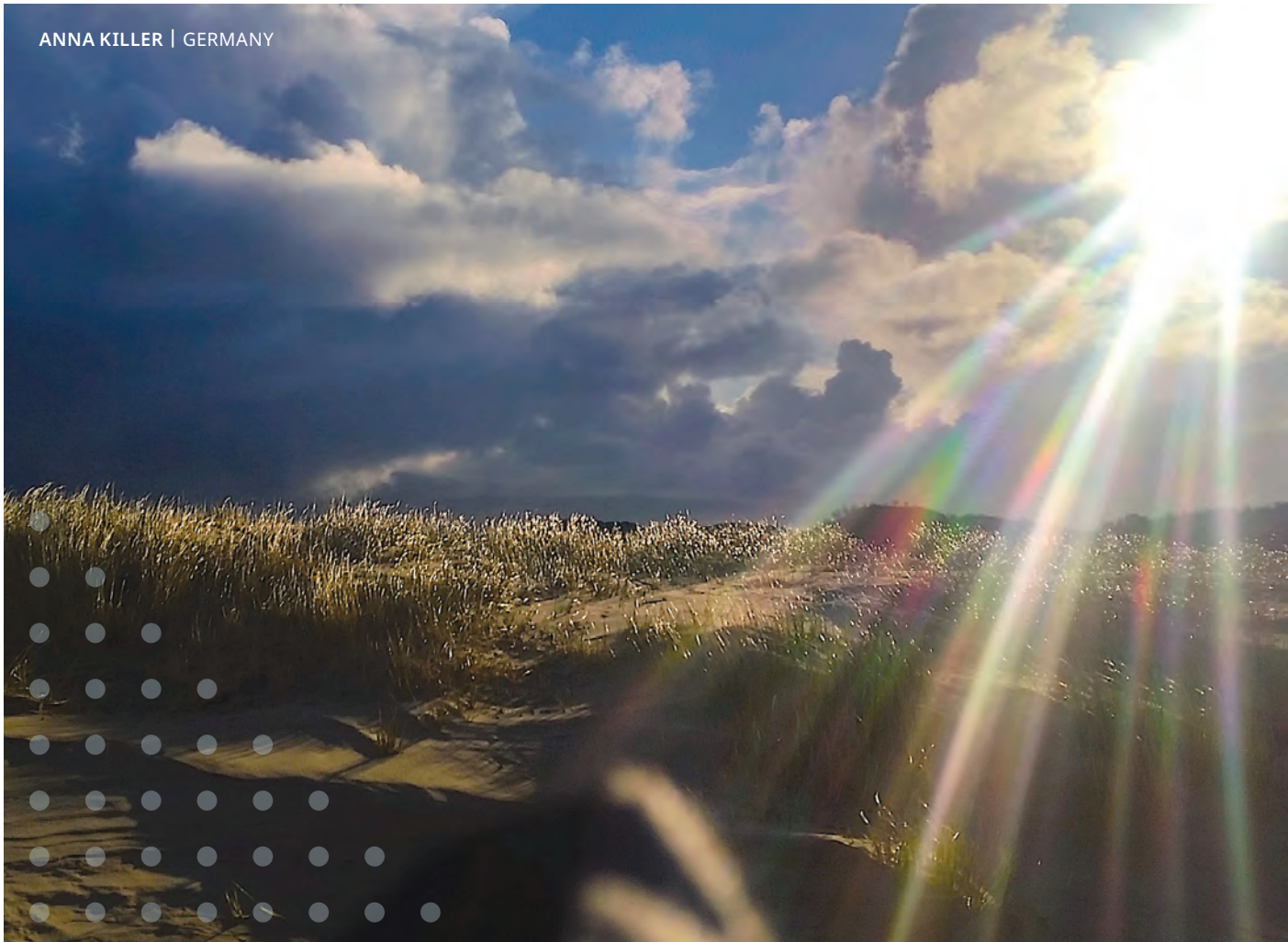
RISK MANAGEMENT

As previously mentioned, climate change risks are managed primarily through our risk management process. Risks are identified by the CFO through regular engagement with the Executive Team. Once identified, they are assessed to determine their potential impact (hazard vs probability of occurrence). Risk profiles are produced at a business level with Board-level oversight of climate-related risks being maintained by the CFO. The Executive Team provides additional horizon scanning and meets periodically to discuss key risks and mitigation strategies. We also continue to enhance our understanding of longer-term risks relating to our scenario analysis and share it with the Board for consideration and approval.

Our short- and long-term climate-related risks include:

- > Transitional risks which mainly relate to potential policy and regulatory changes that are considered ‘high’ in terms of significance and likelihood over the longer term. For example, policy development could trigger new green business taxes to fund the initiatives. There is also the potential issue that if legislation is rolled out in haste it could result in long-term unintended consequences which will need to be redressed.
- > Physical risks are low in the short term and ‘low-to-medium’ in the longer term for significance and likelihood. Changes in temperature, for instance, could impact energy demand for heating and cooling, while extreme weather conditions could cause flooding, rising sea levels and fires. Both risks could adversely affect revenue.

Significant opportunities have been identified. These are in sectors which are the most vulnerable as they often have the biggest opportunity, such as the move to renewables in oil and gas, move to electric cars in the automotive industry, new technology, life sciences contingency planning, increased litigation in the legal market, and so on.



ANNA KILLER | GERMANY

METRICS AND TARGETS

Currently we assess our carbon emissions against revenue and full-time equivalent employees and have targeted year-on-year reductions for: natural resources and consumables, carbon footprint, electricity, waste and environmental incidents as well as reported our results in the annual CDP disclosures.

We are in the process of developing our carbon net zero metrics and aim to report these in the near future.

We monitor and report our global Scope 1, 2 and 3 emissions for all our offices (see page 29) and we are looking to strengthen existing targets to help our business be carbon net zero by 2045-50 (see page 28). These goals are aligned to the Paris Accord which is a global agreement to keep temperature rise well below 2°C above pre-industrial levels, and pursue efforts to limit the increase to 1.5°C. Delivering our targets is

in part dependent on having a policy and regulatory environment that supports our carbon net zero objectives. We continue to adopt positive policies to reduce carbon emissions and increase transparency and flexibility (see pages 30 and 31 for more detail). RWS is not utilising carbon management schemes such as emissions trading schemes or green certificates.

We are aware of the new guidance issued in October 2021 regarding metrics, targets and transition plans. We will incorporate it where practical and report on our progress in our 2022 Annual Report.



Section 172 Statement

The Board of Directors understands how crucial strong stakeholder engagement is to the sustained long-term success of the Group and therefore ensures that stakeholders are a central part of the Board's discussions and decision-making process.

Sections of the Corporate Governance, Remuneration and Directors' Report explain how we have taken account of stakeholder views and met the requirements of s172 of the Companies Act. Commentary can be found on our duty to promote the long-term success of RWS throughout this 2021 report as follows:

- > Our strategy on page 21
- > Our business model on page 15
- > Principal risks and uncertainties on pages 60 to 63
- > Our stakeholder framework on page 24
- > Our stakeholder engagement on pages 80 to 81
- > Our people on pages 32 to 39
- > Corporate governance section on pages 49 to 52 and 76 to 82
- > Our environment on pages 28 to 31
- > Directors' emoluments and share interests on pages 88 to 94



IDENTIFICATION OF STAKEHOLDERS

The Board of Directors has identified the following key stakeholders and have explained within these financial statements how they have engaged with each group of stakeholders:

- > Our shareholders
- > Our people
- > Our clients
- > Our suppliers
- > Our environment

BOARD ENGAGEMENT WITH STAKEHOLDERS

The Board is committed to enhancing engagement with all of our stakeholders. The Board met virtually on some occasions during the year and a number of additional meetings were held to discuss how the Company was meeting the challenges it faced. The Board also received regular briefings from management in the form of written reports. Over the year, the Board met five times. There have been regular communications with the wider business during the period.

In addition to the methods of engagement described above and over the following pages, the interests of our stakeholder groups are considered by the Board through a combination of:

- > Regular reports and presentations at scheduled Board and Committee meetings, including reports presented by the CEO and updates from the CFO, and other senior management on a range of issues.
- > Unscheduled Board and Committee meetings if the Board needs to be informed of matters or when a decision is required before scheduled Board meetings such as trading updates or M&A opportunities.
- > Regular communication from the Executive Directors, senior management and subject matter experts in a number of areas.
- > A rolling agenda of matters to be considered by the Board and Committees throughout the year, including a strategy review which considers the purpose of the Company and strategy to be followed by the Group, which is supported by a budget for the following year.
- > Formal consideration of large bids, acquisitions, dividends and other matters, including any factors which are relevant to major decisions taken by the Board through and Terms of Reference for each Board Committee.
- > The risk management process and other routine Audit Committee and Remuneration Committee agenda items, as described later in this report on pages 84 to 87 and 88 to 90.

As with other listed companies, the Directors fulfil their duties partly through a governance framework which delegates day-to-day decision-making to the Executive Directors. Included in the Annual Report is a summary of the governance structure, which covers the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders;

and how the Board looks to ensure that we have a robust system of control and assurance processes (see page 79).

Our corporate sustainability stakeholder framework is structured around our key stakeholders and this year we have focused even more on our approach to and progress in delivering our ESG commitments.

We summarise our progress and performance in the Sustainability section of this Annual Report on pages 24 to 52.

OUR SHAREHOLDERS

We rely on our shareholders to finance our activities and the continuing expansion of our business. As such, engagement with them, creating value for them and shaping our future decisions based on the results of our engagement with them is critical to the long-term success of the Group.

Shareholders receive regular updates in addition to the half and full year results reports and accompanying presentations as well as attendance by the CEO and CFO and other members of the Executive Team to discuss relevant developments in the business at post-results road shows and programme of investor conferences. During 2020, this engagement was conducted mainly through conference calls and online presentations. In addition, we consult with institutions, proxy advisers and ESG analysts as shareholders value their opinions.

The AGM provides the Board with an opportunity to communicate with private and institutional investors. The 2020 AGM took place as a closed meeting. Although it was not possible for the Board to meet with our shareholders in person at the 2021 AGM, all shareholders were invited to submit questions to the Board via email prior to the meeting.

OUR PEOPLE

Our approach to engagement with our people is included on pages 32 to 39.

OUR CLIENTS AND SUPPLIERS

Details of our engagement with our clients and suppliers are discussed further on pages 47 and 48.

OUR ENVIRONMENT

Details of our engagement with our environment are discussed further on pages 28 to 31.

Ian El-Mokadem | CHIEF EXECUTIVE OFFICER
20 December 2021

Corporate Governance Statement

INTRODUCTION FROM OUR CHAIRMAN

We have all faced a unique set of circumstances over the last two years and I am proud of the way that we have all risen to the challenge.

The health, safety and well-being of our employees, clients and communities have been paramount throughout this period. Despite the challenges the pandemic has presented, the Board and Executive Team has led the Group to deliver a sound trading performance and maintain RWS's balance sheet strength and financial flexibility, equipping us well for future growth.

OUR STAKEHOLDERS

As a Board, we have been closely involved in assessing the impact of the Covid-19 pandemic on our stakeholders.

We took great care to balance the needs of all our stakeholders during the crisis. The response and commitment of all our employees have been exceptional, with almost all able to work effectively, either on-site or from home. Also, we did not take any form of government support or reduce pay. We were able to continue offering all our services and adapt our operating models to work from home and meet our clients' existing and new expectations.

We sustained our track record of paying regular dividends to shareholders and we did not utilise government liquidity facilities.

We describe on pages 80 and 81 how the Board engaged with each of our key stakeholders during FY21.

STRATEGY

The Board has continued to have oversight of the Group's integration and operational improvement programmes to support higher levels of quality and client service.

As well as dealing with the effects of the Covid-19 pandemic, the Board is working closely with the Executive Team in conducting a review of our corporate strategy. More information about this work can be found in the CEO's review.

ENGAGEMENT

The Board appreciates that effective stakeholder engagement is essential to ensuring the long-term success of the Group. Establishing and maintaining good relationships with all of our stakeholders is important to us and we have focused on increasing the amount of group-wide stakeholder engagement, including undertaking our first ESG Materiality survey.

Andrew Brode | CHAIRMAN



The Group also undertook its first group-wide Employee Engagement Survey in June this year. We had an excellent response rate of 81% which gives us confidence the feedback we received through the survey is statistically valid and fully representative. The questions covered nine areas to provide a comprehensive picture of their experience. These were: diversity; leadership; strategy; innovation; clients; collaboration; culture; operations and integration. Overall, we averaged 80% favourable scores which we were very pleased with given the survey was conducted at a time when the Covid-19 pandemic was still proving globally disruptive and RWS was still very much in the middle of a huge business integration programme. Scores across the divisions were similar to the Group average, with little material variation. Our highest scoring area was diversity at 88% favourable, with the leadership, strategy and innovation areas all over 80%. On our critical 'employment recommender' question, commonly regarded as a key indicator of engagement, we also scored well at 80%.

We have long-standing relationships with the majority of our suppliers and subcontractors. Going forward our plans are to ensure it is more robust and transparent.

LEADERSHIP

At RWS, the Chairman and CEO roles are separate. As Chairman, I lead the Board and have overall responsibility for corporate governance and promoting the values of the Group, both internally to employees and externally to the broader stakeholder group. I am involved in developing a strategy for the Group and overseeing investor relations and communication between the Group and its shareholders. A key part of the Board's commitment to high standards of governance is an active dialogue with its shareholders. I am also involved in the evaluation of potential acquisition targets that fit within prescribed selective criteria, to further grow the Group. All of the day-to-day operations of the Group are managed by the CEO.

As part of our commitment to high standards of governance, the Board recognises the importance of having Non-Executive Directors who are independent in character and judgment, and free from relationships that may affect, or could appear to affect their judgment.

The last year has seen a number of leadership changes at Board level. Following an extensive external succession process, which identified a number of high calibre candidates with the necessary blend of skills and expertise to lead an ambitious, international group, the Board appointed Ian El-Mokadem as the Group's CEO on 25 July 2021, after commencing employment on 19 July 2021. Ian joined the Board on 3 August 2021.

Ian brings over 20 years of experience in senior management roles in large and international services businesses, most recently as CEO of V.Group, the world's leading ship management and marine support services business, where he oversaw a significant transformation programme, including the delivery of new digitally-enabled approaches to crewing and vessel management, international development, cultural change and acquisitions.

Ian was previously CEO of Exova Group, the global materials testing and calibration services provider, which he steered through its IPO in 2014, grew revenues and profitability substantially, both organically and through 18 acquisitions, before executing its sale to Element Materials Technology in 2017. Prior to Exova, he was Managing Director, UK & Ireland, at Compass Group, the FTSE 50 world-leading provider of catering, hospitality and support services. In this role, he drove the turnaround of a division with revenues of c.£1.8 billion which, as the Group's second-largest business was critical to its success and oversaw c.65,000 people across c.7,000 outlets. Earlier in his career, he started out consulting with Accenture, before joining Centrica and working his way up through a number of positions culminating in the role of Managing Director of Onetel. Ian is also currently a Non-Executive Director of Serco Group plc and a Director of Roegate Consulting Ltd.

Richard Thompson left the Company on 25 July 2021, having been with the business for nine years. We thank Richard for his service to the Group; he made an enormous contribution, initially as CFO from 2012, before becoming CEO in 2017. During that period, the Group's revenues grew ten-fold through organic growth, complemented by carefully selected acquisitions. Richard also executed the merger with SDL which positions the Group firmly as a world leading provider of language services and technology.

Following the completion of the combination of RWS and SDL plc on 4 November 2020, as announced on 27 August 2020, Elisabeth Lucas and Tomáš Kratochvíl stood down from the RWS Board as Non-Executive Directors and RWS appointed three new Independent Non-Executive Directors, David Clayton, formerly Non-Executive Chairman of SDL plc, Gordon Stuart, formerly a Non-Executive Director of SDL plc, and Frances Earl.

We thank Elisabeth Lucas and Tomáš Kratochvíl for their considerable contributions over the many years through which they have held significant roles at RWS and Moravia, and wish them well for the future.

David Clayton joined SDL plc as a Non-Executive Director in December 2009 before becoming Non-Executive Chairman in July 2013. He is currently Chairman of Forensic and Compliance Systems and Chairman of the Board of Trustees of the charity Changing Faces.

Corporate Governance Statement (continued)

Gordon Stuart was appointed as a Non-Executive Director of SDL plc in January 2020. Having started his career as a management consultant with McKinsey & Co, he brings approximately 20 years' experience in senior management roles at global people and technology businesses. Gordon currently serves as the CFO of Unit4 NV, having previously been CFO of TMF Group and Alexander Mann Solutions, and Group Finance Director of Xansa plc and London Bridge Software Holdings plc. He has also held non-executive roles at Sepura plc and Intec Telecom Systems plc. Gordon was appointed Audit Committee Chair when David Shrimpton stepped down at the 2021 AGM.

Frances Earl brings deep experience in talent strategies and management, including through significant integration processes. Frances has spent 30 years driving global talent strategies at Accenture and for its clients, with extensive experience advising on the recruitment, management and development of diverse talent, and played a key role in the integration of senior executives and people as part of various acquisitions for Accenture. While at Accenture she was a member of the UK and Ireland Executive Board in her role as UK and Ireland HR Director. Her time at Accenture culminated in her role as Global Managing Director for Executive Recruitment with responsibility for all senior executive and partner recruitment across twenty countries. Frances was appointed Remuneration Committee Chair when Elizabeth Lucas stood down.

Lara Boro has been appointed Senior Independent Non-Executive Director following David Shrimpton stepping down at the 2021 AGM in February 2021. David made a significant contribution to the Board over many years, and we thank him for his service.

We are strongly committed to upholding the values of good corporate governance and accountability to all the Group's stakeholders including shareholders, staff, clients and suppliers. We believe that good corporate governance, which includes environmental and social issues, is important for the long-term success of the business.

We believe that success should be pursued without detriment to others or our environment. We are committed to generating prosperity for our shareholders and employees, the clients we serve, the suppliers we engage and the communities in which we operate.

Our values, which are championed by the Group's Executive Directors and monitored by the Board, are aligned with good corporate governance to allow for the continued international expansion and growth of the business, while enhancing the interests of all of the Group's stakeholders (see Sustainability report pages 24 to 55). The Board understands that upholding good

corporate governance is a significant factor in achieving this growth, while at the same time mitigating risks for the long-term benefit of the business.

The Board believes that it complies with all the principles of the QCA Corporate Governance Code.

BOARD EVALUATION

As there were a number of changes to the Board within FY21, it was agreed that we would undertake a formal internal evaluation of the performance of the Board and its Committees this year, and a formal independent review in FY22.

The evaluation included reviews of the Board, Audit Committee, Remuneration Committee, the Chairman and individual performance. Areas covered included Board composition, stakeholder oversight, Board dynamics, management of meetings, Board support, focus of meetings, strategic oversight, risk management and internal control, succession planning and human resource management and priorities for change,

Following the evaluation, I am satisfied that all Directors continue to perform well in their roles and contribute effectively. We operate with a high level of trust, a track record of improved effectiveness, and the ability to adapt and change; strengths that served us well during this challenging year.

SUSTAINABILITY

Sustainability is a key area of focus for the Group. During FY21 we appointed a Head of Sustainability and ESG and, following the appointment, are further developing the Group's sustainability approach after performing a materiality assessment to identify issues material to the Group's stakeholders, taking account of the Group's operational strategy and business model (see Sustainability report pages 24 to 55). Going forward we are working towards ensuring the Group's 'sustainability approach', covering key environment, social and governance issues, is embedded in day-to-day operations.

DIVERSITY AND INCLUSION

Being part of a vibrant, globally diverse community, we know that tremendous value is gained from people's differences. An inviting culture that recognises and celebrates diversity enables people to reach their maximum potential and be their best, which is fundamental to us and critical to our success.

Research has shown that when employees experience a diverse, caring company it is a top driver of revenue outperformance. When companies invite every employee into the innovation process, they generate more high-quality ideas, realise greater speed in implementation, achieve greater agility, beat sales targets and outperform their competition.

Given the unquestionable impact diversity and inclusion has on people, the business, and society at large, we are committed to further extending our culture of diversity and inclusion. It is simply the right thing to do (see Our People section pages 32 to 39).

The Board understands the importance of diversity and is committed to increasing the diversity of the Group's workforce and the diversity of the Board itself. The gender diversity split of the Board is 28.6% female, 71.4% male and females make up 12.5% of our Executive Team. We aim to increase the ethnic diversity of the Board and Executive Team as soon as reasonably practicable.

Since FY20 we have placed a sustained focus on diversity and inclusion. Learning from our efforts in this regard, we take a holistic approach to inclusion, choosing to develop a fair, equal and inviting work environment for all people, rather than purely targeting the most obvious groups that are typically under-represented in organisations with our profile (see Our People section pages 35 to 39).

ANNUAL GENERAL MEETING

Due to the constraints of the Covid-19 pandemic, the 2021 AGM was held remotely and was broadcast to shareholders via a live webcast. Shareholders were invited to ask questions before and during the meeting, with the panel answering the questions which we received.

Due to ongoing concerns regarding people's safety and exposure to Covid-19, we have decided to hold the 2022 AGM as a hybrid meeting. Shareholders (and their proxies) shall only be permitted to attend the AGM via a virtual meeting facility and will not be permitted physically to attend the AGM.

Details of how shareholders may access the meeting via the virtual meeting facility are set out in the Notice of AGM. Shareholders will not be able to vote at the AGM using the virtual meeting facility and consequently the Board is asking shareholders to exercise their votes by submitting their proxy in advance of the AGM and to appoint the Chairman of the AGM as their proxy with their voting instructions.

Although we will not have the opportunity to meet with shareholders in person at our AGM, we are very keen to engage with all shareholders and invite them to submit questions prior to the event and at the event. More details of our AGM are set out in the Notice of Meeting. I would be delighted to answer any questions that shareholders may have.

I do hope that in 2023 we will be able to meet face-to-face once again.

Andrew Brode | CHAIRMAN
20 December 2021

Board of Directors

As at 30 September 2021 the Board comprised the Chairman, Andrew Brode, two Executive Directors, Ian El-Mokadem and Desmond Glass, and four Non-Executive Directors, Lara Boro, as Senior Independent Non-Executive Director, David Clayton, Frances Earl and Gordon Stuart. The Directors are listed here, as well as their biographies.

ANDREW BRODE

Chairman

Andrew was appointed to the Board of Directors on 10 April 2000. Andrew led the management buy-in of RWS Group and is a substantial shareholder in the Company. He is the Non-Executive Chairman of Learning Technologies Group plc and GRC plc, both AIM listed companies. Andrew is also a Non-Executive Director of a number of other private companies.



LARA BORO

Senior Independent Non-Executive Director

Lara was appointed to the Board of Directors on 20 September 2017. She is a Member of the Remuneration Committee. Lara was appointed the Senior Independent Director after the 2021 AGM.

Lara is currently Chief Executive of The Economist Group. Prior to that Lara was CEO of Informa Plc's Intelligence division.



IAN EL-MOKADEM

Chief Executive Officer

Ian was appointed as CEO on 25 July 2021 and to the Board of Directors on 3 August 2021, having joined RWS as CEO Designate on 19 July 2021. Previously Ian was CEO of V.Group, the world's leading ship management and marine support services business, where he oversaw a significant digital transformation programme. Prior to that, he was CEO of Exova Group, the global materials testing and calibration services provider, which he steered through its IPO in 2014 and where he grew revenues and profitability substantially, both organically and through a large number of acquisitions. Ian's earlier roles included the position of Managing Director, UK and Ireland, at Compass Group between 2006 and 2010, where he drove the turnaround of a division with revenues of c£1.8 billion and c65,000 people. Ian is also a Non-Executive Director of Serco Group plc and a Director at Roegate Consulting Limited.



DAVID CLAYTON

Independent Non-Executive Director

Appointed to the Board of Directors on 4 November 2020, David is a former Non-Executive Chairman of SDL plc. He is currently Chairman of Forensic and Compliance Systems and Chairman of the Board of Trustees of the charity Changing Faces. David is also on the boards of FCS (UK) Limited, Solar Archive Ltd, Albora Technologies Ltd and a trustee of Changing Faces and Dixons Academies Charitable Trust Ltd.



FRANCES EARL

Independent Non-Executive Director

Frances was appointed to the Board of Directors on 4 November 2020. Frances was a Managing Director at Accenture and held a number of senior HR Director positions in the UK and Ireland, and globally. She served on the Accenture UK and Ireland Executive Board, the Products Operating Group Executive Board and the Financial Services Operating Group Executive Board as HR Director. Frances was Global Recruitment Director for all Executive and Partner Recruitment across 50 countries.



DESMOND GLASS

Chief Financial Officer and Company Secretary

Desmond was appointed as CFO and Company Secretary on 6 November 2017. He previously worked for GAN plc, the AIM listed internet gaming software company, where he held the role of CFO for nine years. Desmond was instrumental in preparing GAN plc for its successful AIM public listing in November 2013, and subsequently expanding the company's operations and delivery capability across the United States and Europe. Desmond is a Fellow of the Institute of Chartered Accountants in Ireland.



GORDON STUART

Independent Non-Executive Director



Gordon was appointed to the Board of Directors on 4 November 2020. Gordon currently serves as the CFO of Unit4, a global provider of people-centric enterprise cloud applications for ERP and HCM to midmarket service sector organisations. Previous roles include CFO of TMF Group and CFO at Alexander Mann Solutions. He has held senior positions with a number of UK listed businesses including Group Finance Director of Xansa plc and Group Finance Director of London Bridge Software Holdings plc. He has also held Non-Executive roles at SDL plc, Sepura plc and Intec Telecom Systems plc.

Following the acquisition of SDL plc on 4 November 2020, Elisabeth Lucas and Tomáš Kratochvíl resigned as directors of RWS and David Clayton, Frances Earl and Gordon Stuart joined the Board.

Elisabeth Lucas was appointed a Non-Executive Director on 11 November 2003 and was Chair of the Remuneration Committee and Member of the Audit Committee. Elisabeth joined RWS Group in 1977 and was Managing Director of the Translations division from 1992 and CEO from 1995 to 2011.

Tomáš Kratochvíl was appointed a Non-Executive Director on 28 March 2018 and was a Member of the Remuneration Committee and was the former CEO of Moravia, acquired by RWS in November 2017.

David Shrimpton did not seek re-election at the Annual General Meeting in February 2021 having completed more than ten years on the Board. David was appointed a Non-Executive Director on 1 January 2010 and was Chair of the Audit Committee and Member of the Remuneration Committee

Richard Thompson left RWS on 25 July 2021. Richard Thompson was appointed CEO on 31 March 2017 having joined RWS on 28 November 2012 as CFO and Company Secretary.

We thank them for their contributions to RWS.

Board of Directors

Andrew Brode	Chairman	
Ian El-Mokadem		
Desmond Glass		
Lara Boro		
David Clayton		
Frances Earl		
Gordon Stuart		

Audit Committee

Gordon Stuart	Committee Chair	
David Clayton		
Frances Earl		

Remuneration Committee

Frances Earl	Committee Chair	
Lara Boro		
David Clayton		
Gordon Stuart		

Corporate Governance Report

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

BUSINESS ETHICS

We take a zero tolerance approach to bribery, corruption, and other financial crime.

TAX TRANSPARENCY

RWS is committed to being a responsible corporate citizen within each jurisdiction in which it operates, and does not use “tax haven” countries or other tax avoidance arrangements as part of its tax planning.

RWS is straightforward, transparent and cooperative in all its dealings with tax authorities, ensuring that it is in compliance with all local taxation legislation and meets all applicable filing and payment deadlines.

As an employer of more than 7,600 employees across 36 countries and over 80 offices globally, RWS also makes significant tax payments in respect of payroll taxes, value-added taxes and business/premises taxes.

