

The cover features a central teal-green background with four large, dark green, angular shapes pointing towards the corners. The background is overlaid with a complex, light green scribble of thin, overlapping lines.

# ANNUAL REPORT 2017

**SDL\***







# TABLE OF CONTENTS

## STRATEGIC REPORT

02	<a href="#">SDL at a Glance</a>
06	<a href="#">Chairman's Introduction</a>
08	<a href="#">Chief Executive Officer's Review</a>
15	<a href="#">Driving Transformation Across Industries</a>
25	<a href="#">The Future States of Content</a>
39	<a href="#">Betting on the Future</a>
49	<a href="#">Our Growth Strategy</a>
59	<a href="#">Our Offerings</a>
75	<a href="#">Our Leadership</a>
78	<a href="#">Chief Financial Officer's Review</a>
91	<a href="#">Principal Risks and Uncertainties</a>
94	<a href="#">People Strategy</a>
97	<a href="#">Corporate Responsibility</a>
101	<a href="#">Environment</a>

## GOVERNANCE

106	<a href="#">Chairman's Introduction</a>
108	<a href="#">Board of Directors</a>
112	<a href="#">Directors' Report</a>
116	<a href="#">Corporate Governance Report</a>
121	<a href="#">Audit Committee Report</a>
126	<a href="#">Nomination Committee Report</a>
128	<a href="#">Directors' Remuneration Report</a>
131	<a href="#">Remuneration Policy Report</a>
139	<a href="#">Annual Report on Remuneration</a>
150	<a href="#">Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements</a>

## FINANCIAL STATEMENTS

154	<a href="#">Independent Auditor's Report</a>
160	<a href="#">Consolidated Financial Statements and Related Notes</a>
207	<a href="#">Company Financial Statements and Related Notes</a>
219	<a href="#">Five Year Group Summary</a>
220	<a href="#">Corporate Information</a>

# SDL AT A GLANCE



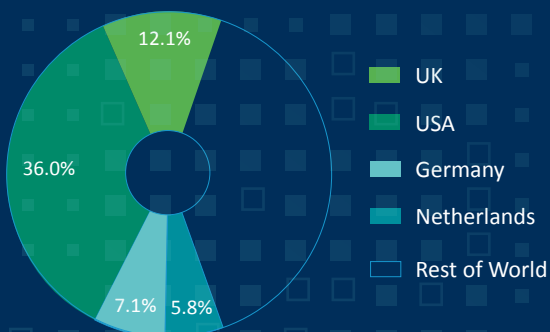
## Financial KPI's

	Group Revenue	Group Profit Before Tax	Continuing Adjusted EPS
	£287.7m	£29.9m	16.40p
	2016: £289.9m	2016: Loss £15.8m	2016: 26.58p
	Revenue from Continuing Operations	Adjusted Profit Before Tax & Amortisation	Dividend Per Share
	£285.7m	£22.0m	6.2p
	2016: £264.7m	2016: £27.0m	2016: 6.2p
	Net Cash		
	£22.7m		
	2016: £21.3m		

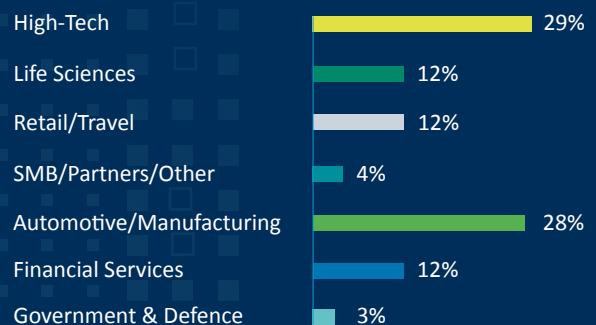
## Business Segments

	Revenue	Adjusted PBTA
Language Services	£184.5m	£9.4m
	(2016: £165.3m)	(2016: £18.8m)
Language Technologies	£48.6m	£5.0m
	(2016: £45.4m)	(2016: £4.4m)
Global Content Technologies	£52.6m	£7.6m
	(2016: £54.0m)	(2016: £3.8m)

## Revenue by Geography



## Revenue by Industry



Adjusted Profit Before Tax & Amortisation is profit before tax, amortisation and exceptional items. Continuing Adjusted EPS relates to earnings per share from Continuing Operations. Adjusted earnings is profit after tax before amortisation of intangibles and exceptional items (net of tax) and before tax exceptional items.

# Growth Strategy

Over last 25 years, we have successfully achieved growth by delivering service excellence with technology innovation. Looking forward to the next 25 years, we will continue to build on our foundation and expand market share in our key verticals by offering premium solutions that deliver more value to our investors by decreasing costs through operational efficiencies.



## Scale

SDL is the global leader in managing and translating content



91

patents

150

language pairs

2bn

words professionally translated

300bn

words machine translated

## Reach

With our combination of services, technologies and global footprint



38

countries

54

offices

1,200+

in-house linguists

3,700

employees

9,700

freelance translators

## Impact

We attract and support the world's top brands to achieve their global ambitions in the digital world



1,500

enterprise customers

93k

social media followers

275k

App store downloads

13.7m

website visitors

93%

retention rate

259

install base wins





# STRATEGIC REPORT

06	<a href="#"><u>Chairman's Introduction</u></a>
08	<a href="#"><u>Chief Executive Officer's Review</u></a>
15	<a href="#"><u>Driving Transformation Across Industries</u></a>
25	<a href="#"><u>The Future States of Content</u></a>
39	<a href="#"><u>Betting on the Future</u></a>
49	<a href="#"><u>Our Growth Strategy</u></a>
59	<a href="#"><u>Our Offerings</u></a>
75	<a href="#"><u>Our Leadership</u></a>
78	<a href="#"><u>Chief Financial Officer's Review</u></a>
91	<a href="#"><u>Principal Risks and Uncertainties</u></a>
94	<a href="#"><u>People Strategy</u></a>
97	<a href="#"><u>Corporate Responsibility</u></a>
101	<a href="#"><u>Environment</u></a>

# CHAIRMAN'S INTRODUCTION

David Clayton

If we purely look at the financial results for 2017, it would be all too simple to describe the year as disappointing in terms of our performance. Of course, we are rightly judged by the financial results and the outcome has been below the expectations of our shareholders, the Board and the employees at SDL. The impact of our financial underperformance has been felt throughout the company.

However, there are also other ways to interpret our performance in 2017. On our other measures of progress, I believe we can describe 2017 as an important year in the achievement of our strategic goals. As I wrote in the interim statement earlier this year, we have been undertaking a business transformation with considerable skill and resilience. Although the year has exposed some shortcomings in terms of both our infrastructure and our delivery capabilities – only being partially through their transformation – we have not allowed short-term issues to de-rail us from our long-term goals.

Although those short-term issues have been frustrating for all of us, I believe that, on reflection, they have not caused us to defer any of the strategic moves we had planned. 2017 demonstrated that, with the right focus, SDL can drive its top line. We have continued the rollout of our automation programme ("Helix") on time and according to our plans. We have successfully completed the divestment of non-core assets. We have completed the restructuring of our content management businesses and we have successfully delivered against our customer engagement plans, as our growth in revenue demonstrates.

We made considerable investment in our own back office infrastructure during 2017 in order to improve delivery capabilities through our language network offices. We ended 2017 in a far better place in terms of our business readiness than we were at this time last year.



The Board is recommending a maintained dividend of 6.2p per share, reflecting the strength of our balance sheet and our confidence in the prospects and opportunities for SDL.

In the year ahead, we will maintain our attention on our market offerings, especially in Language Technologies. Our market leading position in translation productivity solutions, when combined with our offerings in neural machine learning solutions give us a unique opportunity to transform our market with the application of Artificial Intelligence to the ever-growing volume of content to be translated.

SDL will continue to review strategically sound acquisitions that may help us accelerate the delivery of our plans in the future, and market commentators often talk about consolidation within the highly fragmented Language Services market. However, knowing just how fragmented this market is, and the fact that content providers favour multi-vendor solutions, we believe that the benefits of consolidation for scale alone are doubtful and difficult to achieve. At SDL, we believe we can also contribute to this necessary market consolidation through our establishment of market standards in technology, such as we have already achieved with SDL Trados.

Whilst our financial performance has been frustrating to our shareholders amongst others, the consistency that those core shareholders

have shown through 2017 suggests a good understanding of the opportunity available to SDL. We look forward to delivering on the confidence you have shown in us.

Finally, I am and my Board colleagues are acutely aware of the commitment of Adolfo Hernandez, his executive team and all the employees of SDL to achieving our strategic goals. We are committed to improving our processes, modernising our systems and becoming more efficient with greater automation and believe that the rewards for that commitment will come as we deliver the full potential of our business.

We begin 2018 with our market opportunity remaining as attractive as ever. Our business is better prepared to take advantage of those opportunities than has previously been the case. While there is still much work to be done, the Board has confidence in our strategy and leadership to ensure that SDL continues to progress in 2018, towards achieving our long-term goals.

---

**David Clayton**  
Chairman

---



# CHIEF EXECUTIVE OFFICER'S REVIEW

Adolfo Hernandez

2017 was a period of operational heavy-lifting and it is frustrating that, as we drove our transformation, we were not able to perform consistently in financial terms in all areas of the business.

However, in those cases where we underperformed, we initiated detailed recovery plans and furthermore we continue to modernise our business systems, processes and structure to create a more robust and forecastable business. More positively, SDL took a number of significant steps forward in 2017, most notably the major investment in our automation programme ("Helix"), the divestment of non-core businesses, the launch of neural Machine Translation and the growth of our premium verticals which have done well in both top line and margin. In order to capitalise on the growth opportunities, SDL increased investment in developing our premium solutions in fast-growing verticals, such as Life Sciences and Marketing Solutions which we believe is key to our future success. Whilst we faced some challenges in our financial performance, I remain convinced that SDL

has a sound strategy and a substantial market opportunity to pursue, as we describe below. In retaining our ambition and long-term goals, we are nevertheless highly cognisant of the need to balance growth, investment and profitability through this period of transformation.

## Market Opportunity

Our enterprise customers know that it is content that drives their own customers' digital journeys. However, they face a set of increasing challenges in managing the right content across many formats, channels, repositories, markets and languages, whilst also delivering to higher consumer expectations and internal requirements for measurement and compliance. Managing content on a global scale, across multiple languages requires a new approach, a 'Global Content Operating Model', which combines technology, processes and services across the entire content supply chain, from creation through to translation and delivery. However, this can only be achieved by technology playing a greater part, leveraging smart workflows, light but enterprise-grade cloud solutions, Artificial Intelligence, security and local teams all over the world working as part of a global team serving global customers.

SDL starts from a position of strength. We are already able to demonstrate the positive benefits of using a full suite of our solutions. According to a recent Forrester Consulting study on "*The Total Economic Impact of SDL Tridion DX Content Management and Language Technology and Services*", customers can expect a three year return on investment of 112%, as well as 'ease of expansion, improved quality and improved consistency of sites.'

SDL is already serving over 1,500 enterprise customers at scale. We are one of the largest language service providers (LSPs) globally, delivering complex projects in hundreds of languages across our Worldwide network. We are the market leaders in translation management workflow software and translation productivity software, with 71% market penetration in the worldwide translator community.



We are also leaders in technical content and web content management software, enabling customers to store, manage and distribute their global content. Finally, we are innovators in Machine Translation and Natural Language Processing. In total, the markets in which we operate today are worth approximately £17 billion and they continue to grow.

Our clients are at different stages in their understanding of these emerging operating models. The adoption and maturation of Global Content Operating Models will be a multi-year process, alongside the broader digital transformation agenda. SDL too must advance its offering, as we go on to describe. Nevertheless, there is a clear opportunity for us to lead these changes in our industry.



# £17bn

The markets in which we operate today are worth approximately £17 billion and they continue to grow

## Business Strategy

SDL's vision is to be the leader in global content creation, translation and delivery, enabling our customers' digital transformation efforts. We believe this will create significant value for our shareholders in the long term. Since 2016, we have been working on strengthening a number of the pillars of our strategy.

The first pillar is to create the most advanced, global localisation and content services delivery business in the industry. To achieve this, SDL has been investing in its automation programme, whereby its Helix platform has been designed to reduce significantly the administrative overhead associated with project management and the translation process. This programme will also provide other business benefits including greater data insights and follow-the-sun delivery. SDL expects to exploit the first major benefits of our automation programme in the second half of 2018 and expects to see ongoing improvements in future years. This platform will be the foundation upon which we will be building more offerings and intelligence, in order for us to scale efficiently.

Our goal is a modern, global business platform that is scalable, flexible and cost effective.



Secondly, we continue to invest in our technology products and have an exciting roadmap for the future. The key elements of this roadmap include convergence of our technology products, a migration to cloud-first architectures, deeper integrations with the content supply chain ecosystem and continued investment in Artificial Intelligence, leveraging our neural Natural Language Processing technology. SDL is uniquely positioned in the ecosystem, being a market leading supplier of both content management and language translation technologies, including translator productivity tools, client-side translation management software and Machine Translation. We believe our next-generation platforms will be transformative for the way we deliver services and how the industry operates.

Thirdly, we will continue to build Premium Solutions. These solutions leverage our services platform and our existing product portfolio but are tailored for specific industry requirements. They provide an opportunity to add a higher level of value, differentiate and build deep client relationships. In 2017, we focused on developing our Life Sciences and Marketing Solutions verticals. We also developed a Secure Translation Supply Chain solution for clients who require their content to be secured during

the translation process, which is of particular importance as the European Union's General Data Protection Regulation (GDPR) comes into force in May 2018 and we deepen and broaden these relationships, particularly within the financial services vertical.

Finally, enabled by many of the changes introduced in 2016 and 2017, SDL can now focus on optimising our corporate operations. We are improving processes, systems and Business Intelligence across the organisation and continue to seek opportunities for streamlining. Our goal is a modern, global business platform that is scalable, flexible and cost effective.

We have a number of priorities and actions for 2018. We are focusing on the successful roll-out of our automation programme into our Language Services business. We will continue to make improvements to our operations and sales processes, with a particular focus on account management and software sales. We are investing in our technology convergence programmes and next-generation platforms and we will expand our channel strategy to deliver new go-to-market solutions with key partners. At the same time, we will be seeking to balance investment and profitability, as well as cash generation.

## Language Services

SDL’s Language Services business delivered a respectable revenue performance in 2017, driven by our push into industry verticals such as Life Sciences and Marketing Solutions. Both of these premium verticals have substantial further opportunity, focusing on the specialised requirements of their customers, which include the clinical and regulatory labelling markets in Life Sciences and delivering culturally relevant ‘transcreation’ at scale in Marketing Solutions. In 2018, we will continue to focus on broadening and deepening our existing customer base, extending our account management programmes and focus on new growth opportunities in our target verticals. We have strengthened our operational capabilities in Asia in order to exploit the high growth opportunities in the region and make sure that as we win new customers, we also generate attractive margins.

As expected, gross margins in the Language Services business recovered well in the second half of 2017 compared to the first half, as we took actions around a small number of customer contracts and drove our internal productivity key performance indicators, which include reducing external freelancer spend and increasing the use of post-edited Machine Translation. At the end of 2017, SDL had 1,200+ internal linguists, which enabled us to provide a differentiated service in the market.

Building on the foundations established in 2017, productivity and automation are at the centre of our focus for 2018. Our aims are to increase our capabilities for service delivery, reduce time spent by our translators and project managers on cumbersome administration, efficiently deliver our new premium services and continue to extend our coverage to newly in-demand languages.

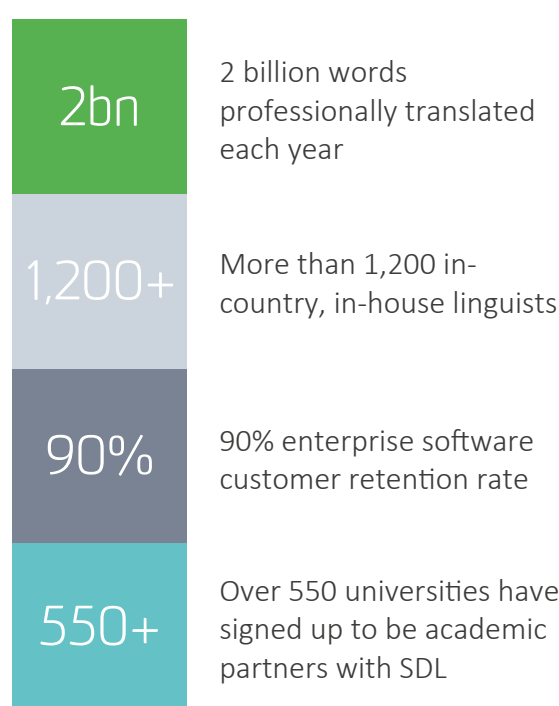
## Language Technologies

In Language Technologies, we made good progress in the year with our key technology themes of cloud, convergence and connectors. We continue to work on unifying our core technology capabilities in SDL Language Cloud. By enabling a cloud-first approach, our technologies can be used in our existing product portfolio and form the basis of new innovations for specific market verticals. For example, our launch of SDL Multilingual Submission Management for Life Sciences is based on SDL Trados Groupshare. The cloud-based SDL Managed Translation (“Mantra”) solution saw strong growth, and we significantly increased the

number of connectors shipped with our Language Technologies products – to more than 100 – enabling the deployment of solutions that make it easy for SDL clients to connect their content with SDL’s translation services.

Our Translation Productivity offerings continued to grow across all markets at a robust pace. The innovative SDL Trados Studio 2017, which focuses on enhancing translation productivity, improving leverage of translation assets and simplifying popular tasks, had its most successful release ever with the fastest upgrade uptake compared to any previous version. The new features of a much expanded SDL Trados GroupShare, now featuring online editing capabilities, have received positive market feedback and put us in an excellent position to accelerate adoption of this collaboration technology.

Following our decision to invest in Neural Machine Translation (“NMT”), we successfully launched the neural version of SDL Enterprise Translation Server, combining increased quality with scalability and security. Our research and innovation in neural technologies also enabled us to explore new opportunities in the broader field of Natural Language Processing and we demonstrated the concept of a Copywriting Assistant at our SDL Connect customer event. We also launched the brand “Hai” regrouping our current and future AI products and solutions as we expect to continuously innovate in this field.



## Global Content Technologies

Having stabilised this business unit during 2016 and 2017, SDL has now turned to offer customers an integrated approach to the content management landscape. The numerous integrations with other solutions in the market and the combination with our language solutions offering provide a further point of differentiation in many of these markets, as will our Natural Language Processing technology.

In 2017, SDL announced the launch of SDL Tridion DX, which integrates our flagship Web Content Management product (now SDL Tridion Sites) and SDL Knowledge Center (now SDL Tridion Docs) to enable content publishing for all audiences across the entire customer journey, pre- and post-sale, in any location, language and at any touchpoint. Both marketing and in-depth product content can be created, managed and delivered to eliminate the disconnects that characterise digital experiences ("DX") today and provide a consistent brand experience.

For the aerospace and defence industry, we added multi-language support to SDL Contenta Publishing Suite, and SDL XPP 9.2 now features an elegant mechanism for streamlining the production of PDFs for Universal Accessibility. In 2017, we focused on our partner channel to scale our growth, resulting in partner contribution in 80% of all SDL Tridion Docs revenue. We also added new resell or OEM partners in all core SDL regions and delivered our first Machine Translation platform solution in cooperation with Amazon Marketplace.

## Financial Performance

In a year of a root and branch transformation, I am pleased to see the business growing; SDL delivered total revenue growth from Continuing Operations of 7.9% to £285.7m. This growth was driven by an 11.6% increase in our Language Services business, 7.0% increase in our Language Technologies business. We also saw a 2.6% decrease in our Global Content Technologies business. Particularly pleasing was the strength of our Premium Services revenues, which grew 78% to £40.1m and accounted for 22% of our Language Services revenue.

Throughout 2017, we sought to balance investment in our transformation and profitability. All three of our businesses operated profitably. However, the level of Group profit we were able to report was reduced by a temporary decline in Language Services gross margins in the first half of the year and, in our technology businesses, by a faster than expected shift to subscription licence fees and some licence deal slippage. Adjusted PBT from Continuing Operations was £22.0m (margin<sup>(2)</sup> 7.7%) (2016: £27.0m, margin<sup>(2)</sup>: 10.2%). Group profit before tax was £29.9m (2016: loss £15.8m).

At the end of the year we announced a restructuring programme to reduce costs, particularly in the areas of general and administrative costs. Exceptional charges of £5.7m (2016: £13.1m) were recognised in 2017, £3.0m (2016: £10.8m) relating to Continuing Operations.