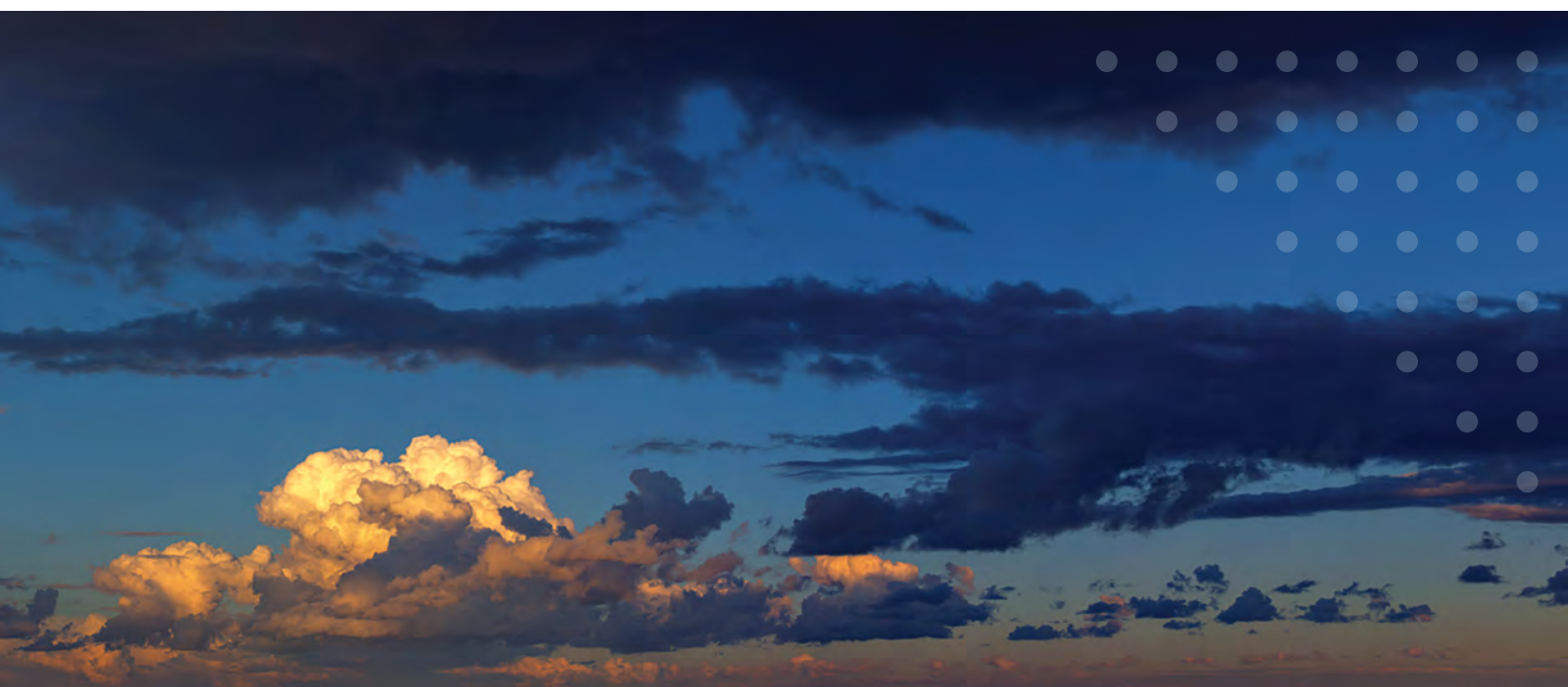
THE BOARD

The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group. It is committed to extending the values that it promotes to include all stakeholder groups. The Board recognises the importance of, and is committed to, ensuring that effective corporate governance procedures are in place that are appropriate for a public company of RWS’s size and complexity.

The Board is committed to providing specific training to Directors, be it internally sourced or via external advisers, to ensure their skillset remains relevant for the Group’s requirements.

During the reporting period, the Board comprised the CEO and CFO as Executive Directors, the Chairman and five Non-Executive Directors until the 2021 AGM when David Shrimpton stepped down. The Executive Directors have direct responsibility for business

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operations, whilst the independent Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions.

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 believes that, as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities. Directors keep their skillset up-to-date in a number of ways: through active membership of professional organisations and institutes through fulfilment of associated continuing professional development (CPD) requirements; through specific training; by participating in business network groups; through holding Non-Executive positions with other public and private companies; and by maintaining active and highly relevant full-time employment.

A summary of the relevant experience of each of the Directors can be found on pages 74 and 75.

EXECUTIVE ROLES AND RESPONSIBILITIES

The Chairman, Andrew Brode, leads and chairs the Board. Further details of the Chairman's role can be found in the Chairman's corporate governance introduction on page 70.

The CEO, Ian El-Mokadem, provides leadership and management to the Group and its Executive Team. The CEO drives the development of objectives, strategies and performance standards whilst also overseeing key risks across all divisions of the Group. The CEO also plays a lead role in devising and implementing the Group's corporate strategy and in investor relations to ensure that communications with the Group's shareholders and financial institutions are maintained.

The CFO, Desmond Glass, is responsible for shaping and executing the financial strategy of the Group. In this role he also supports the Group's investor relations programme and corporate development efforts. The CFO also has responsibility for identifying the broad market-related risks and collating specific potential risks from the members of the Executive Team for further assessment via the established risk management framework. Due to his prior relevant experience, the CFO also serves as the Company Secretary and is charged with ensuring the delivery of clear and accurate management information to the Board to allow for timely deliberation and subsequent communication of agreed actions. It is our intention to appoint a separate Group General Counsel and Company Secretary in FY22.

BOARD AND COMMITTEE COMPOSITION

- 1 CHAIRMAN
- 2 EXECUTIVE DIRECTORS
- 4 INDEPENDENT NON-EXECUTIVE DIRECTORS

THE BOARD

The operation of the Board is documented in a formal schedule of matters reserved for its approval, which is reviewed annually.

COMMITTEES

The Board has delegated specific responsibilities to the Audit and Remuneration Committees.

The Board and the Committees have written terms of reference setting out the duties, authority and reporting responsibilities.

The terms of reference are kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. The terms of reference are available on our website.

AUDIT COMMITTEE

The Audit Committee monitors the integrity of the financial statements of the Company including but not limited to its annual and half-yearly reports, preliminary announcement of, and any other formal announcements relating to, its financial performance, and reviews and reports to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting the remuneration policy for all Executive Directors and the Company's Chair, including pension rights and any compensation payments. The Remuneration Committee also recommends and monitors the level and structure of remuneration for the Executive Team.

Corporate Governance Report (continued)

BOARD COMMITMENTS

The Board held five scheduled board meetings in the year. The Board is tasked with developing the overall structure and direction of the business, ensuring that appropriate delegations of authority are communicated throughout the Group, monitoring Executive Director performance, reviewing the monthly operational and financial performance of the Group and formally approving the annual budget and audited financial statements of the Group. The Board also reviews and approves the formal risk register presented by the CFO bi-annually. Various members of the Group's Executive Team are invited to certain Board meetings to report on their particular areas of responsibility.

Each Board meeting is preceded by a clear agenda and relevant information is provided to Directors in advance of the meeting. The Chairman and the Company Secretary have responsibility to ensure that all Directors receive relevant Board papers in a timely fashion, to facilitate a full and effective discussion of matters during Board meetings.

The Non-Executive Directors are expected to dedicate not less than one day per month to fulfil their duties. This includes, but is not limited to, preparation and attendance of Board meetings of the Company and, where agreed, other Group companies and the general meeting of the shareholders of the Company.

The Group believes it has effective procedures in place to monitor and deal with potential conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed by the rest of the Board.

KEY BOARD ACTIONS DURING THE YEAR

- > reviewed and approved acquisitions of SDL Ltd and Horn & Uchida Patent Translation, Ltd
- > approved formal integration plans and related synergy targets
- > approved the appointment of the new Senior Non-Executive Director
- > reviewed and approved the proposed budget and business plan for fiscal year 2022
- > reviewed ESG initiatives across the Group
- > published an updated gender pay gap report
- > reviewed continued compliance with the QCA Corporate Governance Code
- > conducted bi-annual review and approval of Group risk register by the Board
- > in response to the Covid-19 pandemic, performed financial and operational scenario planning analysis to ensure the business's continued resilience to significant unplanned changes in demand
- > interviewed and appointed a new CEO
- > following the appointment of the new CEO, initiated a refresh of the company's strategy and long-term plans
- > undertook an informal review of the Board
- > following a formal retendering process, appointed new company auditors

An effective Board is critical to the success of RWS. In order to ensure that the Board continues to operate as efficiently as possible, the Board will commission, as appropriate, a full independent appraisal of the Board's capabilities, to confirm that the Board is capable and effective in undertaking its responsibilities and duties. The Board has committed to continue to seek independent reviews to ensure its ongoing effectiveness.

GOVERNANCE FRAMEWORK



As most of the members of the Board are relatively new, a decision was taken to conduct the Board review informally in FY21 and that a formal independent Board review will be undertaken in FY22. The last review formal independent review was performed in 2019.

The Board continues to hold formal annual performance assessments for the CEO (led by the Chairman) and CFO (led by the CEO). Factors considered in the evaluation process include, but are not limited to, commitment to the long-term development of the Group; attendance at formal meetings; meaningful and varied contributions at Board meetings; personal interaction and relationship building with the Executive Directors, shareholders, other professional advisers to the Group and the Executive Team.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Annual General Meeting (AGM) will be held as a hybrid meeting on 23 February 2022.

Notwithstanding that neither the Company's Articles of Association nor the QCA Guidelines (the corporate governance code to which the Company adheres) require them to do so, all of the Directors are standing for re-election as has increasingly become the market practice and standard of good corporate governance.

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 each division, of actual performance compared to budget and previous year; annual budget setting; and a defined organisational structure with appropriate delegation of authority. In addition, bi-annually, the Board assesses the risks facing the business and approves the steps and timetable Senior Management has established to mitigate those risks.

The Audit Committee is responsible for setting the risk management framework and reviews this on an annual basis.

MEMBERS AND ATTENDANCE

Board meetings

	Eligible to attend	Attended
Andrew Brode	5	5
Ian El-Mokadem	0	0
Desmond Glass	5	5
Lara Boro	5	5
David Clayton	5	5
Frances Earl	5	5
Gordon Stuart	5	5
Richard Thompson	4	4
David Shrimpton	2	2

Committee meetings - AUDIT

	Eligible to attend	Attended
Gordon Stuart	3	3
David Clayton	3	3
Frances Earl	3	3
David Shrimpton	1	1

Committee meetings - REMUNERATION

	Eligible to attend	Attended
Frances Earl	6	6
Lara Boro	6	6
David Clayton	6	6
Gordon Stuart	6	6
Andrew Brode	5	5
David Shrimpton	5	3
Elisabeth Lucas	0	0
Tomáš Kratochvíl	0	0

Corporate Governance Report (continued)

OUR GOVERNANCE MODEL

As an AIM listed company, RWS has chosen to implement the Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures laid out by the QCA Code provides a framework to ensure we have the appropriate corporate governance arrangements in place. The Board considers that RWS does not depart from any of the principles of the QCA Code and the following pages include details of our compliance, which is reviewed annually in line with the requirements of the QCA Code.

Deliver Growth	Principle	Compliance
PEOPLE		
1	Establish a strategy and business model which promote long-term value for shareholders	<ul style="list-style-type: none"> > The Group strategy is set out on pages 21 to 22 in the Strategic Report section of our Annual Report. > The strategy for RWS is agreed by the Board, and progress towards delivering against objectives is tracked and debated by the Board and the Executive Team. > During FY21, the Board and Executive Team held several meetings specifically focussing on the Group's strategic plan. > Our objective is to continue to increase shareholder value in the medium- to long-term by growing the Group's revenue, profit before tax and earnings per share. > Our strategy to achieve this is focused on providing an increasing range of complementary specialist translation, localisation, language technology and broader language services to existing and new clients, and driving organic growth. > This is supplemented by selective acquisitions, providing these are complementary to our existing business, enhance shareholder value and allow the Group to maintain conservative debt leverage within existing covenant requirements. > See Strategic Framework on page 21 and the Business Model on page 15.
2	Seek to understand and meet shareholders' needs and expectations	<p>Shareholders</p> <ul style="list-style-type: none"> > Investor relations is a priority for RWS and we strive to ensure that both the investor and analyst communities understand our strategy, business model and financial and operational performance. > Regular meetings are held with investors and analysts, mainly at investor roadshows and conferences. > Our AGM is our primary forum to meet and communicate with our wider shareholder base. > Shareholder feedback is received from our brokers and all shareholder feedback is distributed to the Board. > Decision-making at the Board takes into consideration how its decisions would impact our shareholders. > See page 98 of the Directors' Report.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	<ul style="list-style-type: none"> > The Board has identified the main stakeholders in the business as its shareholders, employees, clients, suppliers and the community in which it operates. > Decision-making takes account of how our various stakeholders may be affected by our decisions and developments. > We pride ourselves on transparency and open communication. > We take our corporate sustainability seriously and aim to incorporate best practice in all our initiatives and actions. > See pages 24, 25, 68 and 69 of the Strategic Report and pages 70 to 73 of the Corporate Governance Report.

**Deliver
Growth**

Principle

Compliance

Employees

- > Regular online meetings take place to share strategy, keep employees updated and seek feedback.
- > The Group conducts an annual employee engagement survey with the latest level of engagement (FY21) at 80% (see pages 34 to 35).

Clients

- > We are proactive in building long-term relationships with our clients and have a proven track record in doing so. We work closely with them to understand their requirements and put teams in place that meet their specific needs (see page 47).

Suppliers

- > We believe it is important to have two-way communication with our suppliers. Fostering better relationships, keeping our suppliers updated on our requirements as well as assisting with efficiencies, quality, insight, costs and reliability (see page 48).

Community

- > The Group supports local organisations through its community initiatives and donations this year amounted to £271,230 (see pages 40 to 46).
- > We renamed the SDL Foundation to become the RWS Foundation and we are in the process of consolidating all of our philanthropic initiatives, as well as reviewing the Foundation's Deed and purpose (see pages 45 and 46).

4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

- > RWS considers a risk management framework a vital tool to ensure existing and potential risks (including climate-related risks) to the business are identified and mitigating actions are considered in full.
- > The CFO is responsible for reviewing the risks and reports to the Board bi-annually on these as well as new risks, and the processes to mitigate and contain them.
- > Whilst the CFO is responsible for risk, all Board and Executive Team members are also empowered to manage risk effectively.
- > In 2021, we became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) and have started working towards aligning ourselves and adopting the TCFD ahead of it becoming mandatory (see page 64).
- > See Principal Risks and Uncertainties on pages 60 to 63.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

5

Maintain the Board as a well-functioning, balanced team led by the Chairman

- > The Board is led by our Chairman, Andrew Brode.
- > During the reporting period, our Board consisted of our Chairman, CEO, CFO as well as five Non-Executive Directors (Elisabeth Lucas and Tomáš Kratochvíl stood down on 4 November 2020 and David Clayton, Frances Earl, and Gordon Stuart were appointed on 4 November 2020) until our Senior Non-Executive Director (David Shrimpton) stood down at our 2021 AGM, and Lara Boro was appointed our Senior Non-Executive Director.
- > Our Board works well bringing together its wealth of experience on strategy, operations and financial matters.
- > Open communication, debate and thought leadership are encouraged and new proposals are challenged rigorously.
- > See Board of Directors pages 74 to 75, and 76 to 79 of the Corporate Governance Report.

Corporate Governance Report (continued)

Deliver Growth	Principle	Compliance
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<ul style="list-style-type: none"> > The Board believes that as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities. > All members of the Board keep their skillsets current in a variety of ways. Their skills and expertise are reviewed on an annual basis. > See Board of Directors pages 74 and 75 of the Corporate Governance Report.
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<ul style="list-style-type: none"> > Performance is reviewed regularly. > During the review, initiatives and improvements are measured against that of the previous review. New and updated actions are agreed. > An individual evaluation was undertaken which took the form of questionnaires and a summary of the results and feedback will be presented at a Board meeting. The results will be discussed and actions taken to improve in areas where required. > A formal independent review will be undertaken in FY22. > The Remuneration Committee evaluates the Executive Directors' performance alongside remuneration and reward. > With regards to financial performance, the Audit Committee meets with the Auditors to review the plan for the year-end audit, followed by a further meeting to review the results of the audit.
8	Promote a corporate culture that is based on ethical values and behaviours	<ul style="list-style-type: none"> > The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group. > The Board is also committed to extending the values that it promotes, to include all stakeholder groups. RWS's Corporate Sustainability Policy encompasses the way we do business, our people, our clients, our community and the environment around us. > Our commitment to corporate sustainability is underpinned by our core ethical values and behaviours, and aims to deliver continual improvement in our economic, social and environmental performance.
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	<ul style="list-style-type: none"> > The Board recognises the importance of, and is committed to, ensuring that effective corporate governance procedures are in place that are appropriate for a public company of RWS's size and complexity. > Each Board meeting is preceded by a clear agenda and relevant information is provided to Directors in advance of the meeting. > The Group has properly constituted Remuneration and Audit Committees of the Board with formally delegated duties and responsibilities. The Group website describes the terms of reference for the Committees. > In addition, various members of the Group's Executive Team are invited to certain Board meetings to report on their particular areas of responsibility. > See pages 76 to 79 of the Corporate Governance Report.
BUILD TRUST		
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<ul style="list-style-type: none"> > We pride ourselves on having open communication with a range of stakeholders. > Communications with shareholders are explained in Principle 2. > Other communication includes investor roadshows and conferences, meetings with our brokers, prospective investors, employee briefings and one-on-one meetings with clients and suppliers, and the Annual Report. > The work of the subcommittees is described in the Governance section of the Annual Report on pages 76 to 77. > The website includes historical announcements, copies of the Annual Report and copies of presentations made at Interim and Full Year presentations.



CAMILLE METCALFE | UNITED KINGDOM



Audit Committee Report

Dear Shareholder

The Audit Committee continues to support the business in achieving its business and strategic objectives, see pages 21 to 22 of this Annual Report. During 2021, the Committee has supported the Board on a number of significant governance matters relating to financial reporting, internal control and risk management, the tender and appointment of a new external auditor and the continuing integration of SDL.

The Committee monitored the Group's risk exposures in relation to changes in the external regulatory and political environment, including the impact of Covid-19 on the Group's risk management activities. Further information on risk can be found on pages 60 to 63.

MEMBERSHIP AND ATTENDANCE

Committee members are independent Non-Executive Directors of the Company, with diverse skills and experiences. The Committee as a whole has competence relevant to the sector and David Clayton and I have recent and relevant financial experience, as required by the provisions of the QCA Code.

All Committee members have significant current and past executive experience in various industries. This range and depth of financial and commercial experience enables them to deal effectively with the matters they are required to address and to challenge management when necessary.

The Company Secretary is secretary to the Committee.

The Board evaluates the membership of the Committee on an annual basis. Since the end of the year, the Committee has met 3 times and all members attended.

Only the members of the Committee have the right to attend Committee meetings, however the CFO, Chairman, CEO, senior representatives of the external auditor, other external advisors and other senior management attend meetings by invitation. If the presence of any attendee is inappropriate or might compromise discussion, then the Committee would either not invite the attendee concerned or request that they not attend that part of the meeting. Separate sessions with external auditors are held in the absence of management.

GOVERNANCE AND COMPLIANCE

The Audit Committee Chair, together with the other members of the Audit Committee regularly meet with the key people involved in the Company's governance, including the Chairman, the CEO, the CFO, the external auditor's lead partner and other senior management.

Terms of reference

The Committee undertakes its duties in accordance with its terms of reference which are regularly reviewed to ensure that they remain fit for purpose and in line with best practice guidelines. The terms of reference are available on the Company's website www.rws.com.

As part of the annual Board evaluation, a formal internal review was undertaken of the Board and its committees in December 2021. The review confirmed that the Audit Committee is working effectively. An independent review will be undertaken in FY22.

KEY PURPOSE OF THE AUDIT COMMITTEE: RESPONSIBILITIES AND ACTIVITIES

The Committee's responsibility is to ensure that financial information published by the Group properly presents its activities to stakeholders in a way that is fair, balanced and understandable, as well as overseeing the effective delivery of both external and internal audit services.



Gordon Stuart | AUDIT COMMITTEE

The Committee also supports the Board in meeting its responsibilities in respect of overseeing the Group's internal control systems, business risk management and related compliance issues.

The Committee operates on the basis of open and challenging dialogue with management and with the external auditors. The Committee is responsible for reporting on its responsibilities to the Board. The Group does not have an internal audit function and the Audit Committee reviews this decision on an annual basis.

Fair, balanced and understandable

The Committee assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee ensures that all contributors and senior management are fully aware of the requirements and their responsibilities. This included the use and disclosure of alternative performance measures and the financial reporting responsibilities of the Directors under s172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as well as considering the interests of other stakeholders which will have an impact on the Company's long-term success.

During 2021, the Committee met three times (including the audit tender presentation meeting) and full details of matters discussed are covered later in this report. This includes an annual calendar of standing items such as:

- > The review of the annual and half-yearly financial statements to ensure these properly present the Group's activities in accordance with accounting standards, law, regulations and market practice.

In addition to the above, particular areas on which the Committee focused included:

- > The external audit tender process and the subsequent auditor transition plan.
- > Principal risks and uncertainties and the effectiveness of the risk management process.
- > Accounting judgements and estimates and developments in financial reporting.

Committee activity in 2021

	7 June 2021	27 September 2021	7 December 2021
Statutory and financial reporting			
Full year results	-	-	X
Interim results	X	-	-
External audit			
External audit plan	-	X	-
External audit reports	-	-	X
External audit effectiveness and independence	-	-	X
Risk and control			
Risk register	-	X	-
Other matters			
Audit tender presentations and external auditor selection and transition	X	X	-

SIGNIFICANT JUDGEMENTS

Identification of the issues deemed to be significant takes place following open, frank and challenging discussion between the Audit Committee members, with input from the CFO, the external auditor, the Group Financial Controller and other relevant personnel.

The Audit Committee considered the following significant matters during the course of the financial year. In all cases, papers were presented to the Audit Committee by management, setting out relevant facts, material accounting estimates and the judgements associated with them. The Committee satisfied itself that the disclosures in relation to accounting judgements and key sources of estimation were appropriate and obtained, from the external auditor, an independent view of the issues and risks. The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

Audit Committee Report (continued)

Acquisition accounting for SDL acquisition including the valuation of goodwill and intangible assets

The Group acquired SDL plc in an all-share combination on 4 November 2020. Acquired businesses give rise to material assets and liabilities at the point of acquisition that are based on estimates and judgements about future performance. The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred were based on a number of assumptions. Significant judgement is involved in assessing the relevant forecast, and selecting the appropriate discount rates.

Management engaged with an external third party to provide assistance in the determination of the valuation of goodwill and intangible assets. The Committee has reviewed the acquisition accounting calculations and underlying estimates of this work, and understood the key drivers and financial information used in their work.

The Committee considered the work management performed on the opening balance sheet and provisional purchase price allocations and concurred with management's recommendation.

Carrying value of goodwill

The Group considers the carrying value of goodwill on at least an annual basis or when there is an indicator of impairment. Management prepared a paper which concluded that no indicators exist and that sufficient headroom exists within the Group's value in use models.

The Audit Committee reviewed this paper which included challenging the key assumptions: revenue growth rates, forecasting accuracy, cash flow projections and discount rates. The Group has not recognised any goodwill impairment in the current or prior year. See note 12 to the financial statements for further information.

Revenue recognition

The Audit Committee has continued to receive and review reports on the standard processes in place around revenue recognition. In particular this includes, the treatment of material licence contracts signed during the year and recognition of revenue as performance obligations are achieved. The Committee also received reports from the external auditor on its findings where accounting for sales arrangements is complex.

The Committee have reviewed management's paper and reviewed the Group's policies for recognising revenue on multiple element arrangements and the determination of standalone selling prices.

The Committee discussed and challenged management's papers satisfying itself that a consistent approach had been applied to determine revenue recognised in 2021. The Audit Committee has reviewed

the disclosures provided in relation to revenue recognition policy and to the significant estimates and judgements policy on note 2.

We considered the exercise undertaken by management to align and amend revenue recognition policies across the group as well as the correction to related prior period revenue disclosures. Further to this, we reviewed management assessment of the quantification of Work in Progress at the year end and concur with the conclusions reached in respect of the limitations in the underlying systems which has meant that an adjustment to the prior period is impractical, noting such amounts would not be material.

Uncertain tax provisions

The Group recognises a provision for uncertain tax positions within the financial statements.

The Committee has reviewed management's consideration of uncertain tax provisions, and understood the involvement of experts in the preparation and determination of these provisions.

The Committee has reviewed movements in the key uncertain tax position provisions that have been recognised, and understood the basis for the recognition of any new provisions made during the year.

The Committee discussed and challenged management's papers satisfying itself that a consistent approach had been applied to the identification and recognition of provisions in respect of uncertain tax positions recognised in 2021.

The Committee have reviewed the disclosures provided in relation to taxation in note 9 the significant estimates and judgements policy disclosed in note 2.

Going concern

The Committee has reviewed management's assessment that the Group has adequate resources to continue in operational existence for the foreseeable future, including consideration of the impact of Covid-19. This includes the Directors' review of the current liquidity of the Group, the impact of Covid-19 on the budgets and forecasts which have been prepared across a number of scenarios and the impact on the Group's banking covenants.

Covid-19 has not led to a heightened going concern risk for the Group on the basis of interim financial performance, undrawn financial facilities and cash flows generated from operations. We continue to monitor the risks of impairment of goodwill and trade receivables as well as any other assets or liabilities potentially adversely impacted by Covid-19.

After reviewing the Group's performance in 2021, along with budget and forecasts, the Committee endorses the Directors' reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of this

report. Given this expectation they have continued to adopt the going concern basis in preparing the financial statements.

Internal control and risk management

The risk management process enables the identification, assessment and prioritisation of risk through discussions with executive management. Risks are reviewed by the Executive Team and other delegated senior leadership committees to ensure that they continue to remain relevant. A risk that can seriously affect the performance or reputation of the Group is termed a principal risk and is aligned to the Group's strategic objectives.

Whilst the Audit Committee has delegated authority for internal control and risk, the Board is ultimately responsible. The Board has established the level of risk that is appropriate for the business and acceptable in the pursuit of the strategic objectives and has therefore set appropriate policies.

This process ensures that risks are not just the product of a bottom-up approach but are also examined from a top-down perspective via an integrated senior management process, which is closely aligned with the Group's strategy, in order to enhance the Group's approach to risk generally.

Internal control and risk-related reviews carried out by the Committee during the year included reviewing the output from the Group's risk review process to identify, evaluate and mitigate risks and considered whether changes in risk profile were complete and adequately addressed.

External auditor and independence

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

EY was appointed as the Group's auditor following a competitive audit tender process. The Committee has considered EY's effectiveness, independence, objectivity and scepticism throughout the audit tender process and the period since appointment, through its own observations and interactions with the external auditor. The Committee meet the external auditor both formally and informally throughout the year to discuss, amongst other things, materiality, audit strategy and audit findings. In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Standard 1 and as a matter of best practice, the external auditor has confirmed its independence as auditor of the Company. The Audit Committee assess external auditor effectiveness through meetings with Management, the external auditor and a review of the audit completed subsequent to receipt of the signed audit opinion.

Audit tender

Following the acquisition of SDL and recognising that PWC had been the Group's auditor for 8 years, the Board undertook a competitive external audit tendering process for the external audit for the year ended 30 September 2021.

The Selection Committee was led by the Chair of the Audit Committee, and comprised the other members of the Audit Committee, the CFO and the Group Financial Controller. The Selection Committee reviewed the FRC 'Audit Tenders Note on Best Practice' issued in February 2017 and approached a number of audit firms from within and outside of the 'Big 4' to take part in the audit tender process.