The Group finished the year with cash balances of £22.7m (2016: £21.3m) and no debt (2016: £nil).

## Our Customers

Our mission is to enable organisations to establish a personal connection with customers worldwide. I'm proud to say we help 79 of the top 100 brands do just that. By eliminating language as a barrier to communication, our customers are delivering products simultaneously into multiple markets and geographies faster than ever before, launching global campaigns that resonate with each distinct local market, all while streamlining content and localisation operations to gain efficiencies and win in today's digital world.

This year, we focused on understanding our customers better and helping them optimise their content supply chains. We launched SDL Ideas to capture user feedback through the SDL Community and our Voice of the Customer program gives customers a direct line of feedback into the organisation. Moving forward, we will continue to focus on gaining a deeper understanding of customers' challenges, addressing how we can improve, and supporting their advancement through adoption of SDL products and services.

(1) Adjusted PBT is profit before tax, amortisation and exceptional items.

(2) Margin represents the percentage of the relevant profit figure divided by the relevant revenue figure



3

YEAR PLAN

	2017	2018	2019
✓	Complete divestments	Exploit benefits of Helix automation programme	AI innovations
→	Optimise organisation and team	Ongoing organisational improvements	Automated processes and actionable insights
✓	Monitor new go-to-market strategy	Continue to optimise sales processes	Ongoing operational efficiencies
→	Increase quality of revenues	Software focus	Channel build out
✓	Revenue growth from premium verticals (especially Life Science and Marketing)	Convergence and next-generation platforms, including AI	New premium verticals
→	Drive cross-selling	Channel strategy	Managed Services strategy
✓	Implement MT commercial strategy	Extend leadership in MT and premium verticals (Life Science and Marketing)	
→	Transformation programme: implementation and quick wins	Continue to review uses of cash, including acquisitions	
↗	Technology convergence		
↗	Maintain cash stewardship		
↗	Build scalable platform for sustainable revenue and EPS growth		
✓	Complete	→ Well underway	↗ Started

To enhance our value proposition to our customer base in a large number of industries, we aligned our go-to-market strategy by vertical, focusing on our key target accounts where we have a right to win. Going forward, we will deepen our expertise in key vertical markets, continue to expand our footprint within existing accounts and grow our presence in each market.

Leveraging our connector strategy, we continue to help organisations integrate their content management systems with our translation management tools and services. As shown in our Global Content Operating Model, the tighter the integration between the people, processes and technology involved, the greater the benefit. Our global and local expertise, coupled with our technology and services, will enable us to guide customers through each stage of the Global Content Operating Model to deliver transformative business results.

## Looking Forward

As expected, we enter 2018 with another packed agenda. We will be automating our Language Services business with our Helix programme and we expect to see the benefits of productivity and margin gains in the second half of the year. We will continue to focus on sustainable sales growth, through account management and extending our premium solutions strategy. In our technology businesses, we have a number of key launches and we will continue to make the investment required to modernise our platforms and products. Operationally, we are focused on improving our infrastructure and Business Intelligence, and we will monitor the cost base and drive efficiencies where we can. We have a sound strategy to take SDL forward and a significant market opportunity to pursue. We are highly cognisant of the need to balance growth, investment and profitability through this period of transformation.

---

**Adolfo Hernandez**  
Chief Executive Officer  
6 March 2018

---

# DRIVING TRANSFORMATION ACROSS INDUSTRIES

Automotive  
Manufacturing  
Life Sciences  
Travel, Leisure and Hospitality  
Government  
Aerospace and Defence  
Finance  
Retail  
Consumer Electronics  
High-Tech  
Universities  
Software



# SDL POWERS 79 OF THE TOP 100 BRANDS, INCLUDING:

Top 15

automotive companies



Top 14

IT/software companies



11/12

of the top financial services companies



51/68

of the top manufacturing companies



Top 11

consumer electronics companies



Top 3

life sciences companies



7/8

of the top banking companies



27/36

of the top eCommerce/retail companies



18/20

of the top aerospace and defence leaders



With SDL, automobile manufacturers can accelerate into the future

Our Customers include:



Automotive innovation is moving forward at breakneck speed. From advanced driver-assistance systems to fully autonomous driving, and human-machine interface interaction with over-the-air updates, the industry is facing its most significant transition since its inception more than a century ago. Each innovation places new demands on digital content, and requires the industry to adopt new software and services best practices for agile content creation and delivery on a global scale.

Today, SDL enables the top 15 automotive companies in the world to manage multilingual marketing, product and service content across all digital channels and touchpoints, as well as globally distributed dealers and after-sales organisations. For example, Chrysler partners with Tweddle Litho and SDL to manage the translation of manuals for every new make or model. Together, Tweddle Litho and SDL reduced translation costs by over 35%, improved the productivity of the translation process by more than 40% and substantially improved the quality of content provided to Chrysler’s global customers and dealers.

With SDL, manufacturing companies can maximise service efficiency and customer satisfaction

Manufacturing companies have been disrupted by new players with advanced technologies and service-oriented business models enabled by agility and digitalisation. Customer experience, product support and after-sales experiences have merged, requiring manufacturers to transform, adopting software best practices for agile content delivery on a global scale. For today’s manufacturer, SDL can support digital and content transformation, with comprehensive digital content management and delivery to meet the needs of the entire value chain: customers, operators, sales, marketing, after-sales and retail.

KONE is one of the world’s largest producers of ‘people-moving’ equipment and in 2016, for the sixth year in a row, KONE was featured on Forbes’ list of the World’s Most Innovative Companies. KONE migrated its 50 regional websites in more than 30 languages around the world to SDL Tridion Sites. Today, about 100 people within KONE’s marketing, communications and global development groups use SDL’s web content management and localisation technologies. With a simple to-use, centralised system, a streamlined process for content localisation and the ability to easily reuse content, KONE can rapidly feature the latest product information in the correct language on its sites, and in a consistent way, updating multiple sites at once. *“Because we are quickly delivering up-to-date content localised to the visitor’s market, we are attracting more qualified prospects and customers to our sites. As a result, we increased our onsite conversion rate to almost 20% in the first three months of our new sites being live,”* explains a key member of the Online Marketing & Communications Solutions department at KONE.

Our Customers include:



## With SDL, Life Sciences organisations can bring new medical products to market rapidly

The Life Sciences industry needs to balance innovation and global expansion with the heavy demands of regulatory compliance and quality. Information and content are critical elements of each stage of the value chain, from clinical development through to commercialisation. For example, digitalising the patient experience creates comprehensive, omnichannel interactions that improve diagnoses, treatments and quality of life.

SDL technology and translation services help Life Sciences organisations make fast and measurable improvements in the way they manage global multilingual content in a timely, compliant and cost-effective manner.

Waters Corporation, an innovator in the field of analytical chemistry, selected SDL Tridion Docs to streamline its content creation and management process, drive content reuse and promote standardisation of its documentation to deliver a better customer experience.

*“By facilitating content reuse, we can confidently distribute timely documentation to all our customers, delivering a better service to them, and we can be sure it says exactly the same thing in all publications. From the start, the intention was to extend SDL structured content management solution to other departments across the business to support our content management ecosystem. We are seeing noticeable improvements on our source language development. We are exactly where we wanted to be and it seems we are well-poised for the next phase of production.”*

Joshua Steen, Principal Technical Writer and Tools Specialist, Waters Corporation

### Our Customers include:

**AGFA**   
HealthCare

**HORIBA**  
Medical

  
Hospira

 **MERCK**

**PPD**<sup>®</sup>

**PHILIPS**

 **WATER**  
CORPORATION

## Customer Story: RCI

As a division of Wyndham Worldwide, RCI is the world's largest vacation exchange company, opening up a world of travel opportunities to create a lifetime of memories for its members. To ensure that it could communicate with all its traveller customers worldwide, it approached SDL in 2016 to localise its key marketing documentation, including its Endless Vacation (EV) Magazine, which can be received as a hard copy or downloaded online. SDL is handling a variety of web, marketing and legal content across 16 languages for RCI, translating over 1.2 million words and saving significant costs along the way. EV magazine was translated into 14 languages, reaching over a quarter of a million customers across at least 25 countries, supporting both direct and digital engagement for RCI.

**RCI**<sup>®</sup>

## With SDL, travel brands can double their web traffic

Travel, leisure and hospitality organisations are on their own grand voyage of digital transformation. Content provides the backbone to digital connections and experiences, delivering information, entertainment and inspiration to today’s consumers about travel: from suppliers, distributors or retailers.

With today’s rapid pace of technology and innovation, experiences and expectations are pushing boundaries even further across web, apps, chatbots, voice-activated assistance, augmented reality and other touchpoints. SDL helps travel, leisure and hospitality companies deliver highly personalised content to global travellers, while substantially reducing the cost of this process by automating the content supply chain. The results are impressive.

As the largest airline in Japan, All Nippon Airways (ANA) implemented SDL WorldServer to centralise the localisation process for its websites, launching 25 websites, across 46 countries in 12 languages. In 2017, ANA’s customer loyalty increased, highlighted by a 150% boost in the number of overseas customers signing up to the ANA Mileage Club. Outside Japan, its audience has risen to over 1.3 million unique website visitors per month, with over 80% choosing to view content in languages other than Japanese.

Taiwan’s flagship airline, China Airlines, had similar results, doubling its site traffic after relaunching its brand new website in 11 languages with SDL.

### Our Customers include:



## With SDL, governments can better serve their citizens

Government agencies exist to deliver services and digital content to citizens. But in today’s world, citizens expect a modern experience, with self-service access to content in their preferred language. Whether it’s paying taxes, renewing licenses or applying for benefits, governments now need to deliver their content in multiple languages to address citizen’s needs, build public trust and improve citizens’ satisfaction. With SDL, government bodies and local councils can deliver on the multitude of content types and languages required to support the growing multicultural societies we live in today.

The Government of Greenland, for example, serves inhabitants that speak Greenlandic. However, many of the country’s senior government officials are Danish. With SDL, the Government of Greenland can now localise large volumes of content consistently and efficiently. The results have been staggering: each translator has almost doubled their average translation output, and as a team they translate over 5 million words annually. The impact on understanding is priceless.

For the European Commission, translation is a legal obligation. All member states’ languages are officially recognised by the European Union. In practice, this means that all published documents must be translated into the member states’ languages. This presents formidable translation challenges. In 2016, the European Commission worked with SDL to translate 2,270,000 pages, using 1,550 in-house translators and 450+ assistants. In addition, 650,000 pages were outsourced to freelancers.

*“With SDL in particular, what we appreciated was the awareness for the particular context that we are working in, in an organisation like the Commission, and the responsiveness for our particular needs.”*

Alfons de Vuyst, Head of sector “Operational Support”, European Commission

### Our Customers include:



## With SDL, aerospace and defence companies can improve operations and reduce costs

The aerospace and defence industry operates on getting the right information at the right time in order to make mission critical decisions. The ultimate goal is to reduce the maintenance costs of such an immense amount of content while maximising their availability. The level of complexity that S1000D – an international specification for technical publications widely adopted across aerospace and defence markets – presents has led 8 of the top 10 aerospace and defence leaders to rely on SDL to manage, publish, and translate technical documentation for over 25 years.

*“SDL’s technology has become the cornerstone of the Standard NAVSEA Integrated Publishing Process (SNIPP),” said Ron Stonecypher, Technical Data Manager, Naval Surface Warfare Centre, Panama City Division, and U.S. Navy. “SNIPP manages technical data for every hull in the U.S. Navy’s fleet, and the NESL Programme, created with SDL, helps us achieve our strategic rationalisation, reduction and centralisation goals.”*

### Our Customers include:

**SEDCO**

**Raytheon**



8 of the top 10 aerospace and defence leaders rely on SDL to manage, publish, and translate technical documentation

## With SDL, finance organisations can capitalise on global market opportunities faster

For an industry that has been traditionally adverse to change, the pressure to innovate for finance related companies has never carried so much weight. There is not only the requirement to adopt change but lead it. Today, financial services organisations strive to surpass the very best digital experience a consumer has ever had to deliver growth and revenue. At the same time they need to address emerging digital technologies, changing consumer needs, new competitive forces and complex regulatory environments.

With SDL, insurers, banks and financial service organisations can meet regulatory compliance, reduce exposure to financial penalties, all while reaching and capturing global audience faster. Trusted by 7 of the top 8 banking companies, SDL combines the best of digital content management, Machine Translation, language technology and services delivery so financial organisations can capitalise on global market opportunities faster than ever before.

The Virgin Money website managed its content using SDL Tridion Sites for several years. Virgin Money then underwent a significant rebrand. Its website was a key component of this process. *“For my team, this was more important than a rebrand – it was a rebuild. The tone and functionality of the website had to change,”* said a spokesperson at Virgin Money. *“We could only undertake such a project on a stable and well-architected platform, so we moved to the latest version of SDL Tridion Sites.”*

### Our Customers include:

**BBVA**

**Handelsbanken**



8 of the top 10 finance organisations rely on SDL to manage, publish, and translate technical documentation



## Customer Story: Under Armour

Original poetry commissioned by Under Armour to honor trailblazing female athletes as part of its 'Unlike Any' campaign and tying into the 2018 Winter Olympics, was adapted into nine languages for use across more than 20 countries in just three weeks by SDL Marketing Solutions.

Leading spoken word artists were paired with six Under Armour athletes and commissioned to write and perform poetry crafted for and inspired by each. The poetry that resulted

spanned a range of stylistic techniques and forms, including open prose, classic poetic rhyming couplets, alliterative formats and stream of consciousness associations. Each poem was then assigned to an in-market native copywriter handpicked from the SDL roster against their ability to craft poetic content.

To be truly authentic in appeal and reach, SDL was briefed not just to translate but adapt each piece of content as part of its transcreation process – for nine different languages. Edits were then produced by SDL in over 70 different formats to run across every customer touchpoint including cinema, social media, e-commerce and retail environment.



UNDER ARMOUR.

## With SDL, retail companies can drive global digital experience

Branding matters when eCommerce and retail sites are involved. On a website, the brand can inspire trust, spur awareness, and drive the customer experience. Content and local nuances can determine how a customer engages and feels about that brand, so understanding customers' behaviour and acting on this knowledge is seen as a key to brand-building. But what happens when a 30-year-old brand is disrupted?

Unilever faced a significant challenge in how to roll out its new identity to not only its 169,000 employees in 190 countries, but also its third party agencies worldwide, ensuring consistent use in all communication going forward – from business cards to product packaging. Using SDL's BluePrinting technology, the web team were able to ensure that regardless of the page content, the same brand would be represented, despite the fact that the website included more than one hundred pages of content over multiple layers.

A change in one section is instantly cascaded across to all other relevant sections of the site. The new logo officially went live and the first of Unilever's advertisements were available just a few days later, using the new logo guidelines. In the first three months alone of the site going live, it had 40,000 unique visitors.

### Our Customers include:



DiscoverAmerica.com



Unilever

## Customer Story: GoPro

When GoPro introduced the Hero5 camera they knew it was going to be a game changer in the industry. While GoPro had sold their products internationally for years, the Hero5 was going to be their first product with a localised interface. On top of that the Hero5 was introducing a bold new feature: voice-recognition capabilities. This was a major new feature and it had to work. That meant the camera had to recognise commands spoken by people of different ages, gender and even with different accents. To support the launch of the camera GoPro also had 50 videos that needed to be localised into 10 languages. GoPro needed an agile, adaptable partner. They chose SDL.

To get the desired results GoPro and SDL worked as a team. Together they defined what needed to be tested, the best methodologies to follow and documented opportunities for future process improvement as they were discovered. This teamwork approach facilitated being able to complete all the work within the aggressive timeframe as well as guaranteeing that future projects would go even smoother. Then testing began. At SDL's secure facility in Colorado the SDL Testing Team used its database

of linguistic testers to organise more than 150 testers with 27 accents to test a total of 88,000 combined commands. Regarding the educational videos, the SDL Media Production Team localised 50 videos into 10 languages in only two weeks.

The team also performed linguistic, functional, and internationalisation testing of the GoPro apps on multiple environments, platforms and devices, as well as end-to-end testing. In spite of the tight schedule, the launch was successful.

Looking back, Sonia Oliveira, Sr. Director of Globalisation at GoPro couldn't believe how much GoPro and SDL were able to accomplish in just six months. *"I am proud of what we did because, again, you can't do that by yourself. I needed a partner and that's where SDL came into play. They were an extension of my team, I relied on them for multiple initiatives and to support us on multiple fronts. I never doubted that we could pull it off. And the fact that we did it is simply awesome."*



## Customer Story: Huawei



*"SDL's consultants first worked alongside the local frontline teams to gain an understanding of Huawei's products. This gave them the opportunity to easily communicate with sales and marketing managers. They quickly became part of the marketing team in implementing frontline marketing strategies – providing precision marketing through a series of specialised and localised marketing tools and content strategies, thereby driving sales in the local market."*

Qian Jinsong, Senior Manager, Huawei Enterprise BG Sales and Marketing

## With SDL, consumer electronics companies can launch new products with peace of mind

In the fast-paced consumer electronics industry, your latest product launch can determine the future of your business. However today, many consumer electronics organisations are faced with rapid growth with limited resources and minimal infrastructure to support global launches. They need an agile, adaptable partner to support not only the design and testing of the product, but also, the marketing and post-sales experience for the consumer.

SDL enables consumer electronic companies to create, translate and deliver localised content globally to not only support product launches but also drive day-to-day customer engagement and digital experiences.

With a kick-off date that fell in the middle of the summer holiday season, Canon was challenged to create over 500 localised video outputs quickly. Although SDL had been working with Canon on the creative localisation of videos for close to five years, this segment of the project was the largest volume of work within such a tight time frame. SDL pulled in its Media Services department, a part of SDL Marketing Solutions, two project management offices as well as 27 dedicated, in-house translation teams. By the end of the month, all goals had been met. Today, Canon and SDL are discussing how SDL can best support Canon's localisation strategy going forward.

Our Customers include:



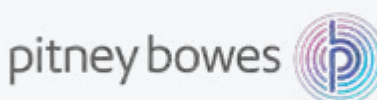
## With SDL, High-Tech companies can become world-class operators

For High-Tech companies, a global presence and reputation are essential for driving revenue streams. Few rely exclusively on domestic markets for revenue. To compete effectively and establish a global brand, High-Tech companies need to become world-class operators. SDL helps High-Tech companies to build up their local organisational capabilities whilst tapping into the complex network of global resources to deliver, market and support product launches in the customer's language.

Oki Electric Industry needed to coordinate a UK based project management team, a Mumbai engineering team, and 17 language teams to translate over one million words in three months. SDL identified internal resources who could perform necessary tasks for Oki, and the Mumbai engineering team was brought on. SDL identified, extracted and translated core terminology before beginning translation. Meanwhile, SDL engineers streamlined file transfer, preparation, content reuse and delivery by linking SDL Tridion Sites to SDL Worldserver.

Worldwide, 90 SDL employees worked together from engineering and project teams to complete in-country translation, with a re-use rate of 70% and cost savings via SDL Worldserver.

Our Customers include:



## With SDL, universities can prepare their students for a future in translation

Competition among universities is intensifying, the number of students is declining, and university selection criteria are becoming increasingly rigorous. Under these circumstances, universities urgently need to find new ways of appealing to students.

In the School of World Englishes at Chukyo University, the "SDL Academic Programme" was launched as a centrepiece for lectures in the World Englishes & Business curriculum, using SDL Trados Studio translation support software. It is the first initiative in Japan to enable students to learn the essential skills required of translators.

*"We've received so many applications that we now have to carefully select our students."* says Professor Nakagawa.

Since the inception of the SDL Academic Partner programme, over 550 universities have signed up to teach SDL translation technology to their students to prepare them for a professional career in translation.

We've received so many applications that we now have to carefully select our students.

## With SDL, software companies can launch global products faster

For software companies with global aspirations, sim-shipping localised product releases not only extends the revenue potential, but also increases customer satisfaction. In today's agile development environment, not only do companies need to address the complexities of software internationalisation, but the accompanying technical documentation needs to be localised on time as well. Poorly internationalised strings, inexperienced translators unfamiliar with standard software interface terminology, and a lack of resources to test localised products, can prevent companies from realising profits from sim-shipped launches.

SDL can help software companies create, localise and accurately deliver both marketing and technical product content to support product launches and ongoing engagement, taking the complexity out of going global and enabling a seamless customer journey.

With over a dozen regularly updated products, ISAGRI's translation team needed to keep up with a growing business and an ever-increasing translation workload. SDL Passolo's translation memory and automated version control features ensure that translations remain consistent. Updating and compiling the software is automated, which avoids risk of human error. Finally, the check function provides a way to easily find and fix a wide range of common localisation and technical errors. Thanks to SDL Passolo, ISAGRI is able to ensure their software remains error-free in every language while spending less time on the process as a whole.