The Selection Committee reviewed and approved Request For Proposal documentation and a data pack to be issued to two participants, which provided detailed information to support the submission of quality and accurate bids by participants. Both participants then had the opportunity to spend time with various management stakeholders to obtain a more detailed understanding of the Group and existing management processes and challenges to better inform their tender submission. These meetings included time with the CFO, Group Finance, Tax, Treasury, IT and members of the Audit Committee. The bids submitted were subject to review by the Selection Committee. Both firms then met with the Selection Committee to present their proposals with a question and answer session led by the members of the Audit Committee present. The Selection Committee reviewed the tender submissions and scored them independently based upon the quality and relevant sector experience of the proposed team, depth of the team and the wider organisation relevant to the Group, cultural fit, proposed approach to the transition plan and wider audit and potential for audit efficiency and effectiveness. The Selection Committee recommended EY as the preferred external auditor for the Group.

The Board ratified the decision of the Selection Committee and EY will be put forward for formal re-appointment at the AGM on 23 February 2022.

Non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Committee reviews the nature and extent of the non-audit services supplied, receiving reports on the balance of audit to non-audit fees. Pre-approval is required for any non-audit work from the Audit Committee Chair. For 2021, the external auditor has provided £15k of non-audit work for other assurance related services. Fees paid to EY are set out in note 5 to the financial statements.

Gordon Stuart | Audit Committee Chair
20 December 2021

Directors' Remuneration Report

ANNUAL STATEMENT

Dear Shareholder

I am pleased to introduce the Directors' Remuneration Report for FY21 (my first as the Chair of the Remuneration Committee). This report is divided into three sections, being:

- > This Annual Statement, which summarises the work of the Committee (including details of a recent Policy review), remuneration outcomes in FY21 and how the Remuneration Policy will be operated for FY22;
- > The Remuneration Policy Report, which summarises the Company's Remuneration Policy; and
- > The Annual Report on Remuneration, which discloses how the Remuneration Policy was implemented in the year ended 30 September 2021 and how the Policy will operate for the year ending 30 September 2022.

Committee members & attendance

Director	Role	Attendance
Frances Earl	Chair from 4 November 2020	6 out of 6
Elisabeth Lucas	Chair to 4 November 2020	0 out of 0
Gordon Stuart	Member from 4 November 2020	6 out of 6
David Clayton	Member from 4 November 2020	6 out of 6
Lara Boro	Member	6 out of 6
David Shrimpton	Member to 10 February 2021	3 out of 5
Tomáš Kratochvíl	Member to 4 November 2020	0 out of 0
Andrew Brode	Member to 10 February 2021	5 out of 5

Additional attendees, as invited: Andrew Brode (following stepping down from the Committee on 10 February 2021), FIT Remuneration Consultants LLP (the Committee's independent advisor).



Frances Earl
CHAIR OF THE REMUNERATION COMMITTEE

Committee responsibilities

The Remuneration Committee is primarily responsible for reviewing the performance of the Executive Directors and determining their terms and conditions of service and their remuneration. The Committee also determines the remuneration of the Chairman and the members of the Executive Team. The Committee meets at least once a year. In FY21, it met six times.

Activities during the year

- > Reviewed the FY20 Directors' Remuneration Report prior to its approval by the Board
- > Reviewed the Remuneration Policy and its operation for the Executive Directors and Executive Team in light of FTSE 250 best and market practice. As explained opposite and within the main body of this report, this resulted in adjustments to Executive Director salaries, a formalisation of the annual bonus plan and the introduction of a new Long Term Incentive Plan (LTIP)
- > Reviewed performance against the FY20 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY21 bonus plan
- > Agreed the termination arrangements for Richard Thompson and joining arrangements for Ian El-Mokadem

Advisors to the Committee

FIT Remuneration Consultants LLP ("FIT") was appointed by the Remuneration Committee during FY21 to provide it with independent advice as and when required in respect of remuneration quantum and structure and developments in governance and best practice more generally. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com. FIT provides no other services to the Company.

Remuneration Policy Review - Remuneration Committee Conclusions

Following the completion of the SDL acquisition in November 2020, and noting that a number of our shareholders voted against the resolution to approve the Directors' Remuneration Report for the year ended 30 September 2020 at the February 2021 AGM, the Remuneration Committee carried out a detailed review of the Remuneration Policy during FY21. The Committee's conclusions from the Policy review were as follows:

- > Base salary levels should be right sized for the size and complexity of the business. As such, Richard Thompson's base salary was increased from £450,000 to £600,000 and Des Glass' base salary was increased from £300,000 to £375,000. While the Committee is aware of the sensitivities of above workforce salary increases, and noting the CFO's salary was increased to £300,000 in 2019/2020 before the SDL acquisition, the Committee concluded that the salary increases, which were aimed at broadly aligning salaries to FTSE 250 median levels, were appropriate given the size and nature of both the roles. Although the Committee notes that best practice would have been to phase the increases over two or three years, this was not considered appropriate for RWS given the Committee's belief that:
 - > market level salaries should be paid to the executives now for the roles they are undertaking, particularly noting that before the salaries were adjusted, they were lower than those of SDL's CEO and CFO; and
 - > rather than increasing fixed pay over time, the performance targets attached to the annual bonus and new LTIP should measure how successful the SDL acquisition has been (given that stretching annual and long-term targets have been set for the combined businesses going forward).
- > Pension provision, at 5% of salary, should remain unchanged given that it is aligned with the workforce.
- > Annual bonus provision for the year ending 30 September 2021 should be formalised and market aligned and the ability to pay Executive Directors discretionary bonuses should be removed. Bonus potential is capped at 150% of salary for the CEO role and 100% of salary for the CFO role (which was increased to 125% of salary for FY22 in line with market). For FY21, it was agreed that 40% of the annual bonus would be based on sliding scale profit targets, 30% would be based on sliding scale revenue targets and 30% would be based on personal and strategic targets. Any bonus award greater than 100% of salary will normally be deferred into shares for three years.

Directors' Remuneration Report (continued)

- > Long-term incentive provision should be updated and aligned to best and market practice. As such, RWS will no longer grant market value share options with annual performance targets and has instead adopted a more conventional LTIP whereby awards will be granted annually, based on three-year performance periods and vesting periods, with a two-year post vesting holding period. Award levels have been set at 200% of salary for the CEO role and 175% of salary for the CFO role, with vesting dependent on stretching Adjusted EPS growth targets and relative Total Shareholder Return performance measured against the constituents of the FTSE 250 (excluding Investment Trusts). The first such awards under the new Policy were granted in January 2021 (instead of the normal grant of market value options).
- > Shareholding guidelines should be introduced at 200% of salary for the CEO role, 175% of salary for the CFO role and 100% of salary for the tier of management directly below the Board.
- > This Directors' Remuneration Report for the year ended 30 September 2021 should be significantly enhanced in respect of the level of disclosures presented.

Performance and Reward for FY21

Following a review of performance in respect of the FY21 annual bonus, the Committee determined that the Group's profit for the year ended 30 September 2021 was between target and maximum while the Group's revenue was just above target.

After assessing performance against the personal and strategic targets, this resulted in a bonus of 76% of the maximum for Richard Thompson (pro rata) and 67% of the maximum for Des Glass. Ian El-Mokadem was not eligible for an annual bonus in FY21.

No share awards vested during the year ended 30 September 2021 and no share awards were exercised - i.e. no gains were made on the exercise of share awards in the year ended 30 September 2021 (and no gains were made on the exercise of share awards in the year ended 30 September 2020). However, while the 2019 and 2020 ESOP awards do not vest until the third anniversary of the respective grant dates, the Adjusted EPS performance target for the year ended 30 September 2021 for the final tranche of the 2019 ESOP awards and the second tranche of the 2020 ESOP awards (23 pence for both tranches) was tested and as a result, the relevant parts of each award will vest in full.

Implementing the Remuneration Policy for FY22

In respect of the implementation of the Remuneration Policy for FY22:

- > The CFO's base salary was increased by 2.8% from 1 October 2021 in line with the general workforce. The CEO did not receive a salary review given his recent appointment;
- > No changes will be made to benefits or pension provision;
- > Annual bonus will be capped at 150% of base salary for the CEO and 125% of salary for the CFO with 40% of the annual bonus based on sliding scale profit targets, 35% based on sliding scale revenue targets and 25% based on personal, strategic and ESG-related targets. Any bonus award greater than 100% of salary will normally be deferred into shares for three years;
- > LTIP awards are expected to be granted during FY22 to the CEO and CFO over shares equal to 200% and 175% of salary respectively. Performance targets will continue to be based on sliding scale EPS growth and Total Shareholder Return;
- > Shareholding guidelines of 200% of salary for the CEO and 175% of salary for the CFO will continue to apply; and
- > No changes will be made to fees for the Chairman and Non-Executive Directors.

Frances Earl | Chair of the Remuneration Committee,
20 December 2021

REMUNERATION POLICY REPORT

This section sets out the Directors' Remuneration Policy ("Policy").

In order to deliver the Group's strategy, the primary objectives of our Policy are:

- > to have a transparent, simple and effective remuneration structure which encourages the delivery of Group targets in accordance with our business plan;
- > to motivate and retain the best people of the highest calibre by providing appropriate short- and long-term variable pay which is dependent upon challenging performance conditions;
- > to promote the long-term success of the Group and ensure that our policy is aligned with the interests of, and feedback from, our shareholders; and
- > to have a competitive remuneration structure which will attract new appropriately skilled executives to complement our teams worldwide.

The Remuneration Committee follows the principles of good corporate governance in relation to the structure of its remuneration policy and, accordingly, takes account of the QCA Corporate Governance Code as adopted by the Board.

Summary of Directors' Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive base salary to attract, motivate and retain directors with the experience and capabilities to achieve the strategic aims.	Reviewed annually after considering pay levels at comparably sized listed companies and sector peers; the performance, role and responsibility of each Director; the economic climate, market conditions and the Company's performance; and the level of pay across the Group as a whole.	n/a	n/a
Benefits	To provide market-competitive benefits package.	Offered in line with market practice, and may include a car allowance, private medical, income protection & death in service insurance.	n/a	n/a
Pension	To provide an appropriate level of retirement benefit.	Workforce aligned pension provision.	5% of base salary	Not applicable
Annual bonus	To reward performance against annual targets which support the strategic direction of Group.	Awards are based on annual performance and are normally payable in cash up to 100% of salary. Bonus in excess of 100% of salary will be deferred into shares for three years.	150% of salary	Sliding scale financial and/or personal/ESG/strategic targets
LTIP	To drive and reward the achievement of longer term objectives, support retention and promote share ownership for Executive Directors.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/clawback provisions at the discretion of the Committee.	200% of salary	Performance metrics will be linked to financial and/or share price and/or strategic and/or ESG performance
Shareholding guidelines	To promote share ownership for Executive Directors.	Executive Directors are expected to build a shareholding in the Group over time by retaining the net of tax LTIP awards which vest.	200% of salary for the CEO, 175% of salary for the CFO	Not applicable
Non-Executive Directors	The Committee determines the Chairman's fee and fees for the Non-Executive Directors are agreed by the Chairman and Chief Executive.	Fees are reviewed annually taking into account the level of responsibility, relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are paid in cash.	n/a	n/a

Directors' Remuneration Report (continued)

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 CFO continue unless and until terminated by either party giving at least six months' notice while the service contract of the CEO continues unless and until terminated by either the individual or the Company giving at least 12 months' notice. The date of the Chairman's service contract is 30 October 2003, and the service contracts of Ian El-Mokadem and Desmond Glass are dated 28 June 2021 and 6 November 2017 respectively.

ANNUAL REPORT ON REMUNERATION

Implementation of the Policy for FY21

During the year, the Directors received the following remuneration and pension contributions:

Director	Salary or fees £000	Taxable benefits £000	Pension contributions £000	Annual bonus £000	FY21 Total £000	FY20 Total £000
Andrew Brode	263	2	-	-	265	265
Richard Thompson ¹	489	-	27	567	1,083	573
Ian El-Mokadem ²	129	-	-	-	129	-
Des Glass	375	2	19	250	646	373
Lara Boro	50	-	-	-	50	50
Frances Earl ³	45	-	-	-	45	-
Gordon Stuart ³	45	-	-	-	45	-
David Clayton ³	45	-	-	-	45	-
Former Director						
Elisabeth Lucas ⁴	10	-	-	-	10	55
David Shrimpton ⁵	17	-	-	-	17	50
Tomáš Kratochvíl ⁴	4	-	-	-	4	50
Total	1,472	4	46	817	2,339	1,416

1. To 25 July 2021 2. From 3 August 2021 3. From 4 November 2020 4. to 4 November 2020 5. to 10 February 2021

Annual Bonus for FY21

Details of the annual bonus awards to Executive Directors for the year ended 30 September 2021 are as follows:

Financial Targets (70% of bonus)	PBT (40%)	Revenue (30%)
Below Target	<£111.0m	<£692.4m
On-Target	£111.0m	£692.4m
Maximum	£122.1m	£727.0m
Actual	£116.4m	£694.5m
% of max payable	74.3%	53.0%
% of max payable	Total Financial	65%

Personal Objectives (30% of bonus)	Objectives	Committee Assessment	% of max payable
Richard Thompson	Complete a detailed review of RWS/SDL operations and agree the target operating structure, progress RWS's ESG agenda, review the RWS and SDL employee experience including engagement levels, diversity and retention, progress SDL integration	Following a review of Richard Thompson's performance post year end, and noting that he served c10 months out of the year, the Committee determined that all of the objectives were met in full.	100%
Des Glass	Integrate the SDL finance, tax and treasury functions, review and integrate transfer pricing and hedging policies, improve year on year cash conversion, manage new auditor appointment process, progress SDL integration	The Committee assessed the personal objectives for Des Glass as being partially achieved.	70%

Based on the above, the annual bonus awards earned for the year ended 30 September 2021 were as follows:

		Financial	Personal	Total
Richard Thompson	% of max	65%	100%	76%
(150% of salary maximum)	£	£342,301	£225,000	£567,301*
Des Glass	% of max	65%	70%	67%
(100% of salary maximum)	£	£171,151	£78,750	£249,901

* Reduced to 10/12ths for time pro-rating given Richard Thompson stepped down from the Board on 25 July 2021.

Share awards granted in the year

The following LTIP awards were granted to the Executive Directors in January 2021:

	Basis of award	Number of shares under award
Richard Thompson	200% of salary	222,469
Des Glass	175% of salary	121,662

The awards have an exercise price of one penny per share and become exercisable after three years from the date of grant, subject to continued employment and the Company's earnings per share and Total Shareholder Return (TSR) as follows:

50% of awards

Absolute Adjusted EPS targets for the year ending 30 September 2023:

No vesting: 0% of this part of an award vests for 2023 Adjusted EPS of below 27.5 pence

Threshold vesting: 25% of this part of an award vests for 2023 Adjusted EPS of 27.5 pence, increasing pro-rata to

Maximum vesting: 100% of this part of an award vests for 2023 Adjusted EPS of 32 pence

50% of awards

Relative TSR commencing on the Grant Date and ending on 30 September 2023 as measured against the constituents of the FTSE 250 (excluding investment trusts):

No vesting: 0% of this part of an award vests for TSR below median

Threshold vesting: 25% of this part of an award vests for median TSR increasing pro-rata to

Maximum vesting: 100% of this part of an award vests for upper quartile TSR

Directors' Remuneration Report (continued)

Directors' Interest in Shares

The interests of the Directors as at 30 September 2021 (including the interests of their families and related trusts), all of which were beneficial, in the ordinary shares of the Company were:

Interests of Directors in ordinary shares	Ordinary shares of 1 pence
Andrew Brode	90,174,060
Richard Thompson	282,467*
Ian El-Mokadem	60,000
Elisabeth Lucas	50,000*
Lara Boro	2,600
Gordon Stuart	5,085
David Clayton	164,035

*On leaving the business on 25/07/2021 and at cessation 04/11/2020 respectively

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 as follows:

	Award Type	1 October 2020	Granted	Lapsed	Exercised	30 Sept 2021	Exercise Price	First date exercisable	Last date exercisable
Richard Thompson	ESOP	320,798	-	(320,798)	-	-	601p	13.05.22	13.05.29
	ESOP	574,441	-	(574,441)	-	-	615p	22.01.23	22.01.30
	LTIP	-	222,469	(222,469)	-	-	1p	22.01.24	22.01.31
Des Glass	ESOP	115,640	-	-	-	115,640	601p	13.05.22	13.05.29
	ESOP	246,189	-	-	-	246,189	615p	22.01.23	22.01.30
	LTIP	-	121,662	-	-	121,662	1p	22.01.24	22.01.31

ESOP = Employee Share Option Plan (2019 and 2020 ESOP awards) LTIP = Long Term Incentive Plan Awards

The market price of the Company's shares at 30 September 2021 was 626.5 pence and the highest and lowest price in the year ended 30 September 2021 was 523 and 696.5 pence respectively.

Share awards vesting/exercised in the year

No share awards vested during the year ended 30 September 2021 and no share awards were exercised - i.e. no gains were made on the exercise of share awards in the year ended 30 September 2021 (and no gains were made on the exercise of share awards in the year ended 30 September 2020).

However, while the 2019 and 2020 ESOP awards do not vest until the third anniversary of the respective grant dates, the Adjusted EPS performance target for the year ended 30 September 2021 for the final tranche of the 2019 ESOP awards and the second tranche of the 2020 ESOP awards (23 pence for both tranches) was tested and as a result, the relevant parts of each award will vest in full.

Board Changes

As announced on 8 June 2021, Richard Thompson stepped down from the Board on 25 July 2021. Richard received salary, benefits and pension provision up to the date of cessation and was eligible to receive a pro-rated annual bonus for FY21 at the normal payment date (£567,301). While his outstanding market value share option awards lapsed at cessation, reflecting almost nine years of service, Richard received a payment of £200,000 in respect of his outstanding LTIP awards (being the estimated value after time pro-rating and an assessment of performance was applied as per good leaver treatment). This amount was in addition to those shown in the remuneration table on page 92. No other payments in respect of Richard's cessation were made or are payable.

Ian El-Mokadem was appointed CEO designate on 19 July 2021 and became CEO on 25 July 2021. He was appointed to the Board on 3 August 2021. His remuneration, which is consistent with the Group's recently reviewed Directors' Remuneration Policy as detailed above, and is equivalent to Richard Thompson's package, is as follows:

- > Base salary: £600,000 p.a.
- > Pension: 5% of salary.
- > Maximum annual bonus: 150% of salary, with 40% of the annual bonus based on sliding scale profit targets, 35% based on sliding scale revenue targets and 25% based on personal and strategic targets. Any bonus award greater than 100% of salary will normally be deferred into shares for three years.
- > LTIP award: 200% of salary p.a., with vesting dependent on stretching Adjusted EPS growth targets and relative Total Shareholder Return performance measured against the constituents of the FTSE 250 (excluding Investment Trusts). The award will be granted annually, have a three year performance period, and there will be a two-year post vesting holding period.
- > Share ownership guidelines: 200% of base salary.
- > No relocation or buyout awards were payable.

Frances Earl | CHAIR OF THE REMUNERATION COMMITTEE
20 December 2021

Directors' Report

INTRODUCTION

The Directors present their Annual Report together with the audited consolidated financial statements for the year ended 30 September 2021.

Substantial shareholdings

At 30 September 2021, the following were substantial shareholders:

Substantial shareholding	% holding
Andrew Brode	23.2
Liontrust Asset Management	8.9
Octopus Investments	3.8
Canaccord Genuity Wealth Management	3.3

GENERAL INFORMATION

RWS Holdings plc is the ultimate parent company of the RWS Group which operates internationally. RWS Holdings plc is registered in England and Wales (company number 03002645). The principal activities of the Group and its subsidiaries are described in the Strategic Report on pages 15 to 23.

BUSINESS PERFORMANCE AND RISKS

The review of the business, operations, principal risks and outlook is dealt with in the Strategic Report on pages 16 to 22 and 60 to 63. The key performance indicators (page 23) of the Group are revenues and adjusted pre-tax profit before amortisation of acquired intangibles, share-based payment expenses, acquisition costs and exceptional items.

DIVIDENDS

The Directors recommend a final dividend of 8.5p pence per ordinary share (see note 10) to be paid on 25 February 2022 to shareholders on the register at 28 January 2022, which, together with the interim dividend of 2.0 pence paid in July 2021, results in a total dividend for the year of 10.5 pence (2020: 9.0 pence).

The final dividend will be reflected in the financial statements for the year ending 30 September 2022. The proposed total dividend per share is 1.0 times (2020: 1.9 times) covered by basic earnings per share.

GOING CONCERN ACCOUNTING BASIS

In assessing the basis of preparation of the financial statements for the year ended 30 September 2021, the Directors have considered the principles of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2014'; particularly in assessing the applicability of the going concern basis, the review period and disclosures. The period of assessment is the 18 months ending 31 March 2023.

As at 30 September 2021, the Group has net debt of £6.2m comprising the Group's US\$120m revolving credit facility ("RCF") (US\$66.1m or £49.2m drawn at year end) and lease liabilities of £51.5m, less cash and cash equivalents of £92.5m. The RCF matures in February 2024 but is extendable for a further year subject to lender consent. At year end the Group's net leverage ratio (as defined by the RCF agreement) is -0.31x of EBITDA, while its interest coverage ratio (as defined by the RCF agreement) is 168.61x of EBITDA and are well within the covenants permitted by the Group's RCF agreement.

During the year ended 30 September 2021, the Group completed the all-share combination of SDL plc. Since acquisition, both the RWS and SDL businesses have continued to perform well, with synergies across the Group identified and actioned. At the time of the combination SDL had £55.0 million of cash reserves and no drawn debt facilities, thereby further underpinning the expanded group's balance sheet and liquidity.

In making their going concern assessment, the Directors have considered the Group's current financial position and forecast earnings and cashflows for the 18-month period ending 31 March 2023. The business plan used to support this going concern assessment is derived from the Board-approved budget. The Directors have undertaken a rigorous assessment of going concern and liquidity taking into account key uncertainties and sensitivities, including the potential impact of Covid-19 on the future performance of the Group. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants and its ability to continue generating cash from trading activities.

In light of the Group's principal risks and uncertainties disclosed on page 60 of the Strategic Report and the limited impact of Covid-19 on the Group's profitability and financial position, the Directors believe that the appropriate sensitivity in assessing the Group and Company's ability to continue as a going concern are to model a range of reasonably plausible downside scenarios, including a 10% reduction to the Group's revenues and corresponding cash flows, with mitigating actions from management limited to equivalent reductions in the Group's controllable cost base.

No significant structural changes to the Group have been assumed in any of the downside scenarios modelled with all mitigating actions wholly within management's control.

In each of these modelled downside scenarios, the Group continues to have significant covenant and liquidity headroom over the period through to 31 March 2023. Consequently, the Directors are confident that the Group and Company will have sufficient cash reserves and committed debt facilities to withstand reasonably plausible downside scenarios and therefore continue to meet its liabilities as they fall due for the period ending 31 March 2023 and therefore have prepared the financial statements on a going concern basis.

SUBSEQUENT EVENTS

There are no material post balance sheet events that require adjustment or disclosure in the Annual Report.

FINANCIAL INSTRUMENTS

Information about the use of financial instruments by the Group is given in note 20 to the financial statements.

DIRECTORS

Details of members of the Board at the date of signing this report are set out on pages 74 and 75.

Further information on Board composition, responsibilities, commitments and re-election/election can be found on pages 76 to 79 of the Corporate Governance Report.

The interests of the Directors in shares during the year are set out on pages 88 and 95 in the Directors' Remuneration Report.

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

Further information about the Audit and Remuneration Committees and details of the Company's remuneration policy are set out on pages 84 to 95.

EMPLOYMENT OF DISABLED PERSONS

It is Company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. People with disabilities, depending on their skills and abilities, enjoy the same career prospects as other employees and the same scope for realising their 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 age, sex, race or religion. All group companies endeavour to provide equal opportunities in recruiting, training, promoting and developing the careers of all employees.

Directors' Report (continued)

FOSTERING GOOD RELATIONSHIPS

Understanding what matters to our stakeholders is achieved by building strong, constructive relationships and engaging regularly. We value the diverse perspectives that our broad range of stakeholders bring to our decision making. We recognise that engagement with stakeholders is a vital part in the execution of our long-term strategy. Our shareholders, staff, clients, suppliers and our local communities are our key stakeholder groups.

We rely on our shareholders to finance our activities and the continuing expansion of our business. As such, engagement with them, creating value for them and shaping our future decisions based on the results of our engagement with them is critical to the long-term success of the Group.

Our clients are at the core of our strategic thinking. It is in response to their needs that we seek to provide quality, efficient solutions. We are acutely focused on how their needs continue to develop in the 24/7 digital world we all now inhabit.

It is the talent, passion and hard work of our people that enable us to deliver the most effective and innovative solutions for our clients.

The relationships we build with stakeholders are subject to sound governance to ensure insights are taken into consideration in decision-making at management and Board level.

POLITICAL DONATIONS

The Company made no political donations during the year ended 30 September 2021.

AUTHORITY TO ALLOT

Under section 549 of the 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 23 February 2022 AGM which renews, for the period ending 26 May 2023, or, if earlier, the date of the 2022 AGM, 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 £1,295,090, representing approximately one third of the share capital of the Company in issue at 13 December 2021.

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

STATUTORY PRE-EMPTION RIGHTS

Under section 561 of the Companies Act 2006, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. A special resolution will be proposed at the 23 February 2022 AGM which renews, for the period ending on 26 May 2023 or, if earlier, the date of the 2022 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 £194,264 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 13 December 2021). The second resolution will request a further authority for the Directors to allot shares up to an aggregate nominal value of £194,264, in respect of an acquisition or capital investment. Both resolutions will ask for approval, as if the pre-emption rights of section 561 of the Act did not apply.

STATEMENT OF DISCLOSURE OF INFORMATION TO 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.

EY has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the 23 February 2022 AGM.

On behalf of the Board

Ian El-Mokadem | CHIEF EXECUTIVE OFFICER
20 December 2021

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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the 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 the Parent Company, and of the profit or loss of the Group and the 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 Parent 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 Group and the Parent Company will continue in business.

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

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

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

DIRECTORS' CONFIRMATION

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 position and performance, business model and strategy.

On behalf of the Board

Ian El-Mokadem | CHIEF EXECUTIVE OFFICER
20 December 2021



Independent Auditors' 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 2021 and of the group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- > the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Group	Parent company
Consolidated statement of financial position as at 30 September 2021	Statement of financial position as at 30 September 2021
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 13 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- > understanding management's process and controls related to the assessment of going concern;
- > assessing the adequacy of the going concern assessment period until 31 March 2023, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate;
- > obtaining management's going concern models which included a base case and downside scenarios of the going concern assessment period. These



forecasts include an assessment of available cash balances including assessment of compliance with the covenant requirements of the Group's external debt;

- > checking the arithmetical accuracy of the cash flow forecast models and assessed the Group's historical forecasting accuracy, comparing these conclusions to the downside scenarios prepared by management;
- > confirming the continued availability of debt facilities by examining executed documentation including clauses relating to covenants;
- > considering the downside scenarios identified by management and independently assessing whether there are any other scenarios which should be considered, and recalculated the impact on the available cash flows of the downside scenarios in the going concern period;
- > considering whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including goodwill impairment and deferred tax asset recognition;
- > evaluating, based on our own independent analysis, what reverse stress testing scenarios could lead either to a breach of the Group's banking covenants or liquidity shortfall, and considering whether these scenarios were plausible;
- > challenging management's assumptions within the cash flow forecasts in relation to the forecast growth rates in the going concern period, including comparison to internal and external economic forecasts;

- > comparing management's forecasts to actual results through the subsequent events period and performing enquiries to the date of this report; and
- > assessing if the going concern disclosures in the financial statements are appropriate and in accordance with the revised ISA UK 570 going concern standard.

We observed that the adjusted operating profit for the Group continues to grow (2021: £118.5 million, 2020: £72.9 million) and the Group generates positive operating cashflows (2021: £84.9 million, 2020: £79.4 million). The Group has access to a committed revolving credit facility of \$120 million, which doesn't expire until 2024. The covenant compliance necessary under both covenant test ratios within the RCF have been modelled as part of the going concern forecast.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period to 31 March 2023.

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

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> > We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 6 components. > The components where we performed full or specific audit procedures accounted for 66% of profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles, 84% of Revenue and 87% of Total assets.
Key audit matters	<ul style="list-style-type: none"> > Revenue recognition > Impairment of goodwill and acquired intangibles > Capitalisation and impairment of development costs > Acquisition accounting for SDL Limited
Materiality	<ul style="list-style-type: none"> > Overall group materiality of £5.0m which represents 4.3% of profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles.

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

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 14 components covering entities within the UK, US, Czech Republic and EMEA, which represent the principal business units within the Group.

Of the 14 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 6 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 66% of the Group's profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles, 84% of the Group's Revenue and 87% of the Group's Total assets. For the current year, the full scope components contributed 53% of the Group's profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles, 74% of the Group's Revenue and 82% of the Group's Total assets. The specific scope components contributed 13% of the Group's profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles, 10% of the Group's Revenue and 5% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

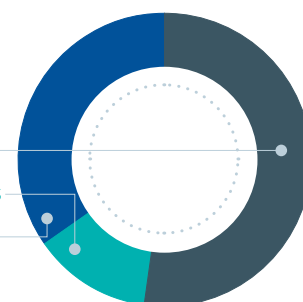
We also instructed 1 location to perform specified procedures over certain aspects of capitalised development costs, as described in the Risk section above.

Of the remaining components that together represent 34% of the Group's profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles, none are individually greater than 4% of the Group's profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles. For these components, we performed other procedures, including analytical review and/or 'review scope' procedures, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements. The Group audit team has also performed centralised testing over material cash and cash equivalents balances for existence purposes in these review scope components.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

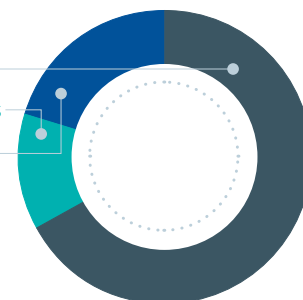
Profit before tax adjusted for exceptional items, acquisition costs and amortisation of acquired intangibles

53% Full scope components
13% Specific scope components
34% Other procedures



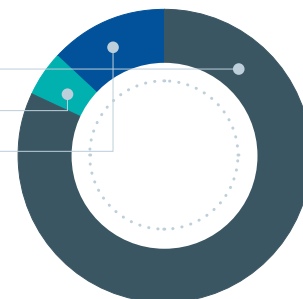
Revenue

74% Full scope components
10% Specific scope components
16% Other procedures



Total Assets

82% Full scope components
5% Specific scope components
13% Other procedures





Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 8 full scope components, audit procedures were performed on seven of these directly by the primary audit team. All specific scope components were audited by the primary team.

The primary team interacted regularly with the component team where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (2021: £694.5m, 2020: £355.8m)

Refer to the Audit Committee Report (page 86) and Note 3 of the Consolidated Financial Statements (page 118)

There is a cut-off risk that revenue earned around the year-end date is inappropriately recognised in the period in order to meet budgets and market expectations. This can apply to both point in time and over time revenue recognition, arising from the sale of both technology and services to customers.

In addition, recognition of revenue may include an allocation of transaction price, specifically for bundled or bespoke technology deals where there are multiple performance obligations. There is a risk that the transaction price is incorrectly allocated to each performance obligation and/or recognised inappropriately (point in time or over time).

Our response to the risk

Our audit procedures comprised the following:

We understood the process for recognition of revenue transactions and assessed the design effectiveness of key controls.

Cut-off:

For all revenue streams, we tested a sample of revenue transactions recognised around the balance sheet date to validate the correct timing of revenue recognition. Where applicable, we vouched to supporting documentation including proof of completed works and acceptance documentation.

For services revenue, we understood the underlying process for identifying and measuring accrued income and performed analytical procedures to identify any specific risks. Further, we identified material or unusual accrued income balances, for which we performed the following procedures, where applicable:

- > obtaining orders/contracts and supporting documentation to verify amounts, for example purchase invoices for costs incurred to date;
- > for services revenue, meeting with project managers to challenge the valuation of accrued income;
- > reviewing post year-end accrued income schedules to identify unusual movements in accrued income balances; and
- > Obtaining post-year end invoices raised and cash receipts

We considered each component's application of IFRS 15 through review of underlying contracts and terms and conditions, particularly in relation to the timing and quantum of revenue recognition around the balance sheet date to validate that the "over time" or "point in time" recognition policy was appropriate and in line with the nature and characteristics of the services provided.

Key observations communicated to the Audit Committee

We concluded that revenue recognised was materially correct in accordance with IFRS 15.

We concluded based on our procedures performed that the standalone selling price of multi-element arrangements has been calculated and recorded correctly in the Technology division.

We reviewed management's assessment of revenue accounting policies across the Group following the acquisition of SDL Plc, noting that an amendment to the policy has been made in relation to certain revenue streams to recognise revenue as "over time" in accordance with p. 35c of IFRS 15 within the RWS legacy businesses, rather than "point in time". Management quantified the impact of this correction and as a result recorded an immaterial accrued income balance in the legacy RWS business as at 30 September 2021.

We also reviewed management's assessment of the impact on the 30 September 2020 balance sheet and concurred with management's conclusion that it would be impractical to quantify, and therefore no restatement has been made to the prior year

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

Revenue recognition (2021: £694.5m, 2020: £355.8m) continued

We reviewed the Group's disclosures in relation to revenue recognition made in the financial statements to confirm the adequacy of disclosure of the Group's revenue recognition policy.

Multi-element arrangements:

We tested a sample of revenue contracts by performing the following:

- > agreeing revenues to contracts, purchase orders or software licence agreements;
- > agreeing the revenue to subsequent payment as evidence of collectability;
- > checking evidence, such as licence keys or evidence of filing of patents to support that performance obligation has been fulfilled prior to revenue recognition;
- > reviewing terms and conditions to establish whether all performance obligations have been identified and for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities; and
- > ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract;
- > We obtained management's assessment of the determination of standalone selling price and validated this assessment to evidence obtained through our test of details above.

We performed full and specific scope audit procedures over this risk area in 4 locations, which covered 84% of the risk amount.

comparatives in line with the requirements of IAS 8. We also concluded on the reasonability of the restatement to Note 3, which reflects the correction of the accounting policy in the prior period comparative disclosures.

Based on the procedures we performed we concluded that the accounting policy and associated disclosures are in line with IFRS 15.

Capitalisation and impairment of development costs (2021: £9.4m, 2020: £3.4m)

Refer to the Note 13 of the Consolidated Financial Statements (page 132)

The Group capitalises eligible costs in the development of its software products and internal systems. There is a risk of inappropriate capitalisation of these development costs, which require significant judgement as to whether the costs meet the capitalisation criteria per IAS 38.

Our response to the risk

Our audit procedures comprised the following:

We performed walkthroughs of the capitalised development cost process and assessed the design effectiveness of key controls.

We selected a sample of additions to understand the nature of the costs, and to assess whether the items have been appropriately capitalised in accordance with IAS 38.

We performed analytical procedures, including comparison of capitalization and amortization to prior year, recalculation of maximum expected capitalization cost and comparison of budgeted spend versus actuals

We vouched capitalised costs to supporting documentation including relevant HR data, 3rd party invoices and cash payments made.

We reviewed the Group's disclosures in relation to capitalised development costs made in the financial statements to confirm the adequacy of disclosure of the Group's capitalisation policy

We assessed the impairment of assets in use and those still under development in accordance with IAS 36 by considering whether there were any indicators of impairment, including obsolescence of technology and changes to underlying business and market trends

We performed full and specific scope audit procedures over this risk area in 3 locations, which covered 100% of the risk amount.

Key observations communicated to the Audit Committee

We concluded that development costs are appropriately capitalised under IAS 38 and that it is reasonable that no impairment has been recorded on these assets as at 30 September 2021.



Accounting for acquisition of SDL

Refer to the Audit Committee Report (page 86); Accounting policies (page 115); and Note 24 of the Consolidated Financial Statements (page 150)

Accounting for business combinations is complex and involves judgement including around the determination of the fair value of consideration paid and assessment of the fair value of assets and liabilities acquired. The valuations of identified intangibles can be a subjective process and there is a risk that the accounting treatment may be incorrect.

Our response to the risk

Our audit procedures comprised the following:

We read the scheme documents and other documents related to the acquisition

We ensured the accounting is in accordance with IFRS 3 Business combinations, in particular that the acquisition meets the definition of a business

We assessed management's consideration of merger vs acquisition accounting

We assessed the quantum of the consideration (being a share for share transaction) by vouching the share price at the acquisition date

We performed audit procedures on the acquired opening balance sheet of SDL, including rollback procedures from the audited 31 December 2020 consolidated accounts of SDL Limited and corroborating material fair value adjustments to supporting documentation.

We assessed the valuation methodologies and key inputs used in determining the purchase price allocation including the discount rate, cash flow forecast and other prospective financial information and the useful lives assigned, with the assistance of our valuation specialists.

The acquisition brings an increased level of complexity and judgement in the assessment of deferred tax valuation on acquired intangible assets. We assessed the split of the recorded deferred tax liability by jurisdiction and reviewed the tax rates applied.

We reviewed the Group's disclosures in relation to acquisition accounting made in the financial statements to confirm the adequacy of disclosure of the Group's acquisitions.

Key observations communicated to the Audit Committee

We concluded that the transaction was properly accounted for in accordance with IFRS 3, and the fair value adjustments and Purchase Price Allocation were appropriate. The relevant tax considerations have been recorded and disclosed appropriately in the financial statements.

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

Impairment of goodwill and acquired intangibles (2021: £615.8m goodwill and £351.6m acquired intangibles, 2020: £257.2m goodwill and £147.7m acquired intangibles)

Refer to the Audit Committee Report (page 86); and Notes 12 and 13 of the Consolidated Financial Statements (page 130)

Management applies judgement in assessing the valuation of acquired intangibles and goodwill, particularly in estimating future cash flows and deriving the appropriate discount rates. There is a risk that impairments are not identified, and the value of goodwill or acquired intangibles is overstated.

Our response to the risk

Our audit procedures comprised the following:

- > We understood the annual goodwill and investment impairment process and assessed the design effectiveness of key controls. We confirmed that management's process and methodology meet the requirements of IAS 36 'Impairment of Assets'
- > We reviewed management's paper identifying the cash generating units (CGUs) to which impairment should be considered and assessed whether the CGU allocation is appropriate
- > We engaged EY specialists to determine if the discount rates applied for each CGU are within an acceptable range
- > We challenged management as to the robustness of the process performed by discussing potential external and internal sources of indicators of impairment, and updates made to the cash flow forecast to reflect these
- > We corroborated key assumptions included within the forecast through inquiries of local management, commercial finance and product development teams, as well as external market data. We ensured consistency of key assumptions with forecasts used in other management assessments, including going concern.
- > We searched for any contradictory evidence, including whether any indicators of impairment were omitted from management's assessment
- > We assessed adequacy of sensitivity analysis performed and performed additional sensitivities.
- > We assessed the historical accuracy of management's forecasting process through reviewing forecast versus actuals analyses for the current year.
- > We reviewed the Group's disclosures in relation to impairment made in the financial statements to confirm the adequacy of disclosure of the Group's impairment policy.

Key observations communicated to the Audit Committee

Based on the final forecast cash flows and assumptions used, there is sufficient headroom across all CGUs. As a result of our independent assessment and calculation, we conclude that no impairments should be recorded as at 30 September 2021.

We note that the assessments for the Moravia, SDL Regulated Industries and SDL Technology CGU's demonstrated sensitivity to changes in the discount rates applied. We have reviewed the disclosures included in the consolidated financial statements and conclude this sensitivity to be appropriately disclosed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.0m, which is 4.3% of profit before tax adjusted for amortisation of acquired intangibles, acquisition costs and exceptional items. We believe that profit before tax adjusted for amortisation of acquired intangibles, acquisition costs and exceptional items represents the primary measure used by the shareholders in assessing the performance of the Group, as it is a reflection of the underlying performance of the Group.

We determined materiality for the Parent Company to be £9.3m, which is 1.0% of total assets.

The previous auditor determined materiality for the Group to be £3.5m for the external audit for the year ended 30 September 2020. We note that this was prior to the acquisition of SDL Limited.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £2.5m. We have set performance materiality at this percentage due to a combination of risk factors, including this being a first year audit for EY.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5m to £1.1m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.25m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 166, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 99, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and 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.

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- > We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006, FRS 101, and the Companies Act 2006) and the relevant tax compliance regulations in the components.
- > We understood how RWS Holdings plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, discussions with the Audit Committee and any correspondence received from regulatory bodies.
- > We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be



higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above addresses procedures performed in areas where we have concluded the risks of material misstatement are highest (including where due to the risk of fraud). These procedures included testing manual journal entries.

- > Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of Board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations and enquiries of management.
- > All full and specific scope components were instructed to perform procedures in the identification of instances of non-compliance with laws and regulations.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joe Yglesia | SENIOR STATUTORY AUDITOR
for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

20 December 2021

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Revenue	3	694.5	355.8
Cost of sales		(381.3)	(216.2)
Gross profit		313.2	139.6
Proceeds from warranty claim	6	1.2	9.0
Administrative expenses		(257.0)	(88.4)
Operating profit	5	57.4	60.2
Analysed as:			
Adjusted operating profit:		118.5	72.9
Amortisation of acquired intangibles	13	(34.4)	(15.3)
Acquisition costs	6	(11.2)	(4.1)
Share based payment expense	22	(1.4)	(1.1)
Exceptional items	6	(14.1)	7.8
Operating profit		57.4	60.2
Finance income	8	-	0.1
Net gain on debt modification	6,8	-	1.4
Amortisation of capitalised exceptional finance costs	6,8	(0.3)	(0.2)
Finance costs	8	(2.1)	(2.8)
Profit before tax		55.0	58.7
Taxation	9	(13.8)	(12.3)
Profit for the year		41.2	46.4
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Gain on retranslation of quasi equity loans (net of deferred tax)		(0.6)	-
(Loss) on retranslation of foreign operations		(31.8)	(14.2)
Gain on hedging (net of deferred tax)		1.6	1.9
Total other comprehensive expense		(30.8)	(12.3)
Total comprehensive income attributable to owners of the Parent		10.4	34.1
Basic earnings per ordinary share (pence per share)	11	10.9	16.9
Diluted earnings per ordinary share (pence per share)	11	10.9	16.9

The notes on pages 114 to 153 form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 September 2021

	Note	2021 £m	Restated* 2020 £m
Non-current assets			
Goodwill	12	615.8	257.2
Intangible assets	13	366.6	156.4
Property, plant and equipment	14	32.1	22.8
Right-of-use assets	18	42.4	20.1
Non-current income tax receivable		1.0	-
Deferred tax assets	9	1.5	1.9
		1,059.4	458.4
Current assets			
Trade and other receivables	15	191.8	82.1
Income tax receivable		3.5	-
Foreign exchange derivatives	20	-	0.6
Cash and cash equivalents	23	92.5	51.4
		287.8	134.1
Total assets		1,347.2	592.5
Current liabilities			
Trade and other payables	17	152.0	57.6
Lease liabilities	18	11.0	3.2
Foreign exchange derivatives	20	0.7	0.1
Income tax payable		22.1	3.6
Provisions	19	5.1	-
		190.9	64.5
Non-current liabilities			
Loans	16	47.2	66.5
Lease liabilities	18	40.5	19.6
Trade and other payables	17	2.4	0.3
Provisions	19	4.1	2.4
Deferred tax liabilities	9	51.2	30.3
		145.4	119.1
Total liabilities		336.3	183.6
Total net assets		1,010.9	408.9
Capital and reserves attributable to owners of the Parent			
Share capital	21	3.9	2.8
Share premium		54.2	53.6
Share based payment reserve		2.8	1.4
Reverse acquisition reserve		(8.5)	(8.5)
Merger reserve		624.4	-
Foreign currency reserve		(17.5)	14.9
Hedge reserve		1.2	(0.4)
Retained earnings		350.4	345.1
Total equity		1,010.9	408.9

*Balances have been retrospectively restated following completion of the Webdunia purchase price allocation from the prior year (see note 24).

The notes on pages 114 to 153 form part of these financial statements. The financial statements on pages 110 to 153 were approved by the Board of Directors and authorised for issue on 20 December 2021 and were signed on its behalf by:

Desmond Glass | CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes in Equity

for the year ended 30 September 2021

	Notes	Share capital £m	Share premium account £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of Parent £m
At 1 October 2019		2.7	51.8	19.0	324.0	397.5
Adjusted for initial application of IFRS16 (net of tax)		-	-	-	(0.5)	(0.5)
Restated balance at 1 October 2019		2.7	51.8	19.0	323.5	397.0
Profit for the year		-	-	-	46.4	46.4
Gain on hedging		-	-	1.9	-	1.9
Loss on retranslation of foreign operations		-	-	(14.2)	-	(14.2)
Total comprehensive income for the year		-	-	(12.3)	46.4	34.1
Issue of shares		0.1	1.8	-	-	1.9
Deferred tax on unexercised share options	9	-	-	-	(1.0)	(1.0)
Dividends	10	-	-	-	(24.1)	(24.1)
Exercise of share options		-	-	(0.3)	0.3	-
Equity settled share based payments charge		-	-	1.0	-	1.0
At 30 September 2020		2.8	53.6	7.4	345.1	408.9
Profit for the year		-	-	-	41.2	41.2
Gain on hedging		-	-	1.6	-	1.6
Gain on retranslation of quasi equity loans		-	-	(0.6)	-	(0.6)
Loss on retranslation of foreign operations		-	-	(31.8)	-	(31.8)
Total comprehensive income for the year		-	-	(30.8)	41.2	10.4
Issue of shares		-	0.6	-	-	0.6
Issue of shares to acquire subsidiary undertaking	24	1.1	-	624.4	-	625.5
Deferred tax on unexercised share options	9	-	-	-	0.4	0.4
Dividends	10	-	-	-	(36.0)	(36.0)
Purchase of own shares		-	-	-	(0.3)	(0.3)
Exercise of share options		-	-	-	-	-
Equity-settled share based payments charge	22	-	-	1.4	-	1.4
At 30 September 2021		3.9	54.2	602.4	350.4	1,010.9

	Share based payment reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Foreign currency reserve £m	Hedge reserve £m	Total other reserves £m
Other reserves						
At 1 October 2019	0.7	(8.5)	-	29.1	(2.3)	19.0
Other comprehensive income for the year	-	-	-	(14.2)	1.9	(12.3)
Exercise of share options	(0.3)	-	-	-	-	(0.3)
Equity-settled share based payments	1.0	-	-	-	-	1.0
At 30 September 2020	1.4	(8.5)	-	14.9	(0.4)	7.4
Other comprehensive expense for the year	-	-	-	(32.4)	1.6	(30.8)
Issue of shares to acquire subsidiary undertaking	-	-	624.4	-	-	624.4
Exercise of share options	-	-	-	-	-	-
Equity-settled share based payments charge	1.4	-	-	-	-	1.4
At 30 September 2021	2.8	(8.5)	624.4	(17.5)	1.2	602.4

The acquisition of SDL plc ('SDL') in the year was eligible for merger relief and a merger reserve was therefore created to reflect the value of the share premium that would otherwise have been generated on the issuing of the shares to acquire SDL in the year (see note 24).

Consolidated Statement of Cash Flows

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit before tax		55.0	58.7
Adjustments for:			
Depreciation of property, plant and equipment	14	6.2	3.0
Amortisation of intangible assets	13	47.8	18.7
Depreciation of right-of-use assets	18	12.7	4.5
Share-based payment expense	22	1.4	1.1
Net gain on debt modification	6	-	(1.2)
Net finance costs/(income)	8	2.4	2.7
Operating cash flow before movements in working capital		125.5	87.5
Decrease/(increase) in trade and other receivables		(23.8)	5.4
(Decrease)/increase in trade and other payables		0.3	1.7
Cash generated from operations		102.0	94.6
Income tax paid		(17.1)	(15.2)
Net cash inflow from operating activities		84.9	79.4
Cash flows from investing activities			
Interest received		-	-
Net cash acquired on acquisition of SDL plc	24	55.0	-
Settlement of share related liabilities on acquisition of SDL plc	24	(6.4)	-
Acquisition of subsidiary, net of cash acquired	24	(1.5)	(23.0)
Purchases of property, plant and equipment	14	(4.1)	(2.9)
Purchases of intangibles (software)	13	(19.1)	(5.1)
Net cash inflow / (outflow) from investing activities		23.9	(31.0)
Cash flows from financing activities			
Proceeds from borrowings		-	15.7
Repayment of borrowings		(17.1)	(29.4)
Transaction costs relating to debt refinancing		-	(0.6)
Interest paid		(0.6)	(3.2)
Lease liability payments (including interest charged of £1.5m (2020: £0.7m))	18	(12.6)	(4.1)
Proceeds from the issue of share capital		0.6	1.9
Purchase of own shares		(0.3)	-
Dividends paid	10	(36.0)	(24.1)
Net cash outflow from financing activities		(66.0)	(43.8)
Net increase in cash and cash equivalents		42.8	4.6
Cash and cash equivalents at beginning of the year		51.4	47.0
Exchange (losses)/gains on cash and cash equivalents		(1.7)	(0.2)
Cash and cash equivalents at end of the year	23	92.5	51.4

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

Basis of accounting and preparation of financial statements

RWS Holdings plc (“the Parent Company”) is a public company, limited by shares, incorporated and domiciled in England and Wales whose shares are publicly traded on AIM, the London Stock Exchange regulated market.

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

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 held at fair value through profit or loss or through other comprehensive income.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and within the notes to which they relate to provide context to users of the financial statements. The policies have been consistently applied to both years presented, unless otherwise stated.

New accounting standards, amendment and interpretations

The following amendments, which were effective for the first time in the current year but had no impact on the results or financial position of the Group:

- > Amendments to References to the Conceptual Framework in IFRS Standards
- > Amendments to IFRS 3 Business Combinations: Definition of a Business
- > Amendments to IAS 1 and IAS 8 Definition of Material
- > Amendments to IFRS 9, IAS 37 and IFRS 7 Interest Rate Benchmark Reform (phase 1, phase 2 to follow in 2021)
- > Amendments to IFRS 16 Covid-19 Related Rent Concessions

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the following standards and does not currently expect their adoption to have a material impact on the financial statements but could impact future transactions:

- > Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 2
- > Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- > Amendments to IAS 16 – Proceeds before Intended Use
- > Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- > Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- > Amendments to IFRS 17 – Insurance Contracts (and related amendments)
- > Amendments to IAS 8 'Definition of Accounting Estimates'
- > Amendments to IAS 1 'Disclosure of Accounting Policies' and 'Practice Statement 2'
- > Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and subsidiaries controlled by the Parent Company, drawn up to 30 September 2021.

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Results of subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The separable net assets, including intangible assets of newly acquired subsidiaries, are incorporated into the consolidated financial statements based on their fair values at the effective date of control.

All intra-group transactions are eliminated as part of the consolidation process.

Going concern

In making their going concern assessment, the Directors have considered the Group's current financial position and forecast earnings and cashflows for the 18-month period ending 31 March 2023. The business plan used to support this going concern assessment is derived from the Board-approved budget. The Directors have undertaken a rigorous assessment of going concern and liquidity taking into account key uncertainties and sensitivities, including the potential impact of Covid-19 on the future performance of the Group. In making this assessment the Directors have considered the Group's existing

debt levels, the committed funding and liquidity positions under its debt covenants and its ability to continue generating cash from trading activities.

As at 30 September 2021, the Group has net debt of £6.2m comprising the Group's US\$120m revolving credit facility ("RCF") (US\$66.1m or £49.2m drawn at year end) and lease liabilities of £51.5m, less cash and cash equivalents of £92.5m. The RCF matures in February 2024 but is extendable for a further year subject to lender consent. At year end the Group's net leverage ratio (as defined by the RCF agreement) is -0.31x of EBITDA, while its interest coverage ratio (as defined by the RCF agreement) is 168.6x of EBITDA and are well within the covenants permitted by the Group's RCF agreement.

During the year ended 30 September 2021, the Group completed the all-share combination of SDL plc. Since acquisition, both the RWS and SDL businesses have continued to perform well, with synergies across the Group identified and actioned. At the time of the combination SDL had £55.0 million of cash reserves and no drawn debt facilities, thereby further underpinning the expanded group's balance sheet and liquidity.

In light of the Group's principal risks and uncertainties disclosed on page 60 of the Strategic Report and the limited impact of Covid-19 on the Group's profitability and financial position, the Directors believe that the appropriate sensitivity in assessing the Group and Company's ability to continue as a going concern are to model a range of reasonably plausible downside scenarios, including a 10% reduction to the Group's revenues and corresponding cash flows, with mitigating actions from management limited to equivalent reductions in the Group's controllable cost base. No significant structural changes to the Group have been assumed in any of the downside scenarios modelled with all mitigating actions wholly within management's control.

In each of these modelled downside scenarios, the Group continues to have significant covenant and liquidity headroom over the period through to 31 March 2023. Consequently, the Directors are confident that the Group and Company will have sufficient cash reserves and committed debt facilities to withstand reasonably plausible downside scenarios and therefore continue to meet its liabilities as they fall due for the period ending 31 March 2023 and therefore prepared the financial statements on a going concern basis.

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. Costs directly attributable to

business combinations are expensed. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. 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.

Provisional fair values are provided when there has been insufficient time to finalise a purchase price allocation process. IFRS 3 allows a period of up to 12 months from the date of acquisition for provisional fair values to be revised.

Any contingent consideration, which is classified as a provision, is measured at fair value at the date of acquisition and subsequently remeasured to fair value at each reporting date, until the contingency is settled. Any changes in the fair value of contingent consideration are recognised in profit or loss.

Foreign currencies

The presentation currency of the Group is British Pounds Sterling.

Transactions in foreign currencies are translated into the respective functional currencies of the Group at the exchange rate on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are normally recognised in profit or loss in the statement of comprehensive income.

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 using average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as other comprehensive income and recognised in the foreign currency reserve in the consolidated statement of financial position.

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 exchange rates prevailing on the reporting date. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Notes to the Consolidated Financial Statements (continued)

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to foreign exchange volatility 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 the carrying value are also recognised in profit or loss in the statement of comprehensive income unless part of a designated hedging arrangement.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and certain non-derivative liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in the hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss in the statement of comprehensive income.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the statement of comprehensive income in the same period the hedged expected future cash flows affect the Group's profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer expected to occur, then the amount accumulated in the hedge reserve is reclassified to profit or loss in the statement of comprehensive income immediately.

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

Gains and losses accumulated in equity are included as part of the gain or loss on disposal in the consolidated statement of comprehensive income on loss of control of the foreign operation.

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.

Trade and other payables

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

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.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue - multi-element arrangements

To determine the appropriate revenue recognition for contracts containing multi-elements that include both products and services, we evaluate whether the contract should be accounted for as a single, or multiple performance obligations. Management is required to exercise a degree of judgement in setting the criteria used for determining when revenue which involves several elements should be recognised and the stand-alone selling price of each element. The Group generally determines the stand-alone selling prices of elements based on prices which are not observable and are therefore based on stand-alone list prices which are then subject to discount. Further detail involved in

estimating stand-alone selling prices for the purpose of allocating the transaction price in multi-element arrangements is provided in Note 3.

The judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Licence revenue in the year amounted to £34.9m (2020: £Nil)

Capitalised development costs

The Group capitalises development costs relating to product development in line with IAS 38 'Intangible Assets'. Management applies judgement in determining if the costs meet the criteria and are therefore eligible for capitalisation. Significant judgements include the technical feasibility of the development, recoverability of the costs incurred, economic viability of the product and potential market available considering its current and future customers and when, in the development process, these milestones have been met. Development costs capitalised during the year amounted to £19.7m (2020: £3.4m), the increase largely due to the acquisition of SDL in the year (see Note 13).