### Our Customers include:



# THE **FIVE** FUTURE STATES OF CONTENT

- 1 | Content Will Create Itself
- 2 | Content Will Be Agile
- 3 | Content Will Organise Itself
- 4 | Content Will Be Secure
- 5 | Content Will Be Your Best Sales Person


# THE **FIVE** FUTURE STATES OF CONTENT

## INTRODUCTION

Self-creating and organising content may seem like something out of a science fiction movie, but advances in artificial intelligence (AI) make this and other exciting developments a reality for brands.

To prepare for the future, we must look at the ways that AI and ML (Machine Learning) can impact how you securely create, manage, translate and deliver content to global audiences.

Companies will need to adopt the latest advances in technology while understanding how and what content customers consume. To capture a market in motion and to meet



the speed and volume of future content requirements necessitates rapid course corrections and technological solutions. It is simply humanly impossible to do it all.

Here at SDL, we see a future where AI will be one the most powerful tools in your content arsenal – one that will give you an edge over the competition, a way to meet the demands of a global audience, the key to complying with even the most stringent security requirements and regulations.

SDL's Five Future States of Content are based on 15 years of experience having researched and developed machine learning, translation and content management technologies which has resulted in nearly 50 patents and 200+ peer-reviewed industry papers. With the experience of having worked with the largest of the largest global enterprises and the expertise of our researchers, we believe we have unparalleled insight into the ways AI and ML are set to transform how organisations manage content creation, translation and delivery in the future.

# CONTENT WILL CREATE ITSELF

## THE DEMAND FOR CONTENT IS TOO HIGH TO KEEP PACE WITH

### Why Content Will Create Itself

In his book *“The Grand Design”*, world-famous physicist Stephen Hawking argues that the universe can create itself out of nothing. But can the same be said about content? Can content create itself and if it can, how will that change our world going forward? Before we answer that, let’s take a look at some facts.

### Today

It’s pretty clear that creating content is one of the most time-intensive components of marketing. Companies who deliver more content are rewarded. Effective content drives sales, generates leads and boosts brand awareness.

Content creators develop product collateral, campaign content, emails, websites, whitepapers, brochures, videos and social content. Many marketers identify both a lack of bandwidth to create content (51%), and producing enough content (50%) among the top challenges they face (LinkedIn Technology Marketing Group). Imagine, for any given campaign from creation to review to design, the average whitepaper takes up to eight weeks, brochure three, web page two, press release one and blog post a few days.

The amount of effort and complexity increases with every new language supported, channel adopted and product added.

Each piece of content needs to be amplified across channels. A single piece of content may be distributed and promoted on paid, free and owned mediums, across multiple social channels and in numerous targeted emails. Each touchpoint and channel often requires its own content in support of an event, product launch, message, campaign or promotion.

### Content That Creates Itself Drives Revenue

Demand Metric estimates that a content marketing campaign costs 62% less to launch and maintain and generates three times as many leads than any other form of marketing. This explains why so many companies place such a premium on content marketing while moving away from more traditional forms of advertising.

According to a recent Harvard Business School study, personalisation can reduce acquisition costs by as much as 50% and lift revenues by 5-15%. This opportunity also comes with high content requirements: tailoring the online experience based on personally relevant content means more content.

Ultimately, if content could create itself, it would drive revenue, achieving a level of personalisation that would capture your customer’s attention and drive growth.





### Advice to Companies

In every organisation, content datapoints that can be used to generate personalised, localised content are stored in multiple repositories. In fact, Forrester reports that only 29% have a direct integration between their web content management system (WCMS) and their translation management system (TMS).

Fragmented content creates not only a barrier to personalisation, but also to automation. To prepare for the future, organisations need to connect their content supply chains so that it is machine ready and ready for automation.

### The Future is Now

In an era with excess information, relevancy quickly determines the signal from the noise for the customer. AI presents the promise of enabling customers to follow that signal at every stage of the purchase journey without distraction.

Last autumn, celebrating 15 years of delivering AI, MT and natural language processing (NLP), SDL unveiled Hai, a linguistic artificial intelligence.

Hai helps create, translate and deliver content in a variety of ways. For example:

- It can suggest words and translations to translators based on what has already been translated in the past.

- It will enable a copywriting assistant that can help write email headers based on an analysis of past campaign results.
- It will be able to tag and structure technical help content for consumption and dissemination by chatbots.
- In the future, our Hai platform holds the potential to analyse a company’s multilingual content and derive better insights for global business.

### Marketing Maths



# CONTENT WILL ORGANISE ITSELF

## THE AMOUNT OF CONTENT IS TOO OVERWHELMING TO MANAGE

### Why Content Will Organise Itself

Self-organisation may seem like an impossible future, but consider a flock of migrating birds. Individual elements that synchronise or diverge to meet specific objectives, without top-down leadership, already exist in nature.

Patterns emerge solely from the interactions among the individuals in the system, locally attuned to one another but still aware of the global system in which they operate.

### Today

To understand how content can organise itself, we must first understand how content is organised today. Because people excel where machines have traditionally done poorly – things like understanding nuance, context and prioritisation – humans decide what to write and what content should be translated to increase reach and impact. This is how every customer journey is born.

The most successful customer journeys deliver the biggest rewards. Effective customer journeys, which in the digital era are built on content, not only potentially increase customer satisfaction by 20%, but they lift revenue by up to 15% and lower the cost of serving customers by as much as 20%.

But humans can manage prioritisation and nuance only when journeys are straightforward or linear. The modern digital journey is highly complex. Customers dive into content on multiple channels following their own path and engaging with unexpected touchpoints before making a purchase decision. With every touchpoint, every language, every product, the level of complexity moves beyond human capability to manage it all.

### Tomorrow

With the advances in machine learning, artificial intelligence can search through all the content about a topic on every channel, derive themes and concepts, build taxonomies and tag content with metadata.

By doing so, content organised into topics can reconfigure based on audience data and behaviour to boost impact, while automatically translating the most sought-after content to increase reach and to optimise the customer journey.

### Advice to Customers

As content management becomes more complex, it is essential to let go of highly controlled top-down leadership and move towards more self-organising systems. Our own research confirms that 31% of organisations are already working on AI and machine learning initiatives.



It is no longer a question of “if” but “when” the machines come. No matter how mature your organisation is with artificial intelligence, preparing for this future is an urgent requirement.

According to a recent study, 60% felt that difficulties integrating AI technology were an obstacle while 54% pointed to training staff. With an infinite amount of content to create and deliver, organisations need to focus on acquiring the new skills needed to work with AI technologies for content.

Working with a partner familiar with these technologies may be one of the best ways to futureproof your organisation.

### The Future is Now

Hai is a linguistic AI that processes and understands content faster than thousands of humans combined.

Using this technology, creating taxonomies for all of a company’s content is possible:

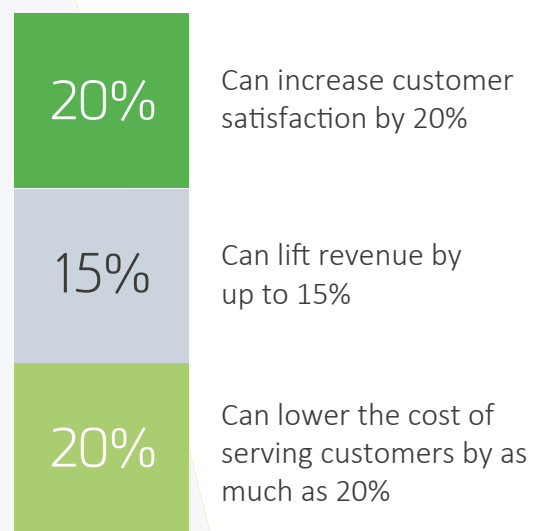
- Summarising and tagging content to facilitate better search results through a content management system.
- Improving metadata and SEO.
- Enabling other enterprise systems to automatically discover existing content.
- Maximising reuse and return on already invested content creation efforts.

SDL’s researchers have already developed topic modelling algorithms to understand and generate a taxonomy of topics from billions of unannotated, unstructured content sources.

In the future, content will be able to understand the customer’s journey and self-organise to deliver the most relevant content to the customer.

It will always be in the customer’s language whether translated instantaneously by machines, or automatically sent to translation by a system that understands what content is in the most demand in each marketplace.

### Effective Customer Journeys



# CONTENT WILL BE AGILE

## THE WATERFALL METHODOLOGY HAS DRIED-UP

### How Content Will Be Agile

Some non-digital brands, like General Electric (GE) and Cheerios, are lauded for their online content – GE for its stunning Instagram account and Cheerios for its #howtodad YouTube ads. These types of efforts have made organisations fully aware that their products matter less to consumers than the content that promotes it.

And that the content had better be relevant. 74% of online consumers get frustrated with websites when the content displayed has nothing to do with their interests. But how do you tailor content to handle every permutation and interest profile? You need a raindrop, not a waterfall.

### Today

Managing product supply chains has evolved to a science for large organisations. Rather than holding vast stores of raw materials and paying to have stock sitting in warehouses, organisations now manage supply chains on a just-in-time basis to reduce costs. As technology has changed products, it has also changed how supply chains are managed.