Estimates and assumptions

The key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill and intangible assets

An impairment test of goodwill (performed annually) and other intangible assets (when an indicator of impairment exists), requires estimation of the value in use of the CGUs to which goodwill and other 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, for which the Group considers revenue growth rates to be a significant estimate. The estimated future cash flows derived are discounted to their present value using a pre-tax discount rate that reflects estimates of market risk premium, asset betas, the time value of money and the risks specific to the CGU. See Note 12 and 13 for further details.

Acquisition accounting

Judgement is often required in determining the identifiable intangible assets acquired as part of a business combination that must be recognised as an asset in the Group's consolidated financial statements. Estimation is required in determining both the fair value of all identified assets, liabilities acquired, any contingent consideration and in particular intangible

assets. In determining these fair values a range of assumptions are used, including forecast revenue, discount rates, and attrition rates that are specifically related to the intangible asset being valued. The useful economic lives of these assets is estimated using management's best estimates and reassessed annually.

Other estimates and assumptions

Revenue - rendering of services

Management makes estimates of the total costs that will be incurred on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date. All contracts are of a short term nature. The majority of services work is invoiced on completion and the amount of year end work in progress was £34.9m (2020: £14.1m)

Taxation - uncertain tax positions

Uncertainties exist in respect of interpretation of complex tax regulations, including transfer pricing, and the amount and timing of future taxable income. Given the nature of the Group's operating model, the wide range of international transactions and the long-term nature and complexity of contractual agreements, differences arising between the actual results and assumptions made, or future changes to assumptions, could necessitate future adjustments to taxation already recorded. The Group considers all tax positions on a separate basis, with any amounts determined by the most appropriate of either the expected value or most likely amount on a case by case basis.

Most deferred tax assets are recognised because they can offset the future taxable income from existing taxable differences (primarily on acquired intangibles) relating to same jurisdiction or entity. Where there are insufficient taxable differences, deferred tax assets are recognised in respect of losses and other deductible differences where current forecasts indicate profits will arise in future periods against which they can be deducted. The total value of UTPs was £6.4m (2020: £Nil), see Note 9.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

IFRS 15 provides a single, principles based five step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods and services. The specific application of the five step principles of IFRS 15 as they apply to the Group's revenue contracts with customers are explained below at an income stream level. In addition to this, the individual performance obligations identified within the Group's contracts with customers are individually described as part of this note to the financial statements.

For multi-element arrangements, revenue is allocated to each performance obligation based on stand-alone selling price, regardless of any separate prices stated within the contract. This is most common within the Group's contract for technology licences, which may include performance obligations in respect of the licences, support and maintenance, hosting services and professional services. The Group's software licences are either perpetual, term or software as a service (SaaS) in nature. The Group's revenue contracts do not include any material future vendor commitments and thus no allowances for future costs are made.

The allocation of transaction price to these obligations is a significant judgement, more details of the nature and impact of the judgement are included in Note 2. The identification of the performance obligations within some multi-element arrangements involves judgement, however none of the Group's contracts requires significant judgement in this regard.

Language Services contracts are typically billed in arrears on completion of the work with revenue recognised as accrued income balances. Patent filing contracts are typically billed in arrears on completion of the work with revenue recognised as accrued income balances. The Group's technology contracts are typically billed in advance and revenue recognition deferred where the performance obligation is satisfied over time. The Group's contracts for term licenses are recognised upfront when performance obligations are delivered in the same manner as a perpetual license sale but, typically, are billed annually and do not follow the same billing pattern as the Group's contracts for perpetual licenses, instead billing follows more closely that of a SaaS license contract.

Disaggregated information about the Group's revenue recognition policy and performance obligations are summarised below:

Patent Filing Services (IP Services segment)

The Group's Patent Filing revenue contracts with customers include a sole performance obligation which is satisfied at a point in time, which, is completion of patent filing and delivery to the client. Revenue is recognised when the sole performance obligation is satisfied, which is when the benefits of control of the services provided are delivered to the customer.

Language Services (IP Services, Language Services and Regulated Industries segments)

The Group's Language Services contracts with customers provide for the Group to be reimbursed for their performance under the contract as the work is undertaken. Accordingly, as the Group has both the right to payment and no alternative use for the translated asset, the Group recognises revenue over time for this performance obligation.

The Group measures the completeness of this performance obligation using input methods. The relevant input method is the cost incurred to date as a proportion of total costs, in determining the progress towards the completion of the performance obligation for Language Services contracts.

Perpetual and term licences (Language and Content Technology segment)

The Group's perpetual and term licences are accounted for at a point in time when the customer obtains control of the licence, occurring either where the goods are shipped or, more commonly, when electronic delivery has taken place and there is no significant future vendor obligation.

The software to which the licence relates has significant standalone functionality and the Group has determined that none of the criteria that would indicate the licence is a right to access apply. In addition, the Group has identified no other performance obligations under their contracts for these licences which would require the Group to undertake significant additional activities which affects the software. The Group therefore believes the obligation is right to use the licence as it presently exists and therefore applies the point in time pattern of transfer. Transaction price is allocated to licenses using the residual method based upon other components of the contract. The residual method is used because the prices of licenses are highly variable and there is no discernible standalone selling price from past transactions.

'SaaS' licences (Language and Content Technology segment)

Unlike the Group's perpetual and term licences, the Group has identified that there are material ongoing performance obligations associated with the provision of SaaS licences. The Group has identified that this creates a right to access the intellectual property, instead of a right to use. Accordingly, the associated licence revenue is recognised over time, straight line for the duration of the contract. As with other licences, the Group utilises the residual method to allocate transaction price to these performance obligations.

Support and maintenance (Language and Content Technology segment)

Support and maintenance represents a stand ready obligation to provide additional services to the Group's licence customers over the period of support included in the contract. The Group measures the obligation by reference to the standalone selling price, based upon internal list prices subject to discount. The pattern of transfer is deemed to be over time on the basis that this is a continuing obligation over the period of support undertaken and accordingly, recognised as revenue on a straight line basis over the course of the contract.

Hosting services (Language and Content Technology segment)

The Group provides managed services (hosting) as part of certain contracts with customers. The pattern of transfer for the service is such that the customer simultaneously receives and consumes the benefits provided by the Group and therefore, is recognised over time for the duration of the agreement. Transaction price from the contract is allocated to hosting services obligations based upon a cost plus method.

Professional services (Language and Content Technology segment)

The Group provides professional services to customers including training, implementation and installation services alongside certain contracts for software licences. These services are sold in units of consultant time and are therefore measured on an output method basis. Revenue is therefore recognised on these engagements based on the units of time delivered to the end customer. Transaction price is allocated based upon the standalone selling price, calculated by reference to the internal list prices for consultant time subject to any discounts. A small number of the Group's professional services contracts are on a fixed price contract and the output method is used based on an appraisal of applicable milestones.

Revenue from contracts with customers

The Group generates all revenue from contracts with its customers for the provision of translation and localisation, intellectual property support solutions and the provision of software. Revenue from providing these services during the year is recognised both at a point in time and over time as shown in the table below:

Timing of revenue recognition for contracts with customers	2021 £m	Restated 2020 £m
At a point in time	25.3	30.4
Over time	88.3	82.4
IP Services	113.6	112.8
At a point in time	24.0	-
Over time	76.4	0.4
Language and Content Technology	100.4	0.4
At a point in time	-	-
Over time	317.6	171.3
Language Services (formerly Moravia)	317.6	171.3
At a point in time	-	-
Over time	162.9	71.3
Regulated Industries (formerly Life Sciences)	162.9	71.3
Total revenue from contracts with customers	694.5	355.8

Following the acquisition of SDL plc during the period, the company has determined that an amendment to the accounting policy within the IP Services, Life Sciences and Moravia businesses was required to reflect correctly the nature of these revenue streams as being 'over time' rather than the previously disclosed 'point in time' recognition. The company has quantified the impact of this change on the FY21 balance sheet and considered the impact on the FY20 balance sheet but data needed to calculate the contract asset at FY20 with accuracy is not retrospectively available and it would be impractical to recreate the information required. While no adjustment has been made to the prior period revenue or contract assets (and hence prior period earnings per share), management is confident that this would not have a material effect on revenue in either period. The Group has made a prospective adjustment in the current year and reported a contract asset of £1.7m (FY20: £Nil) in relation to these revenue streams in accordance with the requirements of IAS 8. The above note for FY20 have been restated to reflect 'over time' revenue recognition for these revenue streams in line with the corrected accounting policy.

Revenue recognised during the period that was included within deferred revenue at 1 October 2020 was £5.2m (1 October 2019: £3.1m).

Notes to the Consolidated Financial Statements (continued)

Capitalised contract costs

Capitalised contract costs primarily relate to sales commission costs capitalised under IFRS15 and are amortised over the length of the contract. The group has taken advantage of the practical expedient to recognise, as an expense, any costs which would be recognised in fewer than 12 months from being incurred. This primarily relates to the Group's language services commissions and point in time technology revenue related commissions. The value of capitalised contract costs at year end was £2.7m (2020: £Nil).

Receivables, contract assets and contract liabilities with customers

Receivables, contract assets and contract liabilities	Notes	2021 £m	2020 £m	2019 £m
Net trade receivables	15	133.7	60.8	69.2
Contract assets (accrued income)	15	34.9	14.1	9.6
Contract liabilities (deferred income)	17	(43.0)	(5.2)	(3.1)

Contract assets are recognised where performance obligations are satisfied over time until the point at which the Group's right to consideration is unconditional when these are classified as trade receivables which, is generally the point of final invoicing.

For performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Group starts satisfying the performance obligation. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income', which is presented in note 15 to these financial statements.

The total value of transaction price allocated to unsatisfied or partially unsatisfied performance obligations at the year-end is £49.1m. Support and maintenance is a stand ready obligation discharged straight line over the duration of the Group's software contracts, the period over which this is recognised can be identified based on the value of current and non-current deferred income. Unsatisfied performance obligations in respect of language and professional services are all short-term and expected to be recognised in less than one year.

The Group offsets any contract liabilities with any contract assets that may arise within the same customer contract, typically, this only applies to the Group's licence and support and maintenance revenue contracts. In all material respects there are no significant changes in the Group's contract asset or liability balances other than business-as-usual movements during the year following the acquisition of SDL.

4. SEGMENT INFORMATION

The chief operating decision maker for the Group is identified as the Group's Board of Directors collectively. The Board reviews the Group's internal reporting in order to assess performance and allocates resources. The Board divides the Group into four reportable segments and assess the performance of each segment based on the revenue and adjusted profit before tax. These measures are reconciled to the financial statements on page 164.

The Board have assessed the Group's structure following the acquisition of SDL plc during the year and have revised the previously disclosed segments of IP Services, Life Sciences and Moravia. The former SDL plc Group operated a model with three reporting segments, which were Language Services, Content Technologies and Language Technologies. The fSDL Language Services segment was split by processes and customers into Commercial Enterprises and Regulated Industries which have been combined with the fRWS segments, Moravia and Life Sciences to form respectively the new reporting segments Language Services and Regulated Industries.

A new segment entirely was created for the former SDL Content Technologies and Language Technology segments which are now reported as a single segment as Language and Content Technology. This includes the Iconic acquisition as well which derives its revenues from technology products and services and therefore has a better strategic fit with the new Language and Content Technology section. The Group's IP Services division has been entirely unaffected by the SDL acquisition but, includes the results of the newly acquired Horn & Uchida business.

The revised, four reporting segments, which match the operating segments, are explained in more detail below:

- > **Language Services:** This is the Group's former Moravia segment, which has been expanded to include the SDL Group's commercial enterprises with non-regulated customers and the Webdunia customers from the prior year. The revenues are derived by providing localisation services which include translation and adaptation of content across a variety of media and materials to ensure brand consistency.
- > **Regulated Industries:** The Group's Regulated Industries segment combines the former RWS Life Sciences segment with the SDL regulated industries customers. Revenue is generated through the translation and linguistic validation for customers who operate in regulated industries such as life sciences.
- > **IP Services:** The Group's IP Services segment provides high quality patent translations, filing services and a broad range of intellectual property ('IP') search services, including the Horn & Uchida acquisition in the year.
- > **Language and Content Technology ('Technology'):** The Group's Language and Content Technology segment represents the combined results of the former SDL Content Technologies and Language Technology segments, as well as the results of the previously acquired Iconic Translation Machines results to create the Group's new Language and Content Technology segment.

The prior year segment information is restated for comparability, excluding the results of the newly acquired businesses in FY21, being the SDL and Horn & Uchida acquisitions.

Unallocated costs reflect corporate overheads and other expenses not directly attributed to segments.

Segment results for the year ended 30 September 2021	Technology £m	IP Services £m	Regulated Industries £m	Language Services £m	Unallocated Costs £m	Group £m
Revenue from contracts with customers	100.4	113.6	162.9	317.6	-	694.5
Operating profit/(loss) before charging:	22.6	32.3	28.4	47.4	(12.2)	118.5
Amortisation of acquired intangibles	(7.4)	(0.1)	(14.5)	(12.4)	-	(34.4)
Acquisition costs	-	-	-	-	(11.2)	(11.2)
Exceptional items (see note 6)	-	(5.0)	(0.2)	(1.6)	(7.3)	(14.1)
Share-based payment expense	(0.8)	(0.2)	(0.1)	(0.2)	(0.1)	(1.4)
Profit from operations	14.4	27.0	13.6	33.2	(30.8)	57.4
Net finance income/(expense)						(2.4)
Profit before taxation						55.0
Taxation						(13.8)
Profit for the year						41.2

Notes to the Consolidated Financial Statements (continued)

Segment results for the year ended 30 September 2020	Technology £m	IP Services £m	Regulated Industries £m	Language Services £m	Unallocated Costs £m	Group £m
Revenue from contracts with customers	0.4	112.8	71.3	171.3	-	355.8
Operating profit/(loss) before charging:	-	30.2	21.0	24.7	(3.0)	72.9
Amortisation of acquired intangibles	(0.1)	(0.7)	(5.9)	(8.6)	-	(15.3)
Acquisition costs	-	-	(0.3)	(0.5)	(3.3)	(4.1)
Exceptional items (see note 6)	-	(0.8)	-	(0.4)	9.0	7.8
Share-based payment expense	-	(0.1)	(0.1)	(0.2)	(0.7)	(1.1)
Profit/(loss) from operations	(0.1)	28.6	14.7	15.0	2.0	60.2
Net finance income/(expense)						(1.5)
Profit before taxation						58.7
Taxation						(12.3)
Profit for the year						46.4

The table below shows revenue by the geographic market in which clients are located.

Revenue by client location	2021 £m	2020 £m
UK	77.3	30.0
Continental Europe	213.8	104.9
United States of America	322.9	193.0
Rest of the world	80.5	27.9
	694.5	355.8

No client accounted for more than 10% of Group revenue in the current year (2020: one), the customer in the prior year was in the language services segment. The following is an analysis of revenue the geographical area in which the Group's undertakings are located.

Geographical information	2021 £m	2020 £m
UK	175.1	108.3
Continental Europe	174.1	88.4
United States of America	297.3	147.1
Rest of the world	48.0	12.0
	694.5	355.8

Segment assets and liabilities

The Board of Directors previously reviewed the assets and liabilities at a segmental level in the prior year, however, following the acquisition of SDL plc in the year, this is no longer the case. The former SDL Plc, employs shared assets and liabilities in the servicing of its Language Services and Regulated revenues a practice which means that it is not beneficial to the Board to separate these assets when reviewing the results of the Group. Geographical split of non current assets for the enlarged group is not provided as it is not available, provided to the Board, or feasible to develop without incurring significant cost.

Following the change in internal reporting, the Chief Operating Decision Makers primarily review and assess the assets and liabilities of the Group in aggregate and do not regularly review segmental information for the Group's assets and liabilities. Accordingly, under IFRS 8 Operating Segments, since this information is not reported internally, the Group no longer include this information in the Annual Report.

5. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):	2021 £m	2020 £m
Total staff costs (before the capitalisation of internal development costs) (note 7)	311.1	109.1
Research and development expenditure	30.7	4.3
Depreciation of property, plant and equipment (note 14)	6.2	3.0
Depreciation of right of use assets (note 18)	12.7	4.5
Amortisation of intangible assets (note 13)	47.8	18.7
Foreign exchange losses/(gains)	(0.7)	3.5
Share based payment expense (note 22)	1.4	1.1
Expected credit loss expense (note 15)	0.4	0.1
(Gain)/loss on changes in fair values on derivative contracts (see note 20)	(3.2)	(0.4)
Operating lease rentals:		
- Property (note 18)	1.7	0.1
- Plant and equipment (note 18)	0.5	0.1
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	1.2	0.1
- The audit of subsidiaries of the Company	0.1	0.2
Total audit fees	1.3	0.3
- Financial due diligence	-	0.9
- Other non audit services	-	0.1
Total fees	1.3	1.3

Research and development costs

Management continually review development expenditure to assess whether any costs meet the criteria for capitalisation. In addition to the amounts charged to the income statement, the Group has capitalised £19.7m (2020: 3.4m) of development costs in the year, further details can be found in Note 13.

Notes to the Consolidated Financial Statements (continued)

6. EXCEPTIONAL ITEMS

Accounting policy

Exceptional items are those items that in management's judgement should be disclosed separately by virtue of their size, nature or incidence, in order to provide a better understanding of the underlying financial performance of the Group. In determining whether an event or transaction is exceptional, management considers qualitative factors such as frequency or predictability of occurrence. Examples of exceptional items include the costs of integration, severance and restructuring costs which Management do not believe reflect the business's trading performance and therefore are adjusted to present consistency between periods.

	2021 Pre-tax £m	2021 Tax impact £m	2021 Total £m	2020 Pre-tax £m	2020 Tax impact £m	2020 Total £m
IP Services transformation programme	(4.8)	1.2	(3.6)	-	-	-
Restructuring & integration related costs	(10.5)	2.3	(8.2)	(1.2)	0.2	(1.0)
Proceeds from warranty claim	1.2	-	1.2	9.0	-	9.0
Total exceptional items - operating	(14.1)	3.5	(10.6)	7.8	0.2	8.0
Net gain on debt modification (Note 8)	-	-	-	1.4	-	1.4
Amortisation of exceptional finance (Note 8)	(0.3)	-	(0.3)	(0.2)	-	(0.2)
Total exceptional items - financing	(0.3)	-	(0.3)	1.2	-	1.2
Total exceptional items	(14.4)	3.5	(10.9)	9.0	0.2	9.2

Included within integration and restructuring costs are the severance agreements, termination payments and other costs included within the business's defined integration plan for SDL plc to deliver synergies of £33.0m which have been communicated to the market. The costs of delivering these synergies is classified as exceptional to highlight those costs incurred in delivering the integration and represent costs which are considered by the Group to be outside the normal course of business. The Group has realised synergies of £16.4m through operating profit during the period.

Severance related to on-going business activities is recognised within operating profit and is not adjusted. Severance related costs totalled £9.2m of which £9.0m was paid during the year. The remaining £1.3m relates to professional fees incurred in delivering the integration of which £1.0m has been paid in cash.

In 2020, the Group announced a major transformation programme was underway to drive improved efficiency in FY22 and beyond within the IP Services division. In 2021, £4.8 million of expense was incurred and £2.5million of cash cost. The transformation programme is expected to incur further additional material costs FY22 and FY23, the ongoing benefits of the integration are included in operating profit in the statement of comprehensive income.

In the prior year, reorganisation costs of £1.2 million relate to the restructuring of the sales team within the IP Services division and redundancy programmes completed in both IP Services and Moravia during the year.

On 22 September 2020, a settlement was agreed for a claim made by the Group under warranty insurance taken out as part of the Moravia acquisition in November 2017, an amount of £9.0 million was agreed and received during the year. This has been treated as an operating activity in the statement of cash flows. A final amount of £1.2m was received during the year relating to the same settlement claim.

Adjusted Performance Measures are reconciled on page 164 to 165 of the accounts.

7. EMPLOYEE COSTS

Accounting policy

Pension cost

The Group operates a defined contribution pension scheme, for its employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions to defined contribution pension schemes are recognised in profit or loss in the Consolidated Statement of Profit or Loss in the period to which they become payable.

	2021 £m	2020 £m
Wages and salaries	253.4	89.5
Reorganisation costs	13.4	1.2
Social security costs	34.5	15.2
Pension costs	8.4	2.1
Share-based payment expense (note 22)	1.4	1.1
	311.1	109.1

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 88 to 95. Key management remuneration disclosures are disclosed as part of Related Party Transactions in note 25. Staff costs above are stated before the capitalisation of staff costs in respect of the Group's research and development activities, the total value of staff costs capitalised were £19.7m (2020: £3.4m).

The Group operates a defined contribution pension scheme, making payments on behalf of employees to their personal pension plans. Payments of £8.4m (2020: £2.1m) were made in the year and charged to profit and loss in the statement of comprehensive income in the period in which they fell due. At the year end there were unpaid amounts included in other payables totalling £1.8m (2020: £0.1m). The monthly average staff numbers were:

	2021 £m	2020 £m
Production staff	5,671	2,219
Administrative staff	1,989	537
	7,660	2,756

8. FINANCE INCOME AND COSTS

	2021 £m	2020 £m
Finance income		
- Return on short term deposits	-	0.1
- Net gain on debt modification - Exceptional (note 6)	-	1.4
	-	1.5
Finance costs		
- Bank interest payable	(0.8)	(1.7)
- Other interest payable	0.5	-
- Lease interest	(1.5)	(0.7)
- Amortisation of borrowing costs	(0.3)	(0.4)
- Amortisation of borrowing costs - Exceptional (note 6)	(0.3)	(0.2)
	(2.4)	(3.0)
Net finance cost	(2.4)	(1.5)

On 10 February 2020 the Group completed a refinancing of its term loan (see note 16 for further details), which is treated as a non-substantial modification under IFRS 9 Financial Instruments, as the refinancing did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the old facility and the present value of the new facility, discounted using the original effective interest rate, resulted in a modification gain, which is amortised over the life of the new revolving credit facility. A gain on the debt modification of £1.2m was recognised in the prior year, less subsequent associated amortisation of £0.2m. In the current period the amortisation expense on this gain amounted to £0.3m.

Notes to the Consolidated Financial Statements (continued)

9. TAXATION

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax assets and liabilities are offset when the relevant tax authority permits net settlement and the group intends to settle on a net basis.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes where this differs.

Deferred tax is not recognised for temporary differences related to investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary difference and it is probable that this will not reverse in the foreseeable future; on the initial recognition of non-deductible goodwill; and on the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect the accounting or taxable profit.

Deferred tax is measured on an undiscounted basis, and at the tax rates that have been enacted or substantively enacted by the reporting date that are expected to apply in the periods in which the asset or liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used and are reviewed at each reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, when the Group intends to settle its current tax assets and liabilities on a net basis and that authority permits the Group to make a single net payment.

Current and deferred tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the current or deferred tax is also recognised within other comprehensive income or equity respectively (for example share-based payments).

Uncertain tax positions

The Group operates in numerous tax jurisdictions around the world. At any given time, the Group is involved in disputes and tax audits and will have a number of tax returns potentially subject to audit, significant issues may take several years to resolve. In estimating the probability and amount of any tax charge, management takes into account the views of internal and external advisers and updates the amount of tax provision whenever necessary. The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. As referenced in note 2, the Group considers all tax positions separately and uses either the most likely or expected value method of calculation on a case by case basis.

VAT

Revenues, expenses and assets are recognised net of the amount of VAT except:

- > where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- > trade receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Taxation recognised in income and equity is as follows:	2021 £m	2020 £m
Current Tax Charge		
- UK corporation tax at 19% (2020: 19%)	4.7	3.5
- Overseas current tax (credit) / charge	15.9	9.7
Adjustment in respect of previous years	(3.0)	0.2
Deferred Tax Charge		
Origination and reversal of temporary differences	(4.4)	(1.2)
Rate change impact	2.0	-
Adjustment in respect of previous years	(1.4)	0.1
Total tax expense in profit or loss	13.8	12.3
Total tax charge in equity	(0.4)	1.0
Total tax in other comprehensive income	0.2	-
Total tax charge for the year	13.6	13.3

Reconciliation of the Group's tax charge to the UK statutory rate:	2021 £m	2020 £m
Profit before taxation	55.0	58.7
Notional tax charge at UK corporation tax rate of 19.0% (2019: 19.0%)	10.4	11.2
Effects of:		
Expenses not deductible for tax purposes	2.4	(1.7)
Adjustments in respect of previous years	(4.4)	0.4
Changes in tax rates	2.0	-
Higher/(lower) tax rates on overseas earnings	3.4	2.4
Tax charge as per the income statement	13.8	12.3
Effective tax rate	25.1%	21.0%

Factors that may affect future tax charges

The Group's taxation strategy is aligned to its business strategy and operational needs. The Directors are responsible for tax strategy supported by a global team of tax professionals and advisers. RWS strives for an open and transparent relationship with all tax authorities and are vigilant in ensuring that the Group complies with current tax legislation.

The Group's effective tax rate for the year is higher than the UK's statutory tax rate due to the impact of non-tax deductibility of costs related to the acquisition of SDL, as well as a rate change impact to deferred tax balances following the enactment of the increase in the main rate of UK corporation tax from 19.00% to 25.00% for the year starting 1 April 2023. The Group's tax rate is also sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as Germany and Japan, a lower rate in the UK and Czech Republic with other rates that lie in between.

The Group made corrections of errors totalling £3.5m within its assessment of current and deferred tax which dates back prior to the earliest period presented within these financial statements. Of the corrections, £2.6m have been adjusted for in the current period income statement and £0.9m through an adjustment to Goodwill.

The majority of the income statement credit (£2.2m in current tax and £1.0m in deferred tax) relates to the US and arose from an exercise to reconcile the US tax numbers to US tax returns. The adjustment to goodwill (see note 12) represents a £0.9m decrease made to the deferred tax liability recognised on intangibles acquired on the Moravia acquisition in 2018 to reflect the correct blended state tax rate.

Transfer Pricing

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a tax authority. The methodology used to estimate liabilities is set out in Note 2. In common with other multinational companies and given the Group has operations in 39 countries, transfer pricing arrangements are in place covering transactions that occur between Group entities.

A number of pre-existing tax risks were provided for within the SDL business including a net provision of £2.3m relating to historic transfer pricing arrangements between the UK, Ireland and the US for the 4 years ended 31 December 2017. During the period, the discussions with UK tax authorities regarding the period 1 January 2014 to 31 December 2016 were concluded with no additional tax UK liabilities being assessed. As a consequence the Group has reduced the net provision by £1.9m to £0.4m by the year end date. The reduction has been recorded through the income statement as an adjustment in respect of prior periods.

The Group undertook a review of historic transfer pricing uncertain tax positions ('UTPs') within the acquired SDL business, and whilst it is not possible to predict the outcome of any pending tax authority investigations, adequate provisions are considered to be included in the Group accounts to cover any expected estimated future settlement. In carrying out this review, and subsequent quantification, management has made judgements, taking into account: the status of any unresolved matters; strength of technical argument and clarity of legislation; external advice, statute of limitations and any expected recoverable amounts under the Mutual Agreement Procedure ('MAP'). As a result of the review the Group concluded that at the date of acquisition UTPs for transfer pricing existed and a provision was required. This provision increased during the year to reflect current period trading.

The current tax liability of £22.1m on the balance sheet comprises £18.5m of uncertain tax provisions, although it is not expected that these will be cash settled within 12 months of the year end date. The deferred tax liability of £51.2m on the balance sheet is net of £11.1m of deferred tax assets relating to uncertain tax positions.

Notes to the Consolidated Financial Statements (continued)

	Share based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Acquired intangibles £m	Tax losses £m	Total £m
At 1 October 2019	1.3	(0.7)	1.4	(29.2)	-	(27.2)
Adjustments in respect of prior years	-	-	(0.1)	-	-	(0.1)
Acquisitions (restated**)	-	-	-	(2.1)	-	(2.1)
Credited to income	-	(0.4)	-	1.5	-	1.1
Credited to equity / OCI	(1.1)	-	(0.3)	-	-	(1.4)
Foreign exchange differences	-	-	-	1.3	-	1.3
At 30 September 2020	0.2	(1.1)	1.0	(28.5)	-	(28.4)
Adjustments in respect of prior years	(0.3)	(0.5)	1.6	(0.3)	0.9	1.4
Acquisitions*	0.1	0.1	2.6	(44.4)	15.3	(26.3)
Credited to income	0.2	(0.2)	1.8	0.5	0.1	2.4
Credited to equity / OCI	0.4	-	-	-	-	0.4
Foreign exchange differences	-	-	(0.2)	1.1	(0.1)	0.8
At 30 September 2021	0.6	(1.7)	6.8	(71.6)	16.2	(49.7)

*The acquisitions line includes £0.9m of deferred tax in respect of the Moravia error correction referenced in this note

Deferred tax assets and liabilities are presented on the balance sheet after jurisdictional netting as follows:

	2021 £m	Restated** 2020 £m
Deferred tax assets	1.5	1.9
Deferred tax liabilities	(51.2)	(30.3)
Net deferred tax liability	(49.7)	(28.4)

**Following the finalisation of the Webdunia Purchase Price Allocation in the year certain balances have been restated (see note 24)

Deferred tax assets and liabilities

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

Most deferred tax assets are recognised because they can offset the future taxable income from existing taxable differences (primarily on acquired intangibles) relating to same jurisdiction or entity. Where there are insufficient taxable differences, deferred tax assets are recognised in respect of losses and other deductible differences where current forecasts indicate profits will arise in future periods against which they can be deducted.

Losses

At the balance sheet date the Group has unused tax losses of £127.6m (2020: £12.8m) available for offset against future profits. A deferred tax asset of £16.7m (2020: £Nil) has been recognised in respect of £72.6m (2020: £Nil) of such losses. These losses include corresponding adjustments that could be claimed on settlement of uncertain tax positions with overseas tax authorities as accounted for under IFRIC 23.

No deferred tax asset has been recognised in respect of the remaining £55.0m (2020: £12.8m) as these can only be used to offset limited types of profits and as it is not considered probable that there will be the required type of future trading or non-trading profits available in the correct entities necessary to permit offset and recognition. The unrecognised deferred tax asset on losses is £13.8m (2020: £2.4m).

Recognised deferred tax assets principally relate to UK and US activities of the acquired SDL business.

The Group has recognised deferred tax assets on losses in the US which have a 20 year expiry date and expects to use these losses in this period, the earliest date these losses expire is 31 December 2033 and at the year-end losses amounted to £10.0m (2020: £Nil).

10. DIVIDENDS TO SHAREHOLDERS

Accounting policy

Dividends payable to the Parent Company's shareholders are recognised as a liability in the Group's financial statements in the period in which dividends are approved by the Parent Company's shareholders.

	2021 £m	2020 £m
Final ordinary dividend for the year ended 30 September 2021 was 7.25p (2020: 7.25p)	28.2	19.3
Interim dividend, paid 16 July 2021 was 2.00p (2020: paid 17 July 2020)	7.8	4.8
	36.0	24.1

The Directors recommend a final dividend in respect of the financial year ended 30 September 2021 of 8.5 pence per ordinary share, to be paid on 25 February 2022 to shareholders who are on the register at 28 January 2022. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2021. The final proposed dividend will reduce shareholders' funds by an estimated £33.1 million.

11. EARNINGS PER SHARE

Accounting policy

Basic earnings per share

Basic earnings per share is calculated using the Group's profit after tax and the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the basic earnings per share for the effects of share options and awards granted to employees. These are included in the calculation when their effects are dilutive.

Adjusted earnings per share

Adjusted earnings per share is a trend measure, which presents the long-term profitability of the Group, excluding the impact of specific transactions that management considers affects the Group's short-term profitability. The Group presents this measure to assist investors in their understanding of trends. Adjusted earnings is the numerator used for this measure. Adjusted earnings and adjusted earnings per share are therefore stated before amortisation of acquired intangibles, acquisition costs, share based payment expenses and exceptional items, net of any associated tax effects.

The reconciliation between the basic and adjusted earnings per share is as follows:

	2021 £m	2020 £m	2021 Basic earnings per share pence	2020 Basic earnings per share pence	2021 Diluted earnings per share pence	2020 Diluted earnings per share pence
Profit for the year	41.2	46.4	10.9	16.9	10.9	16.9
Adjustments:						
Amortisation of acquired intangibles	34.4	15.3				
Acquisition costs	11.2	4.1				
Share based payments expense	1.4	1.1				
Net gain of debt modification	0.3	(1.2)				
Exceptional items	14.1	(7.8)				
Tax effect of adjustments	(7.3)	(3.4)				
Tax adjustments in respect of prior years	(4.5)	-				
Adjusted earnings	90.8	54.5	23.8	19.9	23.8	19.9

	2021 Number	2020 Number
Weighted average number of ordinary shares in issue for basic earnings	378,460,314	274,995,438
Dilutive impact of share options	648,504	119,359
Weighted average number of ordinary share for diluted earnings	379,108,818	275,114,797

Notes to the Consolidated Financial Statements (continued)

12. GOODWILL

Cost and net book value	2021 £m	Restated* 2020 £m
At 1 October	257.2	249.4
Additions (note 24)	378.6	17.8
Adjustments in respect of prior periods (note 9)	(1.0)	-
Exchange adjustments	(19.0)	(10.0)
At 30 September	615.8	257.2

*The amount of goodwill is restated and does not correspond to the values in the 2020 financial statements since adjustments were made to the final valuation of Webdunia, more details are included in note 24.

Accounting policy

Goodwill arising on business combinations (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised, and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in profit or loss in the statement of comprehensive income. Direct costs of acquisition are recognised immediately in profit or loss in the statement of comprehensive income as an expense.

At least annually, or when otherwise required, Directors review the carrying amounts of the Group's property, plant and equipment and intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. A full impairment review is performed annually for goodwill regardless of whether an indicator of impairment exists.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money as well as risks specific to the asset (or cash generating unit ('CGU')) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not beyond the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior-years. A reversal of an impairment loss is recognised immediately as income in the Consolidated Statement of Profit or Loss, although impairment losses relating to goodwill may not be reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its CGU. Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. Goodwill is allocated at the lowest level monitored by management, and no higher than an operating segment.



Key assumptions for the value in use - 30 September 2021	Long-term growth rate	Discount rate	Average revenue growth
IP Services	2.0%	10.4%	4.0%
Life Sciences	2.0%	10.9%	5.5%
Moravia	2.0%	11.0%	5.5%
SDL - Technology	2.0%	11.4%	8.0%
SDL - Language Services	2.0%	11.1%	5.5%
SDL - Regulated industries	2.0%	12.3%	5.5%

Key assumptions for the value in use - 30 September 2020	Long-term growth rate	Discount rate	Average revenue growth
IP Services	2.0%	9.0%	2.8%
Life Sciences	2.0%	10.6%	5.2%
Moravia	2.0%	10.5%	5.0%
Iconic (as formerly classified, in 2021 included as part of 'SDL - Technology')	3.0%	11.0%	32.1%

The key assumptions for the value in use calculations are those regarding discount rates and revenue growth rates. 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 value in use calculations.

Determination of key assumptions

The long-term growth rate is the rate applied to determine the terminal value on year five cash flows. This rate is determined by the long term compound annual growth rate in adjusted operating profit as estimated by Management with reference to external benchmarks.

The discount rate is the pre-tax discount rate calculated by Management based on a series of inputs starting with a risk free rate based on the return on long term, zero coupon government bonds. The risk free rate is adjusted with a beta to reflect sensitivities to market changes, before consideration of other factors such as a company risk premium.

Revenue growth is the average annual increase in revenue over the five-year projection period. The revenue growth rate is determined by Management based on the most recently prepared budget for the future period and adjusted for longer term developments within operating segments where such developments are known and possible to reliably forecast.

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 four years based on an estimated growth rate which is either based on management's best estimate or the expected growth rate of the market in which the CGU operates.

The Group has conducted sensitivity analyses on the value in use/recoverable amount of each of the CGUs. Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount of each CGU exceeds its carrying value.

In performing the assessment of the carrying value of Goodwill, the Directors believe there are three cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to an impairment. These CGUs are Moravia, SDL - Technology and SDL - Regulated Industries.

For Moravia, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £46.1 million (2020: £87.4m). An increase in the pre-tax discount rate of 190 basis point from 11.0% to 12.9% would lead to the recoverable amount of Moravia equalling its carrying amount (2020: 260 basis points, from 10.5% to 13.1%).

For SDL - Technology, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £38.1 million. An increase in the pre-tax discount rate of 100 basis point from 11.4% to 12.4% would lead to the recoverable amount equalling its carrying amount.

For SDL - Regulated Industries, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £32.8 million. An increase in the pre-tax discount rate of 260 basis point from 12.3% to 14.9% would lead to the recoverable amount equalling carrying amount.

The Directors believe there are no other cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment.

Notes to the Consolidated Financial Statements (continued)

The allocation of goodwill to each CGU is as follows:	2021 £m	Restated* 2020 £m
IP Services	31.3	31.2
Life Sciences	67.3	69.9
Moravia	133.6	147.8
Iconic (as formerly classified, in 2021 included as part of 'SDL - Technology')	-	8.5
SDL - Technology*	242.8	-
SDL - Language Services	74.5	-
SDL - Regulated Industries	66.3	-
At 30 September	615.8	257.2

*The formerly disclosed Iconic segment in the prior year is now included as part of the SDL - Technology CGU.

At 30 September 2021, a customer relationship was transferred from the Moravia CGU to SDL Language Services CGU, due to the transfer of the contract between the CGUs as a result of commercial decisions made in respect of this one customer.

13. INTANGIBLE ASSETS

Accounting Policy

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired from a business combination are initially recognised at fair value. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights.

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software, and directly attributable payroll and payroll-related costs arising from the assignment of employees to implementation projects. Capitalisation of these costs ceases when the software is substantially complete and ready for its intended internal use.

Other intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Trade names	5 to 8 years
Clinician database	10 years
Supplier database	13 years
Technology	5 years
Non-compete clauses	5 years
Trademarks	5 years
Client relationships	7 to 20 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets are amortised using the straight-line method over their estimated useful lives which range from one to five years, these costs are recognised in administrative expenses within the consolidated statement of comprehensive income.

Research and development

Research costs are expensed as incurred. Development expenditure is capitalised when management is satisfied that the expenditure being incurred meets the recognition criteria from IAS 38. Specifically, this is at the point which management believe they can demonstrate:

- > The technical feasibility of completing the asset,
- > The intention to complete the asset for use or sale,
- > The ability to use or sell the asset,
- > The future benefits expected to be realised from the sale or use of the asset,
- > The availability of sufficient resources to enable completion of the asset,
- > Reliable measurement for the costs incurred during the course of development.

Where these criteria are not met the expenditure is expensed to the income statement. Following the initial capitalisation of the development expenditure the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and impairment losses. Any expenditure capitalised is amortised over the period of expected future economic benefit from the related project. For capitalised development costs this period is 3 to 5 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Development costs that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

	Trade names £m	Clinician & supplier databases £m	Technology £m	Non-compete & Trademarks £m	Client relationships & order books £m	Software £m	Internally generated software £m	Total £m
Cost								
At 1 October 2019	10.0	6.6	5.7	2.3	188.7	12.4	6.5	232.2
Additions	-	-	-	-	-	1.7	3.4	5.1
Acquisitions (restated*)	-	0.7	0.8	-	6.5	0.2	-	8.2
Disposals	-	-	-	-	-	(1.5)	-	(1.5)
Currency translation	(0.5)	(0.7)	(0.2)	(0.1)	(7.5)	(0.3)	(0.1)	(9.4)
At 30 September 2020	9.5	6.6	6.3	2.2	187.7	12.5	9.8	234.6
Additions	-	-	10.3	-	-	1.8	9.4	21.5
Acquisitions (note 24)	-	-	107.1	-	139.4	-	-	246.5
Disposals	(9.1)	-	-	-	(3.1)	(1.6)	(3.7)	(17.5)
Currency translation	(0.4)	(0.2)	(0.3)	(0.1)	(11.0)	-	-	(12.0)
At 30 September 2021	-	6.4	123.4	2.1	313.0	12.7	15.5	473.1
Accumulated amortisation and impairment								
At 1 October 2019	4.0	2.2	4.2	1.3	39.5	9.1	2.9	63.2
Amortisation charge	1.8	0.6	0.6	0.4	11.9	1.1	2.3	18.7
Disposals	-	-	-	-	-	(1.5)	-	(1.5)
Currency translation	(0.2)	(0.1)	(0.1)	(0.1)	(1.4)	(0.2)	(0.1)	(2.2)
At 30 September 2020	5.6	2.7	4.7	1.6	50.0	8.5	5.1	78.2
Amortisation charge	3.7	0.6	15.5	0.4	23.0	1.6	3.0	47.8
Disposals	(9.1)	-	-	-	(3.1)	(1.3)	(3.7)	(17.2)
Currency translation	(0.2)	(0.1)	(0.2)	(0.1)	(1.7)	-	-	(2.3)
At 30 September 2021	-	3.2	20.0	1.9	68.2	8.8	4.4	106.5
Net book value								
At 30 September 2019	6.0	4.4	1.5	1.0	149.2	3.3	3.6	169.0
At 30 September 2020	3.9	3.9	1.6	0.6	137.7	4.0	4.7	156.4
At 30 September 2021	-	3.2	103.4	0.2	244.8	3.9	11.1	366.6

*The amount of intangibles is restated and does not correspond to the values in the 2020 financial statements since adjustments were made to the final valuation of Webdunia, more details are included in note 24.

Amortisation of acquired intangibles was £34.4m (2020: £15.3m) and amortisation of other intangibles was £13.4m (2020: £3.4m). The £13.4m amortisation of other intangibles comprises £1.6m on amortisation of software (2020: £1.1m), £3.0m on internally developed intangibles (2020: £2.3m) and an additional £9.0m of technology which relates to the SDL business (2020: £Nil). The residual £34.4m of amortisation was wholly incurred on acquired intangible assets.

The Group has identified intangible assets which are individually material. Within Technology, these comprise the balance in respect of SDL technology products acquired in the year of £74.2m (2020: £Nil) and SDL's Helix platform of £18.9m (2020: £Nil). Material customer relationships from past acquisitions include Moravia of £81.1m (2020: £98.2m), Life Sciences of £11.8m (2020: £14.6m) and newly acquired SDL relationships of £124.4m (2020: £Nil). No other classes of intangible asset hold individually material items, the remaining average useful life is 12 years.

Notes to the Consolidated Financial Statements (continued)

14. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are stated at 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 depreciates the cost of each item of property, plant and equipment (less its estimated residual value) using the straight-line method over their estimated useful lives as follows:

Freehold land	Nil
Buildings	50 years
Leasehold land, buildings and improvements	Shorter of useful economic life and lease term
Furniture and equipment	3 to 10 years
Motor vehicles	6 years

All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in profit or loss 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 value of the asset and is recognised in profit or loss in the statement of comprehensive income.

Included within freehold land and buildings at 30 September 2020 was freehold land of £5.6m (2020: £5.6m).

There were no gains or losses on disposal in the year, no assets included in property plant and equipment were subject to any specific security or contractual commitments (2020: None).

	Freehold land and buildings £m	Leasehold land, buildings and improvements £m	Furniture and equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 October 2019	17.0	3.5	18.0	0.2	38.7
Currency translation	-	(0.1)	(0.5)	-	(0.6)
Additions	-	0.1	2.8	-	2.9
Acquisitions	-	-	0.3	-	0.3
Disposals	-	(0.2)	(1.0)	-	(1.2)
At 30 September 2020	17.0	3.3	19.6	0.2	40.1
Currency translation	-	(0.1)	(0.3)	-	(0.4)
Additions	-	0.6	3.5	-	4.1
Acquisitions	-	4.6	7.4	-	12.0
Disposals	-	-	(0.6)	-	(0.6)
At 30 September 2021	17.0	8.4	29.6	0.2	55.2
Accumulated depreciation					
At 1 October 2019	1.9	1.9	11.9	0.1	15.8
Currency translation	-	(0.2)	(0.1)	-	(0.3)
Depreciation charge	0.2	0.4	2.4	-	3.0
Disposals	-	(0.2)	(1.0)	-	(1.2)
At 30 September 2020	2.1	1.9	13.2	0.1	17.3
Currency translation	-	0.1	0.1	-	0.2
Depreciation charge	0.2	1.1	4.9	-	6.2
Disposals	-	-	(0.6)	-	(0.6)
At 30 September 2021	2.3	3.1	17.6	0.1	23.1
Net book value					
At 30 September 2019	15.1	1.6	6.1	0.1	22.9
At 30 September 2020	14.9	1.4	6.4	0.1	22.8
At 30 September 2021	14.7	5.3	12.0	0.1	32.1

15. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade and other receivables are carried at amortised cost less expected credit losses. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Trade receivables are non-interest bearing and generally on terms ranging from 30 to 120 days. Due to their short maturities, the carrying amount of trade and other receivables approximates to their fair value.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and geographies.

Accrued income relates to the Group's rights to consideration for work performed but not billed at the reporting date for language and professional services. Accrued income balances are transferred to trade receivables when there is an unconditional right to consideration, generally, when an invoice is issued to the customer.

Both trade receivables and accrued income amounts are initially stated at fair value and subsequently at amortised cost using the effective interest method less an estimate made for expected credit losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. In order to estimate the expected credit losses, the Group reviews outstanding amounts at year end based on historical rates of default adjusted for forward looking information where material.

Other receivables represent security deposits held in respect of office leases and recoverable taxes.

	2021 Gross	2021 Provisions	2021 Net	2020 Gross	2020 Provisions	2020 Net
Trade receivables	136.3	(2.6)	133.7	61.3	(0.5)	60.8
Other receivables	9.4	-	9.4	3.0	-	3.0
Prepayments	13.8	-	13.8	4.2	-	4.2
Accrued income	35.6	(0.7)	34.9	14.1	-	14.1
At 30 September	195.1	(3.3)	191.8	82.6	(0.5)	82.1

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

	2021 £m	2020 £m
Sterling	9.8	2.9
Euros	30.3	10.9
Japanese Yen	2.9	0.9
US Dollars	81.6	44.1
Swiss Francs	0.9	0.7
Other	8.2	1.3
	133.7	60.8

The following table provides information about the exposure to credit risk for trade receivables at 30 September 2021:

	Gross amount £m	Loss allowance £m	Net amount £m
Not past due	107.4	-	107.4
Past due 1-30 days	14.7	-	14.7
Past due 31-60 days	6.6	-	6.6
Past due 61-90 days	3.4	(0.1)	3.3
Past due > 90 days	4.2	(2.5)	1.7
	136.3	(2.6)	133.7

Notes to the Consolidated Financial Statements (continued)

The following table provides information about the exposure to credit risk for trade receivables at 30 September 2020:

	Gross amount £m	Loss allowance £m	Net amount £m
Not past due	46.4	-	46.4
Past due 1-30 days	7.9	-	7.9
Past due 31-60 days	3.4	-	3.4
Past due 61-90 days	1.0	-	1.0
Past due > 90 days	2.6	(0.5)	2.1
	61.3	(0.5)	60.8

Movement in expected credit loss provisions:

	Trade Debtors 2021	Accrued Income 2021	Trade Debtors 2020	Accrued Income 2020
At 1 October	0.5	-	0.5	-
Utilised	(0.2)	-	(0.2)	-
Acquired	1.9	0.9	0.1	-
Released	-	(0.2)	-	-
Charge for the year	0.4	-	0.1	-
At 30 September	2.6	0.7	0.5	-

16. LOANS

Accounting policy

Loans are recognised initially at fair value, less directly attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost using the effective interest method. Loans are classified as current, unless the Group has the discretion to roll over an obligation for a period of at least 12 months under an existing loan facility.

Directly attributable transaction costs are capitalised into the loans to which they relate and are amortised using the effective interest rate method.

When an existing loan facility is replaced by another from the same lender on substantially different terms, or the terms of an existing loan are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss in the statement of comprehensive income.

	2021 £m	2020 £m
Due in more than one year		
Loan	49.2	69.1
Issue costs	(2.0)	(2.6)
At 30 September	47.2	66.5

Analysis of net debt - 30 September 2021	At 1 October £m	Acquired £m	Cash flows £m	Non-cash charges £m	At 30 September £m
Cash and cash equivalents	51.4	55.8	(13.1)	(1.6)	92.5
Issue costs	2.6	-	-	(0.6)	2.0
Loans (current and non-current)	(69.1)	-	17.7	2.2	(49.2)
Net debt - Excluding lease liabilities - ("Net debt")	(15.1)	55.8	4.6	-	45.3
Lease liabilities	(22.8)	(37.7)	12.6	(3.6)	(51.5)
Net debt - Including lease liabilities	(37.9)	18.1	17.2	(3.6)	(6.2)

Analysis of net debt - 30 September 2020	At 1 October £m	Acquired £m	Cash flows £m	Non-cash charges £m	At 30 September £m
Cash and cash equivalents	47.0	(23.0)	27.6	(0.2)	51.4
Issue costs	1.1	-	0.6	0.9	2.6
Loans (current and non-current)	(84.8)	-	13.7	2.0	(69.1)
Net debt - Excluding lease liabilities - ("Net debt")	(36.7)	(23.0)	41.9	2.7	(15.1)
Lease liabilities	(25.0)	(1.9)	4.1	-	(22.8)
Net debt - Including lease liabilities	(61.7)	(24.9)	46.0	2.7	(37.9)

Non-cash charges against the loan balance represent the effects of foreign exchange on the financial liability.

On 10 February 2020, the Group entered into an Amendment and Restatement Agreement ("ARA") with its banking syndicate which amended its existing US\$160 million term loan maturing on 18 October 2022 into a US\$120 million Revolving Credit Facility ("RCF") maturing on 10 February 2024, with an option to extend maturity until 10 February 2025 under the same terms, which is accessible subject to lender consent. Details of the Group's full available facilities are included in note 1, the non-cash movements in issue costs above of £0.9m in the prior year include the modification gain.

Under the terms of the ARA, the Group's interest margin over US LIBOR, is determined by the Group's net leverage. Commitment fees are payable on all committed, undrawn funds at 35% of the applicable interest margin. The ARA also contains a US\$80 million uncommitted accordion facility which is due to expire in parallel with the RCF.

Further information on the impact of LIBOR reform on the Group can be found in note 20.

17. TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Due in less than one year		
Trade payables	28.1	21.7
Other taxes and social security costs	5.3	1.9
Other payables	14.7	2.5
Accruals	61.6	26.3
Deferred consideration (see note 19)	1.5	-
Deferred income	40.8	5.2
At 30 September	152.0	57.6

The deferred consideration of £1.5m above is in respect of the Iconic acquisition from the prior year which, was subject to a deed of amendment to the Share Purchase Agreement in the year (see note 24). Previous contingent consideration recognised in provisions was extinguished and replaced with deferred consideration, a gain of £0.2m on the modification was recognised within exceptional items, in administrative expenses.

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

	2021 £m	2020 £m
Due in more than one year		
Deferred income	2.2	-
Other payables	0.2	0.3
At 30 September	2.4	0.3

18. LEASES

Accounting policy

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities and right-of-use assets representing the right to use the underlying assets. In the prior year, on transitioning to IFRS16, the Group adopted the modified retrospective approach and utilised all available practical expedients in approaching the transition.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain leasehold property and motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Lease modifications

Where factors arise which give rise to a modification of a lease and to re-measure a lease liability, the Group calculates the required re-measurement based on the revised discounted lease payments under the modified lease agreement with the lessor. Any re-measurement adjustments identified are recognised with a corresponding entry against the carrying value of the right of use asset unless the lease is being fully terminated where any gain or loss is recognised in profit or loss.

Group as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right-of-use assets	Property £m	Office Equipment £m	Total £m
At 1 October	22.6	1.1	23.7
Acquisitions	1.9	-	1.9
Additions	0.2	-	0.2
Depreciation expense	(4.3)	(0.2)	(4.5)
Re-measurement adjustments	(0.6)	-	(0.6)
Currency adjustment	(0.6)	-	(0.6)
At 30 September 2020	19.2	0.9	20.1
Additions	2.0	-	2.0
Leases acquired on acquisition of subsidiary	34.1	-	34.1
Depreciation expense	(11.8)	(0.9)	(12.7)
Re-measurement adjustments	-	-	-
Currency adjustment	(1.1)	-	(1.1)
At 30 September 2021	42.4	-	42.4

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Lease liabilities	2021 £m	2020 £m
At 1 October	22.8	25.0
Additions	4.3	0.2
Leases acquired on acquisition of subsidiary	37.7	1.9
Accretion of interest	1.5	0.7
Re-measurement adjustments	-	0.2
Repayments	(12.6)	(4.1)
Currency adjustment	(2.2)	(1.1)
At 30 September	51.5	22.8
Current	11.0	3.2
Non-current	40.5	19.6

The maturity analysis of lease liabilities is disclosed in Note 20.

	2021 £m	2020 £m
Depreciation expense on right of use assets	12.7	4.5
Interest expense on lease liabilities	1.5	0.7
Expense relating to short term leases*	1.7	0.1
Expense relating to leases of low value assets*	0.5	0.1
Total amount recognised in profit or loss	16.4	5.4

*The expenses in respect of short term and low value leases are recognised in administrative expenses

The Group had total cash outflows for leases of £14.8m (2020: £4.3m). The Group had no non-cash additions to right-of-use assets and lease liabilities in the year (2020: £0.1m). There are no future cash outflows relating to leases not yet commenced to disclose separately.

The Group has several lease contracts that include scheduled rent reviews or rent increases based on future indices. Index linked payment increases are typically in respect of changes in the Consumer Price Index for leases in the United Kingdom, or similar indexes outside of the United Kingdom. These agreements represent standard commercial terms for several locations in which leases are held. The impact of index linked rent increases was not material for the Group in the period.

The Group also has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Notes to the Consolidated Financial Statements (continued)

During the year, following the acquisition of SDL plc ('SDL'), the Group's lease portfolio increased significantly, both in value with material additions through the acquisition as well as in terms of Geographies of the leases included. The property leases acquired are mainly in support of SDL's language offices across the globe. Following the increase to the lease portfolio, there is no pattern for extending or terminating leases and lease terms are considered on a lease by lease basis with regards the reasonable certainty of extending or terminating leases.

The Group considers factors like leasehold improvements, when assessing the degree of certainty for exercising any options included in the contract. The Group's leasehold improvements are most heavily concentrated in its highest value leases, each of which has a lease term significantly above the Group's average lease term.

The Group has concluded that on this basis, there is no reasonable certainty regarding the exercising of extension options and there is reasonable certainty of not exercising early termination options within these leases. The Group's default position is that the lease term at inception of the lease, excluding any options, is the most probable duration over which that lease will be held. This is then overridden where facts and circumstances make it clear this is no longer reasonably certain, such as for key leases in certain locations where longer term investment may be required.

The Group has concluded that this is not a significant judgement by virtue of the low number and value of leases due to expire shortly and by extension, the low impact of inaccuracy within these judgements on the financial statements.

19. PROVISIONS

Accounting policy

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The expense relating to any provision is presented in profit or loss in the consolidated statement of comprehensive income net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Reconciliation of movement in provisions	Indirect tax related £m	Contingent consideration £m	Dilapidations £m	Other provisions £m	Total £m
At 1 October	-	1.7	0.2	0.5	2.4
Acquired	6.5	-	1.3	2.3	10.1
Charged in the period	0.1	-	-	7.7	7.8
Utilised	(1.7)	-	-	(4.8)	(6.5)
Released	(2.4)	(1.7)	-	(0.4)	(4.5)
Effects of currency movements	-	-	-	(0.1)	(0.1)
At 30 September 2021	2.5	-	1.5	5.2	9.2
Due in less than one year	-	-	0.4	4.7	5.1
Due in greater than one year	2.5	-	1.1	0.5	4.1
At 30 September 2021	2.5	-	1.5	5.2	9.2
Due in less than one year	-	-	-	-	-
Due in greater than one year	-	1.7	0.2	0.5	2.4
At 30 September 2020	-	1.7	0.2	0.5	2.4

Other provisions principally relate to employment related provisions in respect of future severance as part of the transformation programmes under way across the Group following the acquisition of SDL plc in the year. Provisions are recognised for employee severance as the criteria defined in IAS37 have been met for the severance payments provided for.