Content supply chain management theory parallels the evolution of product supply chain theory. In the same way that raw materials were once warehoused to collect dust until needed,

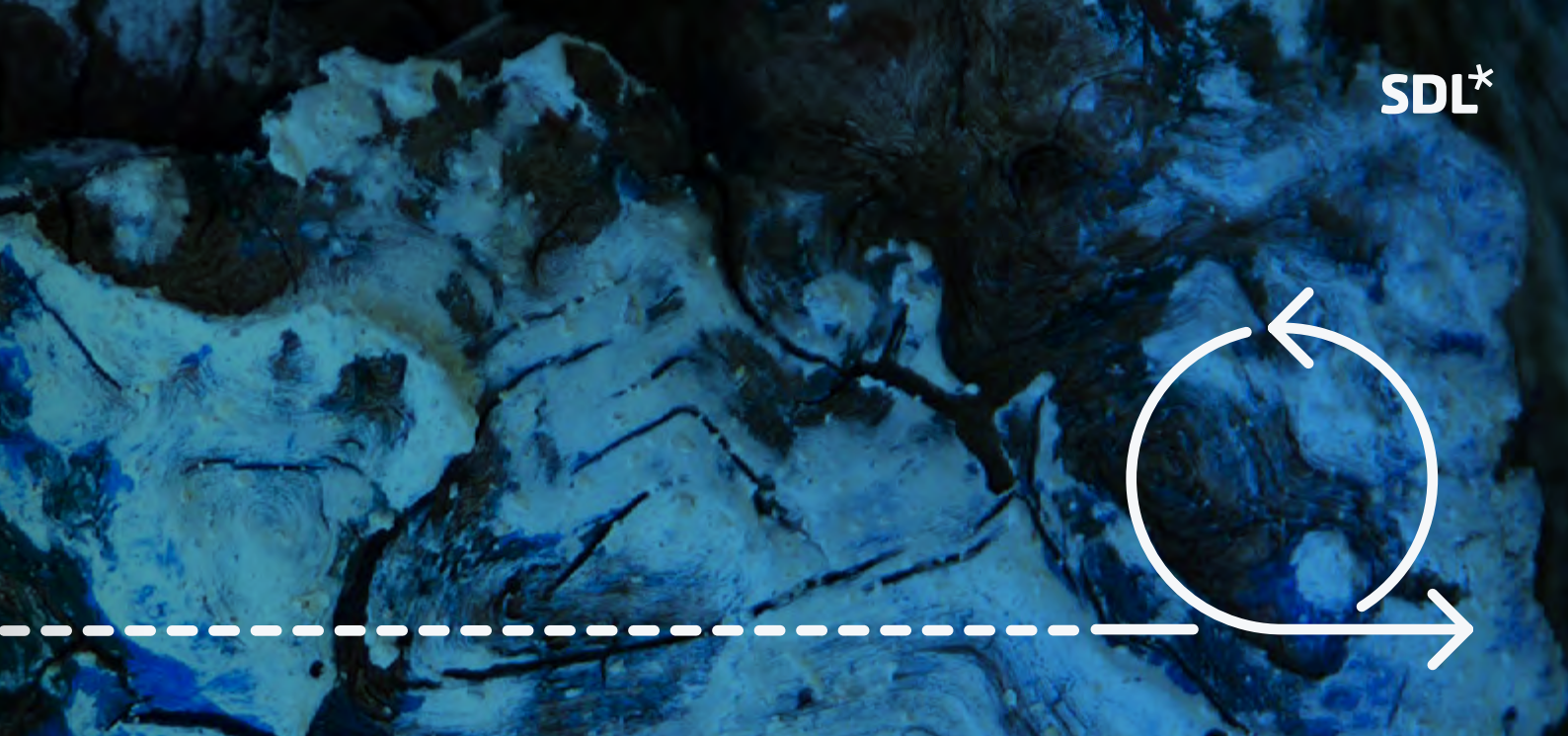
content is often still stored in a repository until a project is complete. The creation, translation and delivery of content occurs sequentially in that order and is rife with inefficiency.

### Advice to Companies

It's almost unfair to bet on the future of agile content since the future is already here. But it's essential that organisations prepare by understanding that they need to manage their content supply chains as diligently as they do product supply chains.

In the most advanced companies, this is already happening. Traditionally, translation projects could not begin prior to having all components of a project in place. Modern content supply chain management will embrace agile methodologies with continual content updates that include translation and delivery rather than keeping content warehoused.

Central to the idea of agile methodologies is iteration – that is, content and code is updated frequently and kept perpetually ready to launch. To create content with an agile approach however, you need to componentize it into droplets to allow for just-in-time delivery, rather than managing a waterfall of content too unwieldy to deliver effectively.



## The Future is Now

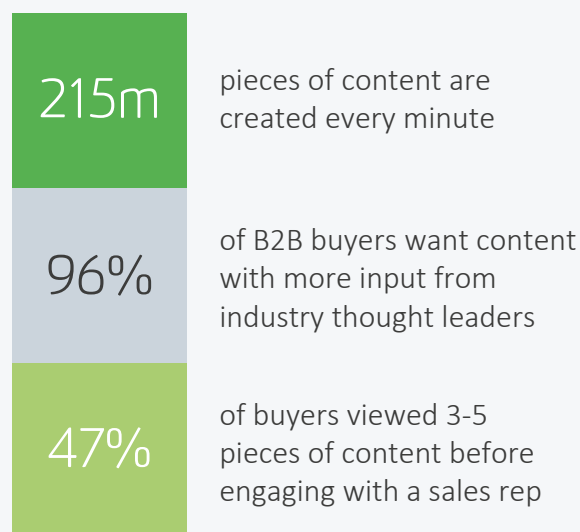
To prepare for an agile future means that content creation, translation and delivery must also shift.

For translation, the shift is about more than automation. We've already done that. It entails a fundamental change in our relationship with the translators themselves.

SDL researchers have been embedding machine learning throughout the entire translation supply chain to boost translator productivity and to allow customers to send work through the Cloud:

- SDL UpLIFT optimises translation memory by matching translations with fragments to continually improve on and speed up translation processes.
- In addition, to deliver the content continuously, SDL Tridion Sites and Docs componentise content by default, making it easy to customise the content experience for the user. It also has direct integrations with our translation management systems to make localised web content easy to manage and deliver.

## Effective Customer Journeys



It's essential that organisations understand that they need to manage their content supply chains as diligently as they do their product supply chains.

# CONTENT WILL BE YOUR **BEST** SALES PERSON

## THE CUSTOMER DECIDES BEFORE THEY EVER TALK TO YOUR SALESPERSON

### Why Content Will Become Your Best Seller

Generating revenue is the lifeline of any enterprise. And salespeople were once the heart that kept the machine moving.

As companies embrace digital transformation, the guiding force that identifies customer challenges, leads them through their options and facilitates purchase has changed. Content – not salespeople – gets customers to buy.

That doesn't mean that salespeople are irrelevant. In fact, the best salespeople will take advantage of content and use it to achieve higher sales than ever before.

According to a recent study, 78% of salespeople who sell using social channels hit their revenue goals in the past year versus 38% of non-social sellers.

Social channels are more than just glorified email systems. They are complex content platforms that deliver content that attracts customers. If selling on social channels yields better results for sales, it can be assumed that the right content on the right channels increases a customer's likelihood to buy.

### Content Increases Reach

Shifting sales focus on content, rather than selling, increases an organisation's reach. While salespeople spend just one-third of their day actually talking to prospects, content never stops. And the data suggests that this is how customers like it.

At the awareness phase, 81% want someone OTHER than a salesperson to educate them. And while your average salesperson can speak one, maybe two languages, your content is easily translatable into as many languages as you need, instantly increasing your reach.

Translate it into 21 languages and you've already accessed 90% of the online audience.

### Content Increases Impact

In addition to extending your reach, content boosts your impact.

All content is essentially data, which can be analysed to understand what kind of information customers are downloading, the kinds of questions they are asking, and how far along they are on their path to purchase.

With this data, you can optimise your message, understand which channels to maximise engagement, and deploy effective account-based marketing tactics to convert prospects into customers.



## Advice to Companies

With so many benefits, it should come as no surprise that content will be your top salesperson.

While it won't replace that human touch, it does mean that organisations will need to manage and optimise their content supply chains carefully to reach their sales goals. As a result, the creation, translation and delivery of content will become as much of a priority to sales leaders as incentivising and training sales teams.

## The Future is Now

At SDL, our experts in content management and language solutions have combined expertise and technologies to solve content supply chain management issues that prevent companies from selling more.

79 of the top 100 brands in the world rely on SDL to extend their reach and make their content understandable in every marketplace.

With SDL's content management technologies, organisations increase their impact by presenting customers with only relevant content that matters to them based on their online behaviour.

For example, our technologies allow taxonomies and visitor locations to be used to automatically display the most relevant content based on visitor data, behaviour and location.

This reduces the cost of localising the entire site and improves the customer journey, enabling customers to find the content they need quickly.

Coupled with our premium services for multimedia, content authoring and transcreation, companies can deliver even more impactful content, successfully driving customers through the digital experience towards higher sales.

At the awareness phase, 81% want someone other than a salesperson to educate them.<sup>12</sup>

# CONTENT WILL BE SECURE

## CONTENT IS YOUR BIGGEST SECURITY RISK

### Content Will Be Secure

Upcoming legislation, including Europe's General Data Protection Regulation (GDPR), means that businesses will need absolute control of customer information.

As of May 2018, they will need to provide transparency, a full audit trail and complete data custody. But companies outside Europe are failing to prepare, and we expect some big brands to be quickly hit with fines of up to 4% of revenues.

In order to organise and secure high volumes of data in 2018, brands will turn to on-premises or secure cloud ML technologies to translate, analyse and automate their content supply chains.

### Today

When so many people are involved, privacy and accountability become secondary concerns. As futurist David Brin once so aptly stated, *"When it comes to privacy and accountability, people always demand the former for themselves and the latter for everyone else."*

Today, rising concerns about data breaches have resulted in legislation to protect consumers. Despite these concerns, over 200 million people visit Google Translate daily to translate their content, some of whom are sharing out extremely sensitive information to the public domain.

It was recently revealed that a few simple searches on translate.com, a free translation website, yielded an astonishing variety of sensitive information like plans for workforce reductions, passwords, termination letters and a staff performance report of a global investment bank complete with names, emails, phone numbers and other highly sensitive data.

### Advice to Companies

With the rising concerns about data security, it is likely that more legislation will be passed. And yet, few are prepared. A recent survey revealed that three out of four companies are unprepared for GDPR. Of those who know what GDPR is, only:

- 49% had a framework in place for compliance.
- 38% weren't sure what the biggest challenge was when it comes to compliance.
- 32% perceived managing data stored across different parts of the organisation as the biggest hurdle, followed by a lack of understanding of GDPR's impact (21%), and identifying who within the organisation shoulders the responsibility (10%).

IT departments should have already begun reviewing everything from the security of internal translation solutions (rather than online translation tools), to the privacy and security of structured data running through enterprise resource planning systems and other applications.





Regardless, all companies should build privacy by default into their content operating models or partner with a company that can help you protect your organisation from expensive data breaches.

### The Future is Now

SDL offers Secure Translation Solutions, which provide a cost-effective, easily deployable and scalable environment where companies can control how and by whom their data is accessed using their on-premises technology solution or SDL's Language Delivery Service.

By leveraging our secure translation supply chain, organisations remove the risk of non-compliance by maintaining a complete audit trail in a central location, integrating with any content repository, and defining and controlling how and by whom data is accessed.

In addition, SDL offers customers the option of an on-premises secure Machine Translation solution.