Other provisions also include an element for long term employment benefits in certain geographies the Group operates in. These relate to future post employment payments of £1.7m (2020: £0.6m). The contingent consideration of £nil (2020: £1.7m) is in respect of the acquisition of Iconic Translation Machines Ltd. In the year, the balance was extinguished and replaced with a deferred consideration amount payable (see Notes 17 and 24).

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

All financial assets and liabilities, other than derivatives and contingent consideration, are held at amortised cost ("AC"). All derivatives are classified as fair value through profit and loss ("FVTPL"), other than derivatives designated in a cash flow hedging relationship. Contingent consideration of £Nil (2020: £1.7m) is classified as fair value through profit and loss, during the year this was extinguished (see note 24) and a deferred consideration balance recognised which is recognised at amortised cost.

	FVOCI		FVTPL		AC	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Financial Assets						
Trade and other receivables	-	-	-	-	178.0	77.9
Cash and cash equivalents	-	-	-	-	92.5	51.4
Foreign exchange derivatives	-	0.2	-	0.4	-	-
	-	0.2	-	0.4	270.5	129.3
Financial Liabilities						
Loans	-	-	-	-	47.2	66.5
Trade and other payables	-	-	-	-	105.9	50.8
Provisions	-	-	-	1.7	9.2	0.8
Lease liabilities	-	-	-	-	51.5	22.8
Foreign exchange derivatives	0.7	0.1	-	-	-	-
	0.7	0.1	-	1.7	213.8	140.9

The Group's foreign exchange derivatives are fair valued using readily available market information so therefore are Level 2 of the fair value hierarchy. The fair value of contingent consideration is determined through discounting the expected future cashflows based on management's assessment of expected performance against specific terms of the sale and purchase agreement; these are Level 3 of the fair value hierarchy. There have been no transfers between levels of the fair value hierarchy.

The carrying amount of the Group's trade and other receivables and accrued income, trade and other payables and cash and cash equivalents are considered to be a reasonable approximation of their fair value. The fair value of the Group's loan at 30 September 2021 is £49.2m (2020: £69.2m), this is as per Level 2 of the fair value hierarchy.

Financial risk management objectives and policies

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 CFO.

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 borrowings have a number of financial covenants which are tested bi-annually.

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.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources to meet its liabilities as and when they fall due and payable.

In addition to the Group's cash balances which at 30 September 2021 amounted to £92.5m (2020: £51.4m), the Group has an overdraft facility of £1.5m (2020: £1.5m) which is unsecured, with interest payable at the rate of GBP LIBOR plus a margin of 200 basis points. This overdraft was undrawn as at year end.

Any surplus funds are invested in British pound or US dollar deposits, with maturities not exceeding three months.

Notes to the Consolidated Financial Statements (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted, and include contractual interest payments.

Contractual cash flows at 30 September 2021	Carrying amount £m	Total £m	Less than 12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Non-derivative financial liabilities						
Revolving Credit Facility	47.2	51.4	0.9	0.9	49.6	-
Trade and other payables	104.7	104.7	104.5	0.2	-	-
Provisions	-	-	-	-	-	-
Lease liabilities	51.5	58.2	11.0	11.0	22.1	14.1
	203.4	214.3	116.4	12.1	71.7	14.1
Derivative financial liabilities						
Foreign exchange derivatives						
- Outflow	0.7	0.7	0.7	-	-	-
	0.7	0.7	0.7	-	-	-

Contractual cash flows at 30 September 2020	Carrying amount £m	Total £m	Less than 12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Non-derivative financial liabilities						
Revolving credit facility	66.5	72.3	0.9	0.9	70.5	-
Trade and other payables	50.8	50.8	50.4	0.4	-	-
Provisions	1.7	1.7	-	-	1.7	-
Lease liabilities	22.8	25.1	5.1	4.8	9.2	6.0
	141.8	149.9	56.4	6.1	81.4	6.0
Derivative financial liabilities						
Foreign exchange derivatives						
- Outflow	0.1	0.1	0.1	-	-	-
	0.1	0.1	0.1	-	-	-

Interest rate risk

The majority of the Group's cash balances are held with its principal bankers, earning interest at variable rates of interest. To the extent the British pound overdraft is utilised, it attracts an interest rate of base rate plus a margin of 200 basis points.

The Group's US\$120 million Revolving Credit Facility ("RCF") matures on 10 February 2024, with an option to extend until 2025 (subject to lender approval), and incurs interest at a rate based on USD LIBOR plus a margin which fluctuates based on the Group's net leverage, more details can be found in note 1 and note 16. The Group elected not to hedge its interest rate risk.

Exposure to interest rate risk

Interest rate profile of interest-bearing assets and liabilities - Variable rate instruments	2021 £m	2020 £m
Financial assets - Cash and cash equivalents		
Sterling	18.4	7.8
US Dollars	36.7	30.0
Euros	11.0	5.1
Yen	5.5	2.7
Swiss Francs	1.4	1.6
Other	19.5	4.2
	92.5	51.4
Financial liabilities - Loan		
US Dollars	47.2	66.5

If interest rates changed by 1% it is estimated that Group profit before tax would change by £0.2m (2020: £0.2m).

As part of the cessation of LIBOR, the Group's RCF will be amended in line with Loan Market Association ('LMA') recommended terms to transition from LIBOR to a new risk free rate being the Sterling Overnight Index Average ('SONIA') for all GBP denominated borrowings effective 1 January 2022. This is structured to be economically neutral and no material impact is expected on the Group's financial statements. Currently, all Group borrowings under the RCF are denominated in USD which continue to use US LIBOR until its planned cessation in June 2023.

Credit risk

Credit risk is the risk of a financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Group's cash and cash equivalents and trade and other receivables.

The Group's cash and cash equivalents of £92.5 million at 30 September 2021, are predominantly held in the UK and the US, and placed with financial institutions who hold Standard & Poor's long term credit ratings of between A+ and A-. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties.

Trade receivable exposures are mitigated by each division's management team where they arise. The Group's clients are large international corporations or self-regulated bodies such as patent agents and legal firms. In accordance with IFRS 9, the Group has applied the simplified model specified for expected credit losses, based on historical default rates experienced across the Group as well as forward looking information where material. Consideration has also been given to the appropriateness of applying these historical default rates to the Group's future trade and other receivables. Expected credit losses are not material to the Group, no collateral is held in respect of trade receivables and the maximum potential credit loss is equal to asset carrying value. See note 15 for further details.

No client accounted for more than 10% of Group turnover in the current year (2020: one). This client was part of the Language Services reporting segment. There were no other significant concentrations of credit risk at the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

Foreign currency risk

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 with gains and losses on transactions arising from fluctuations in exchange rates being recognised in the statement of comprehensive income. Where we have a material or recurring exposure, the policy is to seek to mitigate the risk using forward foreign exchange contracts.

Approximately 61% (2020: 72%) of Group external sales in the reporting period were denominated in USD, while a further 24% were denominated in Euros (2020: 20%). Similarly, the Group's cost base was 31% in USD (2020: 43%) and 24% in Euros (2020: 30%).

Since the acquisition of SDL the Group has obtained a number of intercompany loans designated as quasi equity at inception. This designation is made where loan transactions between Group companies represent, in substance, long term investments in that subsidiary rather than intercompany loan transactions. These loans are often denominated in a currency other than the functional currency of at least one of the counterparties. Foreign currency translation on these loans is recognised in other comprehensive income in the statement of comprehensive income until the underlying investment is disposed of at which point they are recognised in profit or loss in the statement of comprehensive income.

Assets and liabilities of Group entities located in Germany, Switzerland, the United States, Japan, China, India, Argentina and Australia, are principally denominated in their respective currencies and are therefore not materially exposed to currency risk. On translation to British pounds, gains or losses arising are recognised directly in equity. Our Czech entity as discussed above applies cash flow hedge accounting to hedge its Czech Koruna operating costs.

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

	Assets 2021 £m	Assets 2020 £m	Liabilities 2021 £m	Liabilities 2020 £m
Euros	45.4	13.6	15.7	8.0
US Dollars	138.9	21.4	64.0	45.8
	184.3	35.0	79.7	53.8

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2020: 10%) increase and decrease in Sterling against the major currencies listed in the table above. The sensitivity analysis includes only the outstanding denominated monetary items and adjusts their translation at the end of the period for a 10% change in the Sterling exchange rate. A positive number below indicates an increase in profit 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 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 2021 £m	Profit and loss impact 2020 £m
Euros	2.7	0.5
US Dollars	6.9	1.8
	9.6	2.3

If the exchange rate on uncovered exposures were to move significantly between the year end and the 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.

Hedging

The Group applies cash flow hedge accounting on foreign exchange forward contracts taken out by Moravia (since acquisition) to hedge its Czech Koruna expected future operating costs (Moravia is a USD functional CGU). Any changes in the fair value of these cash flow hedges have been recognised in a separate hedge reserve in equity and recycled to the statement of comprehensive income as these costs are settled.

The Group applies net investment hedge accounting in respect of borrowings associated with the acquisition of a single acquisition which was USD denominated. The hedging relationship was established with the intention of reducing the effect of currency fluctuations in the statement of comprehensive income, by recognising gains or losses through other comprehensive income. The value of loans designated as net investment hedges are £37.2m and this is expected to be settled over a period of 5 years.

During the year ended 30 September 2021, no ineffectiveness was recorded in the Group's statement of comprehensive income (2020: £Nil). All amounts recorded in the hedge reserve pertain to continuing hedging relationships as at 30 September 2021.

The Group's cash flow hedges, which take the form of forward foreign exchange contracts, in place at the year end are as follows:

	Assets 2021 £m	Assets 2020 £m	Liabilities 2021 £m	Liabilities 2020 £m
Forward foreign currency exchange contracts	-	0.2	0.7	0.1

As at 30 September 2021, forward contracts are in place for the purchase of 699.5 million Czech Koruna, at an average contracted price of 23.32 Czech Koruna.

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 further equity financings.

At 30 September 2021, there was £47.2m (2020: £66.7m) of external debt finance on the balance sheet. The Group is not subject to externally imposed capital requirements.

In addition, the Group held cash and cash equivalents at the year end of £92.5m (2020: £51.4m).

The Group funds dividend payments to shareholders through the underlying profitability of its subsidiaries which are contributed between the subsidiary and the ultimate parent company, RWS Holdings plc. The underlying profitability of the Group ensures that there is sufficient profitability within these subsidiaries and contributions from these subsidiaries to the Parent Company and that sufficient distributable reserves exist to maintain the Group's current dividend policy.

Included within retained earnings are £184.6m relating to gain recognised on a cash-box structure utilised as part of the Moravia acquisition. These amounts are not currently distributable.

Notes to the Consolidated Financial Statements (continued)

21. SHARE CAPITAL AND RESERVES

	2021 Number	2021 £m	2020 Number	2020 £m
Authorised				
Ordinary shares of 1 pence each	500,000,000	5.0	500,000,000	5.0
Allotted, called up and fully paid				
At beginning of year	275,188,492	2.8	273,695,907	2.8
Issue of shares	114,207,681	1.1	1,492,585	-
At end of year	389,396,173	3.9	275,188,492	2.8

The following movements in the ordinary share capital of the Company occurred during the year:

- > 114,054,320 new ordinary shares were issued as full consideration to acquire 100% control of SDL plc (note 24), the total value of this consideration was £625.5m, with the premium on this transaction recognised in the merger reserve (see below). The number above includes 715,809 ordinary shares of 1p each in respect of SDL options vested but not exercised at completion.
- > 153,361 ordinary shares of 1p each were allotted under the RWS 2013 share option plan and RWS Save As You Earn schemes.

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

- > Share premium account represents the premium arising on the issue of equity shares.
- > Share-based payment reserve is the credit arising on the share-based payment charges in relation to the Group'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.
- > Hedge reserve is the fair value movement on the derivative contracts for the effective portion of the cash flow hedge.
- > Merger reserve represents the amounts of share premium that would have been recognised on a share for share exchange eligible for merger relief under the Companies Act 2006, this was created on the acquisition of SDL plc (see note 24), there was no comparative reserve as at 30 September 2020.
- > Reverse acquisition reserve was created when RWS Holdings plc became the legal parent of Bybrook Limited. The substance of this combination was that Bybrook Limited acquired RWS Holdings plc.
- > Retained earnings are the cumulative net gains and losses, including the capital reserve from the Parent Company balance sheet.

22. SHARE-BASED PAYMENTS

Share based payments

The Group and Parent 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 either share options (equity-settled) or cash options (cash-settled).

The equity-settled share-based transactions are measured at the fair value of the share option at the grant date. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of share options that will vest.

At each balance sheet date, the Group revises its estimate of the number of options expected to vest as a result of the effect on non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss in the consolidated statement of comprehensive income, such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserves. For cash-settled share-based transactions, an expense is recognised, with a corresponding increase in liabilities, over the period during which employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the cash options. Any changes in the liability are recognised in profit or loss.

The Group incurred a charge of £1.4m relating to share-based payments in the year ended 30 September, as follows;

Scheme	2021			2020		
	Equity-settled £m	Cash-settled £m	Total £m	Equity-settled £m	Cash-settled £m	Total £m
Save As You Earn (SAYE) scheme	0.1	-	0.1	0.1	-	0.1
LTIPs	0.5	-	0.5	-	-	-
Executive Share Option Plan ('ESOP')	0.5	-	0.5	1.0	-	1.0
Deferred consideration	0.5	-	0.5	-	-	-
	1.4	-	1.4	1.1	-	1.1

Summary of movements in awards	LTIPs	2013 Share option plan Number	Save As You Earn scheme Number	Executive share option plan Number	Weighted average exercise price (£)
Balance at 1 October 2019	-	1,645,220	175,067	1,230,946	1.292
Granted during the year	-	-	93,538	3,008,976	6.133
Lapsed during the year	-	-	(13,736)	(1,562,893)	6.094
Exercised during the year	-	(1,492,585)	-	-	1.292
Balance at 30 September 2020	-	152,635	254,869	2,677,029	5.750
Exercisable at 30 September 2020	-	152,635	-	-	1.292
Granted during the year	1,850,118	-	253,707	34,192	0.667
Lapsed during the year	(418,662)	-	(31,968)	(1,587,701)	4.827
Exercised during the year	-	(152,635)	-	-	1.292
Balance at 30 September 2021	1,431,456	-	476,608	1,123,520	3.124
Exercisable at 30 September 2021	-	-	-	-	-

The weighted average share price at the date of exercise of shares exercised during the year was 636.0 pence per share (2020: 585.2 pence). The weighted average remaining contractual life of outstanding options at the end of the year was 10.0 years (2020: 8.2 years). The aggregate fair value of options granted in the year was £5.1m (2020: £5.4m).

Deferred consideration of £0.8m relates wholly to shares payable to certain vendors of Iconic (see Note 24) with a post combination service period. The only associated conditions for payment of these shares as consideration for the acquisition is the service period which expires in September 2022 at which point the shares are payable.

Notes to the Consolidated Financial Statements (continued)

2021 LTIP scheme

On 22 January 2021, the Company adopted a long term incentive scheme for senior employees. Under the scheme, options to purchase ordinary shares are granted by the Board of Directors. The options vest after a period of three years. In the event that the option holder's employment is terminated, the option may not be exercised unless the Board of Directors so permits. The options expire ten years from the date of grant. These option grants are settled on exercise via the issue of new ordinary shares.

Date of grant	1 October 2020 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2021 Number	Exercise price pence	Exercise period
22 January 2021	-	1,730,173	-	(418,662)	1,311,511	1	22 Jan 2026 to 22 Jan 2036
1 July 2021	-	119,945	-	-	119,945	1	1 July 2026 to 1 July 2036
Total	-	1,850,118	-	(418,662)	1,431,456		

Save As You Earn ("SAYE") scheme

On 19 February 2019, the Company announced a HMRC-approved SAYE scheme ("SAYE scheme") for all UK based employees. Under the terms of the SAYE scheme, the Board grants options to purchase ordinary shares in the Company to eligible employees who enter into the SAYE scheme for a term of three years. Options are granted at up to a 10% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the three-year term. These option grants are settled on exercise via the issue of new shares.

Date of grant	1 October 2020 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2021 Number	Exercise price pence	Exercise period
18 February 2019	163,915	-	-	(13,897)	150,018	413.0	1 April - 30 Sept 2022
12 February 2020	90,954	-	-	(5,508)	85,446	557.0	1 April - 30 Sept 2023
22 February 2021	-	253,707	-	(12,563)	241,144	472.0	1 April - 30 September 2024
Total	254,869	253,707	-	(31,968)	476,608		

Executive share option plan ("ESOP")

On 13 May 2019, the Group announced a new Share Option Plan for executives and selected senior management.

These options will normally vest on the third anniversary of the grant date subject to the rules of the plan, continued employment and achievement of performance conditions. The performance conditions applicable to the options are based on the Group achieving EPS targets, each option grant being split into three tranches, each subject to an EPS target for a reporting year, set annually in advance by RWS' Remuneration Committee.

Vested options are exercisable, however if exercised before the fifth anniversary of the grant date, participants are not permitted to sell the ordinary shares until the fifth anniversary of grant date. All options will lapse on the tenth anniversary of the grant date and are subject to defined malus and claw-back provisions.

These option grants are normally settled on exercise via the issue of new shares but some are cash settled. Equity and cash settled shares follow the same vesting conditions.

Date of grant	1 October 2020 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2021 Number	Exercise price pence	Exercise period
10 May 2019	773,624	-	-	(547,088)	226,536	601.0	10 May 2022 - 10 May 2029
22 January 2020	1,903,405	34,192	-	(1,040,613)	896,984	615.0	22 Jan 2023 - 22 Jan 2030
Total	2,677,029	34,192	-	(1,587,701)	1,123,520		

The fair value of share options granted under the SAYE scheme and ESOP during the year were estimated using the Black-Scholes option pricing model. Cash settled options issued under the ESOP were valued at the reporting date while equity settled options under the SAYE scheme and ESOP were valued at grant date. The following table lists the assumptions applied to the options granted. Equity settled option grants are settled on exercise via new shares. The expected volatility reflects the assumption historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. Below are the key inputs to the model used in the year of grant.

	LTIPs (non-market)	LTIPs (market)	SAYE scheme	ESOP (equity settled)
Weighted average share price at grant (pence)	572.0	572.0	630.0	610.0
Weighted average exercise price (pence)	1.0	1.0	472.0	613.0
Expected life of option (years)	4.3	4.3	3.0	5.0
Volatility (%)	35.97	35.97	39.00	39.00
Dividend yield (%)	1.5	1.50	1.50	1.50
Risk free interest rate (%)	(0.08)	(0.08)	0.05	0.14
Option value (pence)	342.0	133.0	237.7	177.3

23. CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank and in hand	89.6	50.1
Short-term deposits	2.9	1.3
	92.5	51.4

The fair value of cash and cash equivalents is £92.5m (2020: £51.4m). Restricted cash at 30 September 2021 was £Nil (2020: £Nil).

Short-term deposits have an original maturity of three months or less depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Consolidated Financial Statements (continued)

24. ACQUISITIONS

Acquisition of SDL plc

As disclosed in the Group's financial statements for the year ended 30 September 2020 as a post balance sheet event, On 27 August 2020, the Parent Company announced it had reached agreement with SDL plc ("SDL") for an all-share combination, pursuant to which RWS would acquire the entire issued and to be issued share capital of SDL by means of a court-sanctioned scheme of arrangement.

Subsequent to 30 September 2020, following the shareholders of both SDL and the Parent Company voting in favour of the proposed all-share combination, a court-sanctioned scheme of arrangement was effective on 4 November 2020. Accordingly, 114,054,320 new ordinary shares were issued by the Parent Company as full consideration to acquire 100% control of SDL. Included within the consideration were shares issued in relation to SDL open share options which were subject to accelerated vesting on acquisition. These shares were issues net of relevant employee taxes of £6.4m and as a result an additional liability of £6.4m was recognised in respect of other taxes payable in the opening balance sheet.

The transaction, being a share for share exchange to acquire greater than 90% of the share capital in SDL plc, was eligible for merger relief under the Companies Act. Accordingly, the £624.4m of share premium that would have been created on the acquisition has been recognised within a merger reserve.

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

	Fair values £m
Technology	107.1
Customer relationships	139.4
Property, plant and equipment	12.0
Right-of-use assets	34.1
Trade and other receivables	87.1
Deferred tax assets	17.5
Cash and cash equivalents	55.0
Trade and other payables	(91.0)
Corporation tax liabilities	(13.9)
Other taxes payable	(6.4)
Lease liabilities	(37.7)
Deferred tax liabilities	(45.0)
Provisions	(10.1)
Total identifiable net assets	248.1
Goodwill	377.4
Total consideration	625.5
Satisfied by:	
Shares	625.5

SDL contributed £340.0m to the Group's revenue and £23.3m to profit after tax for the period between the date of acquisition and the balance sheet date, receivables acquired are believed by Management to already be at fair value due to provisions already in place, acquisitions costs to acquire SDL were £10.4m and are not included above.

If the acquisition had been completed on the first day of the financial year, SDL would have contributed additional revenues of £30.4m and reduced profit after tax for the year by £5.4m for the Group due to transaction costs accrued before the acquisition. The values disclosed above in respect of SDL plc are considered final following the completion of the PPA exercise prior to the year end, none of the goodwill is expected to be deductible for tax.

The goodwill of £377.4m on acquisition comprises the value of expected synergies arising from the acquisition and expected to be realised across future periods.

The acquisition of SDL, including the strategic reasons for the acquisition, are discussed in more detail in the Strategic report pages 17 to 20.

Acquisition Horn & Uchida

The Group acquired Horn & Uchida Patent Translation, Ltd ('H&U'), a specialist in patent translation based in Osaka, Japan for cash consideration of ¥349m (£2.3m) on 7 July 2021 for 100% of ordinary share capital.

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

	Fair values £m
Net assets acquired:	
Investment securities	0.2
Trade and other receivables	1.0
Deferred tax assets	0.1
Cash and cash equivalents	0.8
Trade and other payables	(1.0)
Total identifiable net assets	1.1
Goodwill	1.2
Total consideration	2.3
Satisfied by:	
Cash	2.3

Provisional values above are stated before the finalisation of the purchase price allocation ('PPA'). The Directors expect that the PPA work will identify intangible assets and that their allocation from the goodwill value disclosed above will lead the goodwill to be different to that as disclosed above. The Directors expect that there will be associated deferred tax amounts recognisable on the intangible assets, with an increase to goodwill expected to be reported in the Group's financial statements for the year ending 30 September 2022, once the PPA procedures are finalised, these adjustments are not expected to be material and will be included in the financial statements for the year ending 30 September 2022. If the acquisition had been completed on the first day of the financial year, H&U would have contributed additional revenues of £1.4m and increased profit after tax for the year by £0.4m.

Iconic Translation Machines Ltd (prior period acquisition)

On 9 June 2020, the Group acquired the entire issued share capital of Iconic Translation Machines Ltd ('Iconic'), for an initial consideration of US\$10.0 million, with additional contingent consideration of up to US\$10.0 million in RWS shares, subject to future performance. During the current year, this was modified with a deed of amendment and became deferred consideration of US\$5m (see below). Based in Dublin, Ireland, Iconic specialises in developing best-in-class neural machine translation (NMT) solutions adapted for specific industries and blue-chip clients.

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

	Provisional Fair values £m
Net assets acquired:	
Property, plant and equipment	-
Client relationships	0.7
Technology	0.8
Deferred tax liability	(0.2)
Trade and other receivables	0.4
Deferred tax asset	0.1
Cash and cash equivalents	0.3
Trade and other payables	(1.2)
Total identifiable net assets	0.9
Goodwill	8.2
Total consideration	9.1
Satisfied by:	
Cash	7.4
Contingent consideration	1.7
Cash flow:	
Cash consideration	7.4
Cash included in undertaking acquired	(0.3)
Net cash consideration in statement of cash flows	7.1

Notes to the Consolidated Financial Statements (continued)

Iconic contributed £0.4 million to the Group's revenue and £0.0 million to the Group's profit after tax for the period between the date of acquisition and the balance sheet date, excluding the impact of amortisation on acquired intangibles. If the acquisition had been completed on the first day of the financial year, Iconic would have contributed additional revenues of £0.9 million and profit after tax for the year of £0.3 million to the Group.

In the current year, as a consequence of the acquisition of SDL, a deed of amendment was issued in respect of the original Iconic Share Purchase Agreement ('SPA'). This was because the newly restructured RWS Language and Content Technology segment would change the strategy for Iconic and its future results which, was likely to affect conditions associated with the contingent consideration. This deed was negotiated with the former vendors and signed in February 2021. Management have identified this as a modification of the SPA that is not considered a remeasurement adjustment on the basis the underlying agreement has been fundamentally changed for new facts and circumstances. Accordingly, no adjustments have been made against Goodwill but rather, are recognised in the income statement.

The terms of the modification of the SPA included replacing contingent consideration of US\$10m with deferred consideration of US\$5m payable in RWS shares at the maturity date of September 2022. The only remaining condition for this consideration was a post combination service period for some of the vendors.

In respect of vendors without post combination service conditions, the £1.7m contingent consideration payable noted above has been extinguished and replaced with deferred consideration of £1.5m. This was a substantial modification as defined under IFRS9 and accordingly, has led to a gain on modification of £0.2m. This has been recognised within exceptional items as this is a one-off income item relating to an acquisition and mirrors the treatment of similar gains realised in respect of debt modifications in the prior year (see note 6).

For the vendors whose consideration is conditional on post combination services, the deferred consideration payable in shares in September 2022 is considered to be within the scope of IFRS2 Share Based Payments. Accordingly, the estimated deferred consideration of £2.2m for these vendors is being charged evenly to the income statement over the period from modification date to the payment date. The charge in the current year is £0.8m (see note 22), no amount had previously been charged in respect of these vendors in the prior year.

Webdunia (prior period acquisition)

On 9 June 2020, the Group acquired the localisation and software services business units of Webdunia.com (India) Private Limited ("Webdunia") as well as the technology solutions component of its affiliated Company, Diaspark Inc. The total cash consideration was US\$21.0m. Webdunia is a leader in translation, localisation and technology services to technology and digital companies in the Indian and North American markets.

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

	Fair value £m
Net assets acquired:	
Customer relationships	5.8
Databases	0.7
Property, plant and equipment	0.3
Right-of-use asset	1.9
Trade and other receivables	2.4
Cash and cash equivalents	0.9
Trade and other payables	(0.8)
Deferred tax liabilities	(1.9)
Lease liabilities	(1.9)
Provisions	(0.2)
Total identifiable net assets	7.2
Goodwill	9.6
Total consideration	16.8
Satisfied by:	
Cash	16.8
Cash flow:	
Total consideration	16.8
Cash included in undertaking acquired	(0.9)
Net cash consideration in statement of cash flows	15.9

Webdunia contributed £2.8 million to the Group's revenue and £0.8 million to the Group's profit after tax for the period between the date of acquisition and the balance sheet date, excluding the impact of amortisation on acquired intangibles. If the acquisition had been completed on the first day of the financial year, Webdunia would have contributed additional revenues of £5.2 million and profit after tax for the year of £1.3 million to the Group.

Acquisition costs of £0.5 million have been charged through the consolidated statement of comprehensive income. Trade and other receivables acquired of £2.3 million included no gross contractual amounts receivable. None of the goodwill recognised on the acquisition of Webdunia is expected to be deductible for tax purposes.

The net assets recognised in the 30 September 2020 accounts were included at their provisional fair values with the purchase price allocation exercise concluded in May 2021. The outcome of this exercise was an adjustment to allocate transaction price of £0.7m to databases, a reduction of £2.0m to customer relationships (see Note 13) and an increase to goodwill of £1.4m. Additional deferred tax liabilities on the identified intangibles were recognised of £1.9m with a corresponding increase to goodwill. No provisional fair value changes were made to any other class of asset, the total impact was a remeasurement adjustment to goodwill of £3.3m in the year (see Note 12).