SDL Enterprise Translation Server (ETS) can be deployed on-premises or private cloud, enabling organisations to deter employees from exposing sensitive data to free web-based MT services. Developed for and used by governments for over 15 years, SDL ETS is now a trusted and enterprise-grade commercial product.

### EXAMPLE OF A DATA BREACH

It was recently revealed that a few simple searches on translate.com, a free translation website, yielded an astonishing variety of sensitive information like plans for workforce reductions, passwords, termination letters and a staff performance report of a global investment bank complete with names, emails, phone numbers and other highly sensitive data.



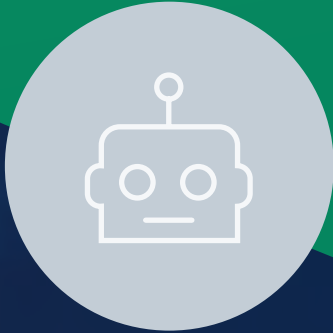
## THE FUTURE IS NOW

In many ways, the future is here already. Digital content is a way of life. Cutting through the content chatter is a matter of clicking or swiping. But for a company aiming to connect to a consumer, it's much harder. The parameters of effective marketing and sales have undergone a paradigm shift in the past ten years and are in the middle of another one with AI's expanding capabilities.

For a company to connect with a customer requires many more touchpoints and different kinds of *personalised* content. This is where we see AI being the ally we all need to help organise, create, translate and secure content. This process, with the help of AI, will allow for greater agility and the ability to turn-on-a-dime when market forces require a course correction.

Every new block is set on the one before, building a more powerful and effective tool. From neural Machine Translation and translation memory to content management to an AI copywriting assistant – the future states of content are just on the horizon.

# BETTING ON THE FUTURE



MANUAL

OPTIMISED



The Content Supply Chain

- Not enough creators
- Too much content
- Not enough time
- Customer does not want to be sold to
- Security risks



To dominate a digital world, companies will need to manage and secure their content supply chains effectively.

Most organisations overcome the following challenges with manual processes.



Efficient supply chains are achieved by implementing a global content operating model customised to the organisations needs on the following dimensions.



- Global/Local Strategy
- Organisational Alignment
- Product Cycles
- Governance Policy
- Automation Threshold
- Relevancy and Personalisation



Global Content Operating Model

To capture a market in motion and to meet the speed and volume of content the future necessitates, rapid course corrections and technological solutions.

AUTOMATED



As organisations mature, they will be able to create efficient global content operating models that automate the supply chain, lead to competitive advantage and drive the digital experience.

The Five Future States of Content



Content will **create** itself



Content will be **agile**



Content will **organise** itself



Content will be **secure**



Content will be your best **sales** person

HOW WILL COMPANIES DOMINATE THE DIGITAL PLAYING FIELD IN THE FUTURE?

# BUILDING THE CONTENT SUPPLY CHAIN OF THE FUTURE

Why are so many companies struggling today to deliver what customers want and expect? We've all seen the power of the digital world transform the way we interact. Which is why, for many, the answer lies in the digital transformation of their business. In fact, 87% of companies believe digital transformation is a competitive opportunity. However, this is only one part of the solution. Because in the digital world, content is currency. From the very first search result through to purchase and post-sale support, customers choose their own interactions, channels and touchpoints with many detours along the way.

At SDL, we believe in a future where there are no barriers to communication, where customers can communicate seamlessly with companies across their entire journey. But this vision demands the right combination of technology and processes for the content supply chain from creation, through translation and delivery. But to manage this content on a global scale across channels in multiple languages requires a new approach.

## The Content Supply Chain

### Create and Manage

All companies create content in support of their customers. Once created, this content must be properly managed for both governance and longevity. Content derivatives grow when new formats, channels and languages are introduced.

### Translate and Localise

Once content is created, it must be translated in support of global markets. It is crucial to provide the right cultural nuance and relevance or the customer experience will fail. Companies must learn to leverage technology and services that are best suited for the content.

### Publish and Deliver

Finally, companies must deliver content efficiently and consistently across all touchpoints in a customer's journey. Increasingly this delivery must be simultaneous across all markets which requires significant coordination across the business. This sophistication mandates that existing technology investments be intelligently integrated across the entire content supply chain.



## Integrate the Content Supply Chain



Every organisation has a content supply chain, but only 19% of enterprises have a Global Content Operating Model. Without one, enterprises face difficult challenges:

### Not enough

- Content creators to meet customer content demands
- Time required to produce high quality content

### Too much

- Generic one-size-fits-all content that is irrelevant to customers
- Content that's difficult to organise efficiently

### Overly complex

- Too hard to maintain security and privacy compliance
- Too difficult to localise into multiple languages (92% of companies face translation challenges as they translate content into different languages)

Most companies currently solve the challenges of their content supply chain through manual – and highly inefficient – solutions. For instance, they hire more agencies to create content and more LSPs to translate content. But even the best agency creatives and translators can only produce limited amounts of content each day and still guarantee quality. Considering that content demands only continue to outpace human capability to produce it, the demand for technological solutions to scale only grows.

### Next Billion Users

Further, as we look to serve enterprises seeking access to the 'next billion users' and a massive increase in languages addressed in Asia and Africa, our in-country Language Offices will play a pivotal strategic advantage in developing local supply chains to manage quality and lower costs. In 2018, we will also be reviewing options for serving Asian markets via multi-language centres.

# GLOBAL CONTENT OPERATING MODEL

## Global Content Maturity Through Transformation

SDL's Global Content Operating Model (GCOM) provides organisations with a comprehensive strategic approach to managing content across departments by unifying platforms and processes. Before you can apply a comprehensive strategy to your global content, you must first assess your current state of affairs in the context of what you want to achieve. Digital content demands the right combination of technology and processes across the entire customer experience. Each company matures at its own pace by developing proficiencies that optimise the customer experience across the content supply chain through digital transformation.

### Ad-Hoc

In the Ad-Hoc phase, a company still lacks processes that bring together the creation, translation and delivery of its content. Each activity is new and undocumented, with different departments responsible for each step.

### Repeatable

At the Repeatable phase, companies respond to the need for better customer journeys by aligning creation, translation and delivery of content. Many activities remain manual, so as demands increase, the company is not yet equipped to scale, lacking efficiency and the technology to support more content.



### Managed

In the Managed phase, companies introduce extensive automation, which helps them integrate content creation, translation and delivery workflows. While their internal processes are now in hand, these companies are not capable of delivering true personalisation or exceptional customer experiences.



### Optimised

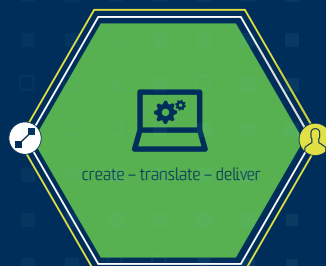
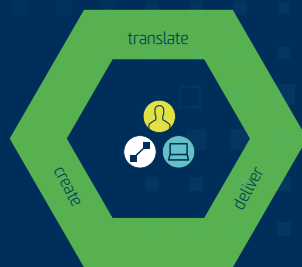
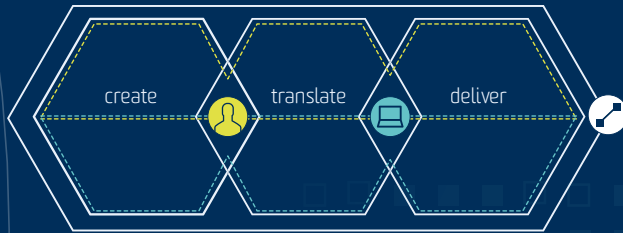
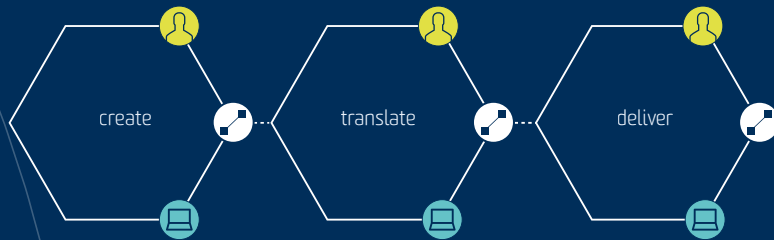
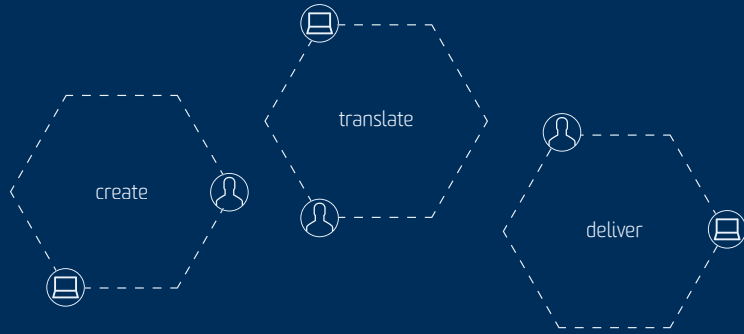
Once a company has optimised its Global Content Operating Model, content drives experiences that meet customer expectations thanks to extensive integrations across the entire technology stack. Supporting budgets and dedicated roles ensure company-wide involvement. Customer and content data is gathered for insights and to prepare for emerging artificial intelligence assistance.



### Autonomous

The company employs everything learned from previous phases, building on existing processes, technology and skill sets to realise a fully Autonomous Global Content Operating Model. Day-to-day operations for creating and delivering global content are managed by artificial intelligence powered by machine learning.





# PREPARING FOR TOMORROW YIELDS BENEFITS TO ORGANISATIONS TODAY

Forrester Consulting interviewed companies from various industries, using SDL Tridion DX and SDL Language Technology and Services, to investigate the performance of these integrated technologies to enable better digital experiences (DX) on a global scale. The results of the Total Economic Impact (TEI) Study quantify the benefits of implementing a Global Content Operating Model using SDL solutions.

## Digital Experience

### Improved Customer Engagement

- 25% web traffic growth
- \$1.2M in incremental profit

## Cost Savings

### Content Management Systems

- \$2.4 million savings

### Translation Management Systems

- \$1.1 million savings

## Efficiency Gains

### Content Management Efficiency

- 70% content gain
- 42% content efficiency
- \$3.5M savings

### Translation Efficiency

- 14% project manager efficiency
- 23% reviewer efficiency
- \$110K savings

Abraham Lincoln was once quoted as saying: *"Give me six hours to chop down a tree and I will spend the first four sharpening the axe."* While it's true that preparing a global content operating model for the future will yield results, real, tangible benefits can be realised today.