25. RELATED PARTY TRANSACTION

On 23 February 2021 Ocorian Limited, acting as trustee of the RWS Holdings plc Employee Benefit Trust (EBT) purchased in the market a total of 55,896 Ordinary Shares of 1p each at an average price of 637.43p pence per share. The shares will be held in the EBT, a discretionary trust, and are intended to be used to satisfy the exercise of share options by employees. Following this transaction the EBT holds a total of 55,896 shares, representing approximately 0.01% of the RWS's issued share capital. Costs of £0.4m relating to this purchase have been deducted from retained earnings.

During the year, in the normal course of business, the Group provided translation services worth £0.4m (2020: £0.2m) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode, the Group's Chairman, has a significant interest. An amount of £0.1m (2020: £0.1m) was due from LTG at the reporting date.

Key management compensation	2021 £m	2020 £m
Short-term employee benefits	4.6	3.0
Post-employment benefits	0.1	0.1
Share based payments	0.3	0.9
	5.0	4.0

In addition, £0.2m was paid to the highest paid director during the year. Details of this are included on p95.

The key management compensation includes the seven (2020: seven) Directors of RWS Holdings plc and the six (2020: six) members of the Executive Team who are not Directors of RWS Holdings plc.

During the year key management were issued with a total of 725,849 shares with an approximate fair value of £1.9m. Details of the Group's share based payments and associated share option schemes can be found in Note 22.

26. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments contracted for, but not provided for, in the financial statements (2020: £Nil).

In respect of overdraft facilities, the Parent 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 amounted to £Nil (2020: £Nil).

The Group's US\$120 million RCF is subject to guarantees provided by material Group companies, as well as from other Group companies as necessary to ensure that all guarantors together account for more than 75% of the Group's consolidated EBITDA, turnover and gross assets.

27. POST BALANCE SHEET EVENTS

There have been no significant events that have occurred between the balance sheet date and the date of authorising these financial statements which require disclosure or adjustment within these financial statements.

Parent Company Financial Statements

The following Parent Company financial statements are prepared under FRS 101 and relate to the Parent Company and not to the Group.

Parent Company Statement of Financial Position at 30 September 2021 Registered Company 03002645	Note	2021 £m	2020 £m
Fixed assets			
Investments	7	725.5	93.0
		725.5	93.0
Current assets			
Debtors	8	212.9	191.1
Cash at bank and in hand		4.2	9.9
Total current assets		217.1	201.0
Total assets		942.6	294.0
Creditors: amounts falling due within one year			
Trade creditors	10	0.1	1.3
Other creditors	10	12.3	3.4
Total current liabilities		12.4	4.7
Net current assets		204.7	196.3
Total assets less current liabilities		930.2	289.3
Creditors: amounts falling due after more than one year			
Loans	9	35.2	44.0
Provisions for liabilities		-	1.7
		35.2	45.7
Net assets		895.0	243.6
Capital and reserves			
Called up share capital	11	3.9	2.8
Share premium account		54.2	53.6
Share based payment reserve		2.8	1.4
Merger reserve		624.4	-
Capital reserve		2.0	2.0
Profit and loss account		207.7	183.8
Total shareholders' funds		895.0	243.6
Statement of Comprehensive Income: Profit after taxation		60.3	26.0

The financial statements on pages 154 to 166 were approved by the Board of Directors and authorised for issue on 20 December 2021 and were signed on its behalf by:

Desmond Glass | CHIEF FINANCIAL OFFICER

**Parent Company Statement of Changes
in Equity for the year ended 30
September 2021**

	Called up share capital £m	Share premium account £m	Share based payment reserve £m	Merger reserve £m	Capital reserve £m	Profit and loss account £m	Shareholders' funds £m
At 1 October 2019	2.7	51.8	0.7	-	2.0	181.6	238.8
Profit for the financial year	-	-	-	-	-	26.0	26.0
Total comprehensive income for the year	-	-	-	-	-	26.0	26.0
Dividends paid	-	-	-	-	-	(24.1)	(24.1)
Issue of shares	0.1	1.8	-	-	-	-	1.9
Exercise of share options	-	-	(0.3)	-	-	0.3	-
Equity-settled share based payments	-	-	1.0	-	-	-	1.0
Balance at 30 September 2020	2.8	53.6	1.4	-	2.0	183.8	243.6
Profit for the financial year	-	-	-	-	-	60.3	60.3
Total comprehensive income for the year	-	-	-	-	-	60.3	60.3
Dividends paid	-	-	-	-	-	(36.0)	(36.0)
Issue of shares	-	0.6	-	-	-	-	0.6
Issue of shares to acquire subsidiary	1.1	-	-	624.4	-	-	625.5
Purchase of own shares	-	-	-	-	-	(0.4)	(0.4)
Exercise of share options	-	-	-	-	-	-	-
Equity-settled share based payments	-	-	1.4	-	-	-	1.4
Balance at 30 September 2021	3.9	54.2	2.8	624.4	2.0	207.7	895.0

Notes to the Parent Company Financial Statements

1. GENERAL INFORMATION

RWS Holdings plc is the holding company of a number of subsidiaries which provide patent translations, intellectual property support services, high-level technical and commercial translations, localisation 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 (where required these disclosures are included in the Group accounts):

- > 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:
 - > Paragraph 79(a) (iv) of IAS 1
 - > Paragraph 73(e) of IAS 16 "Property, plant and equipment"
- > 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"
- > paragraphs 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 the Group (providing any subsidiary party to the transaction is wholly owned by a member of the Group)

New accounting standards, amendment and interpretations

There were no new standards effective during the year that have a material impact to the preparation of these Parent Company financial statements.

Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due in the period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. Note 2 to the Group Financial statements includes more details on the Directors' assessment of going concern for the entity and for the Group.

Derivative financial instruments and hedging activities

The Parent Company enters into foreign exchange forward contracts to hedge its GBP cash outflows. The Parent Company does not apply hedge accounting for these forward contracts which are marked-to-market at each reporting date with any changes in fair values recognised in the Parent Company's statement of comprehensive income.

Investments in subsidiaries

Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition. Investments in subsidiaries are stated at cost less any provision for impairment in value. Investments are reviewed annually for evidence of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use, where value in use is calculated as the present value of the future cash flows expected to be derived from the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable income streams (CGUs).

Pension costs

The Company contributes to a Group personal pension scheme for qualifying employees whereby it makes defined contributions to independently administered personal pension schemes. The Company does not control any of the assets or have any ongoing liabilities with regard to the performance of and payments from these individual personal schemes. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Dividends

Interim dividends are recorded when they are paid, and final dividends are recorded once they have been approved by the Parent Company's shareholders.

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 payments

The Parent Company provides 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 (equity settled) or rights to cash in the form of cash options (cash-settled).

The equity-settled share-based transactions are measured at 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 22 of the Group 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 Parent Company's estimate of share options that will vest. At each balance sheet date, the Parent 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 recognised in profit or loss in the statement of comprehensive income with a corresponding adjustment to equity reserves.

For cash-settled share-based transactions, an expense is recognised, with a corresponding increase in liabilities, over the period during which employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the cash options. Any changes in the liability are recognised in profit or loss in the statement of comprehensive income in the period they occur.

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

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES IN APPLYING THE PARENT 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 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.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis, but the future actual experience may vary materially from management's expectation.

Management have not identified any key judgements but have identified the following key estimates and assumptions.

Impairment

The determination of whether or not investment balances have been impaired requires an estimate to be made of the value in use of the investment. The value in use calculation includes estimates about the future financial performance of the investment, management's estimates of discount rates, long-term operating margins and long-term growth rates. If the results of the investment in a future period are materially adverse to the estimates used for the impairment testing, an impairment charge may be triggered. More information on investments is included in note 7.

Intercompany impairment

An impairment analysis is performed at each reporting date using to measure expected credit losses in relation to intercompany receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. More information on debtors is included in note 8.

Notes to the Parent Company Financial Statements (continued)

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Parent Company enters into forward foreign exchange contracts to mitigate its foreign exchange risk from foreign currency dividend payments received from its subsidiary undertakings. At 30 September 2021, there were no derivative contracts outstanding (2020: £0.4m).

5. PARENT COMPANY PROFIT AND LOSS

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Parent Company profit after tax for the year ended 30 September 2021 was £60.3m (2020: £26.0m).

Audit fees payable in relation to the audit of the financial statements of the Parent Company are £15,000 (2020: £15,000). Fees paid to the Groups auditor and its associates for non-audit services to the Parent Company itself are not disclosed in the individual financial statements of RWS Holdings plc. These are disclosed on a consolidated basis in note 5 of the Group's financial statements.

6. DIRECTORS AND EMPLOYEES

	2021 £m	2020 £m
Wages and salaries	4.3	2.3
Social security costs	0.4	0.2
Other pension costs	0.1	0.1
Share-based payment expense	0.8	0.6
	5.6	3.2

During the year, the Parent had seven (2020: seven) Directors, including 5 Non-Executive Directors and 7 other employees (2020: seven), providing services to the Group.

Two Directors (2020: two) received contributions to their personal pension schemes as did seven (2020: seven) of the additional employees.

Details of the Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 88 to 95. The values above are lower than the key management remuneration disclosure in note 25 of the Group's accounts as not all key management are remunerated through the Parent Company.

7. INVESTMENTS

	2021 £m	2020 £m
Cost and net book value at beginning of year	93.0	83.5
Increase in investments	632.5	9.5
Cost and net book value at end of year	725.5	93.0

The increase in investments in the year comprises £625.5m for the acquisition of SDL plc, as well as £6.4m in respect of the liability to tax authorities on behalf of employees on net settlement of share options (see note 24). The remaining £0.6m related to capital contributions relating to share-based payments made by the Parent Company to employees of its subsidiary undertakings.

The prior year increase in investments of £9.5m included the acquisition of Iconic Translation Machines Limited of £9.1m and £0.4m capital contributions relating to share-based payments made by the Parent Company to employees of its subsidiary undertakings. The Directors consider that the value of the Parent Company's fixed asset investments, which are listed below, is supported by their underlying profitability.

Subsidiary undertaking	Registered address	Nature of business
Alpha Translations Canada Inc.	Suite 216 636 King Street Spruce Grove Alberta Canada	Technical and legal translations
RWS Information US LLC (formerly 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 Lawyers' and Merchants' Translation Bureau Inc. RWS US Holding Co. Inc.	90 Broad Street Suite 402 New York NY 10004 USA	Patent translations Technical and legal translations Holding company
LUZ, Inc. RWS Life Sciences Inc.	555 Montgomery Street Suite 720 San Francisco CA 94111 USA	Translation and linguistic validation Translation and linguistic validation
RWS Group Deutschland GmbH	Joachimsthaler Str. 15, 10719 Berlin Germany	Technical and legal translations
KK RWS Group	Jimbocho Kita Tokyu Building, 4F 3-1-16 Kanda-Misakicho, Chiyoda-ku, Tokyo, Japan, 101-0061	Patent, technical and legal translations
RWS Life Sciences International SA	Avenue Mon-Repos 14 1005 Lausanne Switzerland	Translation and linguistic validation
inovia Pty Holdings Limited	Suite 4 Level 12 45 Clarence Street Sydney NSW 2000 Australia	Patent filing
Beijing RWS Science & Technology Information Consultancy Co. Ltd	A601, Floor 6th, Building B-2, Northern Territory, Zhongguancun, Dongsheng Technology Park, No. 66 Xixiaokou Road, Haidian District, Beijing, China 100192	Patent, technical and legal translations
LLC SDL Ukraine	Business center SP Hall, Office 604, 28 A (letter G), Stepana Bandery avenue Kiev, Ukraine	Localisation services

Notes to the Parent Company Financial Statements (continued)

Subsidiary undertaking	Registered address	Nature of business
Communicare Limited Corporate Translations UK Limited RWS Language Solutions Limited Japanese Language Services Limited Pharmaquest Limited RWS Group Limited RWS Information Limited RWS (Overseas) Limited RWS Translations Limited RWS UK Holding Co. Limited	Europa House, Chiltern Park Chiltern Hill, Chalfont St Peter Buckinghamshire SL9 9FG England	Technical and legal translations Translation and linguistic validation Technical and legal translations Technical and linguistic validation Holding company IP searches Holding company Patent translation and filing Holding company
Moravia US Holding Company, Inc. Moravia US Intermediate Holding Company, LLC Moravia IT, LLC	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks CA 91360 USA	Holding company Holding company Localisation services
Moravia IT s.r.o.*	Vlněna 526/1, Trnita, 602 00 Brno, Czech Republic	Localisation services
Moravia IT (Nanjing) Co., Ltd	3F Hongxin Mansion, 98 Jianye Road Qinhuai District, Nanjing, 210004 Jiangsu, China	Localisation services
Moravia IT Hungary Kft.	Horvát utca 14-24, 1027 Budapest, Hungary	Localisation services
RWS Moravia Colombia S.A.S.	Carrera 43 A 1 50 Torre 2 of 864, Antioquia, Medellin, Colombia	Localisation services
Iconic Translation Machines Ltd	Invent Building, DCU Campus, Glasnevin, Dublin 9, Ireland	Machine translation
RWS Moravia India Private Limited, f.k.a. Webdunia.com (India) Private Limited	B-810, 8th Floor, BSEL Tech park, 39-5 & 39- 5A, Sector - 30A, Vashi, Navi Mumbai - Thane 400 703, Maharashtra, India	Localisation and technology services
RWS Moravia (Thailand) Company Limited f.k.a Webdunia Thailand Co. Ltd	187/2/6 Chang Klan Road, Chang Klan, Muang Chiang Mai, 50100 Thailand	Localisation and technology services
Webdunia.com Technologies Inc.	515 Plainfield Avenue Suite 102, Edison, NJ - 08817, USA	Localisation and technology services
LLC SDL Rus	195112, St. Petersburg, Zanevsky prospect 71, building 2, letter A, office 1301, Russia	Localisation services
SDL Multi-Lingual Solutions (Singapore) PTE Ltd	600 North Bridge Road, #23-01 Parkview Square, Singapore 188778	Localisation services
SDL d.o.o Ljubljana	Dunajska cesta 167, 1000 Ljubljana, Slovenia	Localisation services
Software Development Language Solutions Hispania, SL	Claudio Coello, 37, 28001 Madrid, Spain	Localisation services
SDL Vietnam Limited	REE Tower, No. 9 Doan Van Bo Street, ward 12 district 4, Ho Chi Minh city, Vietnam	Localisation services
SDL Sweden AB SDL Tridion AB	Fatburgsgatan 1, Stockholm, S-118 28, Sweden	Localisation services Technology services



Subsidiary undertaking	Registered address	Nature of business
SDL Limited	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB, UK	Localisation and technology services
SDL Sheffield Limited		Localisation services
SDL Global Holdings Limited		Holding company
SDL Tridion Limited		Technology services
XyEnterprise Limited		Technology services
Bemoko Consulting Limited		Dormant
SDL Nominees Limited		Holding company
Automated Language Processing Services Limited		Dormant
Interlingua Group Limited		Holding company
Alpnet UK Limited		Dormant
Computype Limited		Dormant
Alterian Holdings Limited		Holding company
Alterian Technology Limited		Technology services
SDL (Newbury) Limited		Holding company
Intrepid Consultants Limited		Dormant
SDL Inc	201 Edgewater Drive, Suite 225, Wakefield, MA 01880-1296 USA	Localisation and technology services
SDL XyEnterprise LLC		Technology services
SDL Government Inc Alterian Holdings Inc	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 USA	Technology services Holding company
SDL Technologies (Australia) Pty Ltd	Level 16, 1 Market Street, Sydney NSW 2000, Australia	Localisation services
SDL Belgium NV	Vital Decosterstraat 44, 3000 Leuven, Belgium	Localisation services
SDL do Brazil Global Solutions Ltda	Rua Barão do Triunfo 73, Brooklin Paulista, São Paulo	Localisation services
SDL International (Canada) Inc	1550 Metcalfe St., Suite 800, Montreal, QC, H3A 1X6, Canada	Localisation and technology services
SDL Chile SA	Avenida Holanda 100 Oficina 1002 Providencia, Región Metropolitana, Santiago 7510021 Chile	Localisation services
SDL Software Technology (Shenzhen) Co. Ltd	Room 309, Floor 3, Resources-Tech-Building, Songping Shan Road, Nanshan District, Shenzhen City, Guangdong, China	Localisation and technology services
SDL Hong Kong Limited	Suites 1101-1103, 11th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	Localisation services
SDL Zagreb d.o.o.	Bednjanska 14/II, 10 000 Zagreb, Croatia	Localisation services
SDL CZ s.r.o.	Nerudova 198, Hradec Králové, 50002 Czechia	Localisation services
SDL France SARL	44-46 Rue Alphonse Penaud, Paris, 75020, France	Localisation services
SDL Tridion GmbH	Balanstrasse 49, 81669 Munich, Germany	Technology services

Notes to the Consolidated Financial Statements (continued)

Subsidiary undertaking	Registered address	Nature of business
Trados GmbH	Waldburgstraße 21, 70563 Stuttgart, Germany	Technology services
SDL Hellas Efarmoges Pliroforikis Limited	396 Mesogeion Avenue, 153 41 Agia Paraskevi, Attica, Athens, Greece	Localisation services
SDL Magyarország Szolgáltató Kft	Arboc u 6 III, Budapest, Hungary	Localisation services
SDL Multilingual Solutions Private Ltd	1319, 13th Floor, Bldg A1, Rupa Solitaire, Sector 1, Millenium Business Park, Mumbai, 400 710, India	Localisation services
SDL Technologies India Private Limited	Building 4, Block A, 7th Floor, 77 Town Centre, Yemalur Main Road, Off Old Airport Road, Bangalore - 560 037, India	Localisation services
SDL Global Solutions (Ireland) Limited	2 Shelbourne Buildings, Crampton Avenue, Shelbourne Road, Dublin 4, Ireland	Localisation services
SDL Italia Srl Unipersonale	Legale Tributario, Via 20 Settembre n 5 00187 Roma, Italy	Localisation services
SDL Japan KK	Nakameguro GT Tower 4F, 2-1-1, Kamimeguro Meguro, Tokyo 153-0051, Japan	Localisation services
SDL Tridion KK		Technology services
Horn & Uchida Patent Translations Ltd	6-11, Kitihama 2-Chome, Chuo-ku, Osaka-shi, Japan	Patent translation and filing
SDL Luxembourg SARL	26 Boulevard Royal, Office no. 125, 1st Floor, L2449 Luxembourg	Localisation services
SDL Holdings BV SDL Media Manager BV SDL Netherlands BV SDL Xopus BV	Jupiter Plaza Arena, Herikerbergweg 78-80, 1101 CM Amsterdam, Netherlands	Holding company Technology Localisation and technology Technology
SDL Poland Sp. z o.o.	ul.Fordonska 246, 85 766 Bydgoszcz, Poland	Localisation services
SDL Portugal Unipessoal LDA	Rua Santo António Contumil, nº 130, Porto, Portugal	Localisation services
SDL Language Weaver srl	Scala Office Building, 34 Someşului Street, Cluj-Napoca, Cluj County, Romania.	Localisation services
SDL Turkey Translation Services and Commerce Limited Company	Barbaros Mah. Kardelen Sk. Palladium Tower Blok No: 2 İç Kapı No: 41 Ataşehir, Istanbul, Turkey	Localisation services

*Moravia IT s.r.o. also has branches operating in Argentina, Ireland, Japan, Poland and the United Kingdom. SDL Limited also has branches operating in Lebanon, Germany and Taiwan. SDL Inc also has branches in Korea and Thailand. SDL Singapore also has a branch operating in Malaysia. SDL Sweden AB also has branches operating in Denmark, Finland and Norway.

All subsidiary undertakings, except SDL Limited, RWS Group Limited and Iconic Translation Machines Ltd, are held indirectly.

All subsidiary undertakings are 100% owned.

8. DEBTORS

	2021 £m	2020 £m
Amounts owed by Group undertakings	212.5	190.1
Other debtors	-	0.3
Derivative financial assets	-	0.4
Prepayments	0.4	0.3
Amounts due within one year	212.9	191.1

Included within amounts owed by Group undertakings is an amount of £5.0m (2020: £21.8m) that is due after more than one year. The debtor incurs interest at a rate equivalent to the Parent Company's external debt facility and is repayable on 18 October 2027. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

9. LOANS

	2021 £m	2020 £m
Loans due in more than one year	35.2	44.0

On 10 February 2020, the Group entered into an Amendment and Restatement Agreement ("ARA") with its banking syndicate which amended its existing US\$160 million term loan maturing on 18 October 2022 into a US\$120 million Revolving Credit Facility ("RCF") maturing on 10 February 2024, with an option to extend maturity to 10 February 2025.

Under the terms of the ARA, the Group's interest margin over US LIBOR, is determined by the Group's net leverage. At signing, the Group's existing term loan debt was transferred across to the RCF. Commitment fees are payable on all committed, undrawn funds at 35% of the applicable interest margin. The ARA also contains a US\$80 million uncommitted accordion facility.

This debt refinancing was accounted for as a debt modification without extinguishment resulting in a debt modification gain being recognised in the Parent Company's statement of comprehensive income of £1.2m in the prior year. Refer to Note 6 for of the Group's financial statements for further details.

As part of the cessation of LIBOR, the Group's RCF will be amended in line with Loan Market Association ('LMA') recommended terms to transition from LIBOR to a new risk free rate being the Sterling Overnight Index Average ('SONIA') for all GBP denominated borrowings effective 1 January 2022. This is structured to be economically neutral and no material impact is expected on the Group's financial statements. Currently, all Group borrowings under the RCF are denominated in USD which continue to use US LIBOR until its planned cessation in June 2023.

10. TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade creditors	0.1	1.3
Amounts owed to Group undertakings	7.6	-
Accruals	3.2	3.4
Deferred consideration	1.5	-
Amounts due within one year	12.4	4.7

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Parent Company Financial Statements (continued)

11. SHARE CAPITAL, RESERVES AND SHARE-BASED PAYMENTS

Details of the share capital of the Parent Company can be found in note 21 of the Group's financial statements.

Details of the dividend payments within the year can be found in note 10 of the Group's financial statements.

During 2021, the total share-based payment charge amounted to £1.4m (2020: £1.0m). The Company has taken the exemption available under FRS101 available in respect of disclosures relating to IFRS 2 Share-based payments in respect of Group settled payments. For details of the Group's share-based payment transactions, see Note 22 of the Group Financial Statements. Most share-based payments are equity settled by the Parent Company.

Included within retained earnings are £189.0m relating to gain recognised on a cash-box structure utilised as part of the Moravia acquisition. These amounts are not currently distributable.

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

In respect of overdraft facilities, the Parent 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 amounted to £Nil (2020: £Nil).

The Group's RCF, to which the Parent Company is a borrower is secured by guarantees provided by the material subsidiaries of the Parent Company's subsidiary undertakings.

13. POST BALANCE SHEET EVENTS

There have been no significant events that have occurred between the balance sheet date and the date of authorising these financial statements which require disclosure or adjustment within these financial statements.

ALTERNATIVE PERFORMANCE MEASURES

RWS uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent measure of the Group's operating performance. Adjusted profit is therefore stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items. The table below reconciles the statutory profit before tax to the adjusted profit before tax.

	2021 £m	2020 £m
Reconciliation of statutory profit before tax to adjusted profit before tax:		
Statutory profit before tax	55.0	58.7
Amortisation of acquired intangibles	34.4	15.3
Acquisition costs	11.2	4.1
Share-based payment expense	1.4	1.1
Exceptional items (note 6)	14.1	(7.8)
Exceptional finance costs (note 8)	0.3	(1.2)
Adjusted profit before tax	116.4	70.2
Reconciliation of adjusted operating profit to statutory operating profit:		
Adjusted operating profit	118.5	72.9
Amortisation of acquired intangibles	(34.4)	(15.3)
Acquisition costs	(11.2)	(4.1)
Share-based payment expense	(1.4)	(1.1)
Exceptional items (note 6)	(14.1)	7.8
Statutory operating profit	57.4	60.2

Organic Revenue

Organic revenue is calculated by adjusting the prior year revenues by adding pre-acquisition revenues for the corresponding period of ownership.

	2020 Revenue	2020 Pre Acq Revenue ¹	2020 Organic Revenue	2021 Organic Revenue Growth/(Loss)	2021 Organic Revenue ²	Organic Revenue Growth
IP Services	112.8	-	112.8	(0.6)	112.2	0%
Regulated Industries	71.3	85.9	157.2	5.0	162.2	3%
Language Services	171.3	157.5	328.8	(11.1)	317.7	(3%)
Language & Content Technology	0.4	105.4	105.8	(3.8)	102.0	(4%)
Total	355.8	348.8	704.6	(10.5)	694.1	(1%)

Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues by adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2021 foreign exchange rates to both years.

	2020 Revenue at FY 21 Rates	2020 Pre Acq Revenue at FY 21 Rates ¹	2020 Organic revenue at constant exchange rates	2021 Revenue Growth	2021 Organic Revenue ²	Organic Constant Currency Revenue Growth
IP Services	109.6	-	109.6	2.6	112.2	2%
Regulated Industries	66.5	83.9	150.4	11.8	162.2	8%
Language Services	160.0	146.8	306.8	10.9	317.7	4%
Language & Content Technology	0.4	101.1	101.5	0.5	102.0	1%
Total	336.5	331.8	668.3	25.8	694.1	4%

1 Includes Iconic, Webdunia & SDL pre-acquisition operating results 2 Excludes Horn & Uchida FY21 operating results

Adjusted Operating Profit

Adjusted operating profit is calculated by adjusting operating profit for the impact of exceptional items, amortization of acquired intangibles, acquisition costs and share based payments. This is further analysed in note 4 and labelled as 'Operating profit/(loss) before charging.

Cash flow conversion calculations	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Adjusted operating profit	43.4	66.3	78.4	72.9	118.5
Depreciation (excluding right of use asset depreciation)	1.2	2.8	3.0	3.0	6.2
Amortisation from non-acquired intangibles	0.1	2.0	3.0	3.4	13.4
Net changes in working capital	(3.8)	(7.1)	(1.8)	7.1	(23.5)
Underlying cash flow from adjusted operating activities	40.9	64.0	82.6	86.4	114.6
Cash conversion	94.2%	96.5%	105.4%	118.5%	96.7%

Glossary

Adjusted earnings per share or Adjusted EPS – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items, net of associated tax effects.

Adjusted net income – Adjusted net income is calculated as statutory profit for the year adjusted for the Group's amortisation on acquired intangibles, acquisition costs, share based payment expense and exceptional items.

Adjusted operating cash flow – is operating cash flow excluding the impact of acquisition costs and exceptional items.

Adjusted operating profit (reconciled above) – is operating profit before charging amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items.

Adjusted profit before tax or Adjusted PBT (reconciled above) – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items.

Amortisation of acquired intangibles – is the value of amortisation recognised on intangibles that were acquired as part of business combinations, net of the amortisation on those intangibles charged by the underlying business. This amount is added back in arriving at adjusted profit and adjusted EPS measures. This is reconciled to total amortisation as part of note 13 in the financial statements.

Cash conversion – is the adjusted operating cash flow expressed as a percentage of adjusted operating profit.

Constant currency – constant currency measures apply consistent rates for foreign exchange to remove the impact of currency movements in financial performance.

EBITDA – is defined as the Group's profit before interest, tax, depreciation and amortisation.

Net debt – net debt is the net value of cash or debt held by the business, calculated by taking the Group's cash balance less any amounts under loans, borrowings and lease liabilities. The Group presents net debt both including and excluding the impact of lease liabilities as part of note 16.

Organic – organic measures exclude the impact of acquisitions without assuming constant currency and are prepared on a common basis with the prior year.

Underlying – underlying measures exclude the impact of acquisitions and assumes constant currencies.

Shareholder Information

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