According to a recent Forrester Consulting report, organisations can expect a three year ROI of 112% with payback in 15 months\*. In addition, improved customer engagement, efficiency gains and cost savings are added benefits SDL customers have already achieved.

\*Source: *The Total Economic Impact of SDL Tridion DX Content Management and Language Technology & Services*, Forrester Consulting, January 2018

Over the last 25 years, SDL has been preparing for the convergence of content, language, and artificial intelligence by making strategic investments into our technology stack.

These technologies form the ecosystem of complementary products, technologies and services that 79 of the top 100 brands rely on today. As our technology continues to develop and our machine learning capabilities continue to evolve, SDL has the potential to redefine the content supply chain of the future.

To understand this potential, one must first understand how platforms generate value in the first place. The most successful platforms facilitate an exchange between parties that would not have otherwise happened. For instance, fintech platforms like Square process credit card transactions between merchants to the cardholder's bank. But they are just one piece of the ecosystem which includes card issuers, merchants and individuals who charge for their services.

Content is currency in the digital world. SDL technologies facilitate interactions between content creators, translators and their customers so that customers get the content they want when they want it. Without this type of platform, customers are not engaged and brands do not drive their revenue streams.

While our competitors have solutions in one, perhaps two dimensions of the content supply chain, only SDL has the experience, global workforce, and technological solutions to deliver efficiencies in all three dimensions: creation, translation, and delivery. To continue to build the global content operating model of the future, breadth and depth in all three dimensions is required and this is precisely what SDL has accomplished and will continue to achieve.

## Customer Story: DNV-GL



DNV GL is a global quality assurance and risk management company, operating in more than 100 countries. With 90% of contracts coming through the website, the ability to effectively manage content and communications with customers online, in the local language and device of choice was key to facilitating continuous growth. However, a mix of legacy content management systems and processes meant that it was difficult to maintain a consistent brand identity across all languages and digital touchpoints. DNV GL needed to find a way of scaling its brand and content, while giving local marketing teams the freedom to create local, culturally relevant and highly personal customer experiences.

The only way of achieving this level of engagement was by consolidating its five disparate CMS investments onto SDL Tridion Sites, a highly scalable web content management platform. This enabled DNV GL – through SDL's BluePrinting capabilities – to centrally manage all global websites from a single platform. Now content is dynamically assembled based on a taxonomy-based approach, ensuring visitors always see the latest content while website management efforts are reduced to a minimum.

*"SDL's microsite solution lets us easily launch and reuse microsites. You can create a new site at the click of a button, and we have recently used this to create a dedicated microsite for our annual report," Anders Øvreberg, Digital Communications Manager at DNV GL said. "This enables us to move away from the massive paper publication we historically ship, showing our customers how we innovate in this space towards a digital and more sustainable future."*

## DRIVING GROWTH THROUGH ASSET RE-USE AND MAXIMISATION

Our capacity for growth can be articulated by the size of the markets in which we operate, currently valued at £17.6 bn, and the strategy by which we can address the opportunity.

		Market Size 2017*	Forecast Growth 2016-18F
SERVICES	Language Services (Standard)	£7 – 8.4bn	0 – 5%
	Language Services (Premium)	£6.6 – 8.1bn	10 – 15%
TECHNOLOGY	Translation Management Systems	£42 – 55m	5 – 10%
	Translation Productivity	£57.5 – 63.3m	c15%
	Machine Translation	£336m	c20%
	Web Content Management	£1.5 – 1.6bn	10 – 15%
	Technical Content Management	£175 – 231m	3 – 5%
Total Market Size		£17.6bn	4 – 5%



## OUR GROWTH STRATEGY

SDL is committed to being the leader in content management, translation and delivery, helping our customers transform their businesses to capture their global aspirations at speed and scale. Achieving this requires continuous innovation in our technology portfolio and services offerings – which we have demonstrated for the last 25 years – and will continue to invest in to unlock great opportunities for growth.

# TECHNOLOGY INNOVATION

## Integration to the Ecosystem

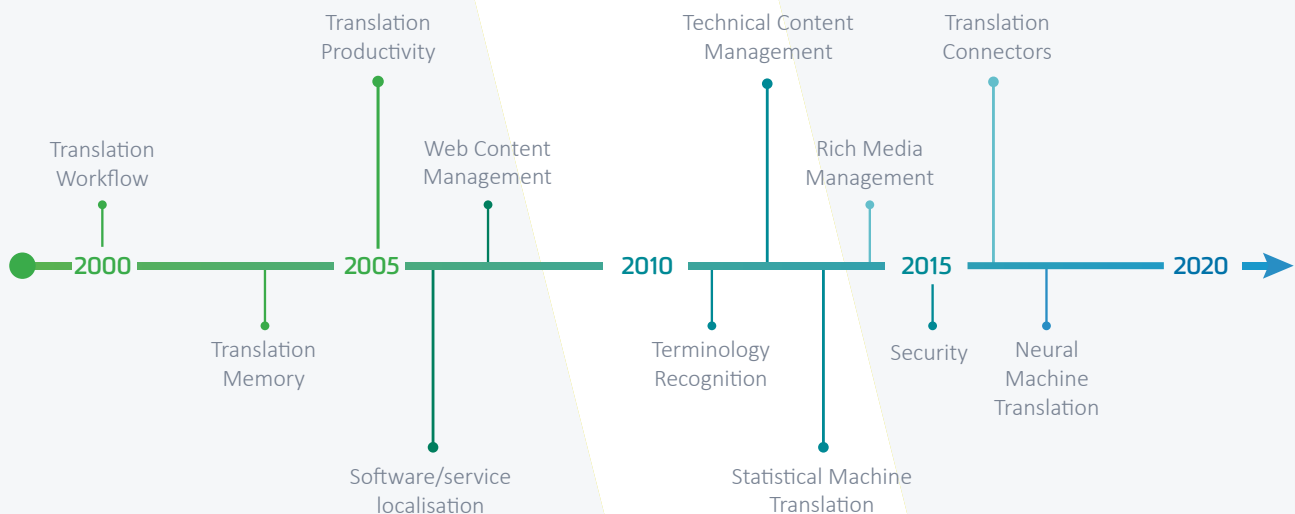
Broken content supply chains lead to fragmented experiences for customers, and inefficiencies of internal operations.

Helping our customers link their entire content supply chain together based on the Global Content Operating Model allows organisations to evolve from ad-hoc siloed processes to connected and optimised ones. Our connector strategy makes it easier for companies to translate, localise and deliver content and data with direct integrations to the most popular and demanding systems and applications within their business application ecosystem, including ECM, CRM, DAM, WCM, and file systems.

Our robust integration platform allows you to adopt integrations pre-written for 3rd-party applications or SDL products, or even create your own custom integrations using our APIs.

- **Digital Experience:** For companies looking to deliver content that reaches global audience more efficiently, SDL integrates with leading web content management (WCM) systems including Adobe Experience Manager, Sitecore and SDL Tridion Sites to provide best-in-class translations for all customer-facing digital content.
- **Commerce:** For companies looking to grow their revenue through online sales, SDL helps translate and localise e-commerce content in platforms like Salesforce Commerce Cloud and SAP Hybris – from individual product SKUs to longer product descriptions and multimedia content – improving worldwide engagement and online conversions.
- **Support:** Following a sale, the customer journey continues with support staff and online systems. SDL helps eliminate the language barrier between companies and their customers by enabling automatic translation of content in forums and support documentation and the conversations in chat tools like Salesforce Live Agent.

## Building a Technology Platform for Global Content Innovation



## Customer Story: Amway

Amway, the world's largest direct selling company, offers entrepreneurs around the world an exceptional business partnership opportunity and consumers everywhere access to exclusive products in nutrition, beauty and home goods. Founded in 1959, Amway has grown from an idea into an \$8.8 billion business with loyal customers worldwide.

Providing customers across more than 100 countries and territories with the best possible experience every time they engage with the brand – no matter their location or the language they speak – was a significant challenge for the company's translation teams. Given frequent enhancements across the business and the need to constantly introduce new information, in real-time across the globe, Amway needed a cloud-based solution that could significantly reduce translation times – while also improving quality. SDL's cloud-based translation management solution provides Amway's localisation teams with the ability to centrally manage, automate and regulate large volumes of translation projects – delivering superior results while maintaining costs and budgets.



### Cloud First

To deliver the most innovative solutions to the market faster and lead customer satisfaction, SDL is focusing on a cloud-first strategy across our entire portfolio of content and language technologies. 95% of businesses now operate on a public, private or hybrid cloud platform. By migrating to a cloud-first strategy, SDL better serves customers, increases scalability, and reduces maintenance costs.

Throughout the entire content supply chain, the ability to access the latest technologies through the cloud results in happier customers. When content is created in another enterprise system, integration with other content sources via the cloud enables more efficient translation and delivery of that content. When content needs to be translated, requests can be made in the cloud directly to linguistic teams, allowing customers to be serviced faster and more efficiently.

For translators working on projects, cloud access allows projects and assets to be accessed effortlessly. Translation management / memories in the cloud enable both linguists to collaborate across timezones and companies maintain consistency and reuse more content across all their lines of business. For instance a translation

memory established for technical documentation can be leveraged when marketing collaterals are created for the same product, thereby reducing costs and maintaining consistent terminology across how the product is marketed, sold, and supported post-sale around the world.

For project managers and linguists, a secure cloud platform facilitates the ability to coordinate our account management efforts for global accounts and their teams located around the world.

Happier customers aside, enabling a cloud-first strategy also results in having a common view of data and enables us to get better insights about the translation process as a whole in multiple contexts. When systems remain disparate and fragmented, it's impossible to detect behavioural trends and innovate creative solutions to bottlenecks in the process, resulting in inefficiencies that could otherwise be avoided.

# Integrations with 100+ vendors in the content supply chain ecosystem



## AI Enabled

Artificial intelligence is deeply embedded in SDL's culture and DNA, with over 15 years of research and development in Machine Translation (MT). This year, we introduced Hai, SDL's linguistic AI platform specialised in natural language processing (NLP), natural language generation and natural language understanding. As an AI with mastery of all things language related, Hai currently helps translators, and in the future will also assist writers, and project managers intelligently create and deliver content. The difference in our approach to AI is that we believe the efficacy of any intelligence is strongly correlated to how we teach the machine to learn. While unsupervised machine learning presents great potential, it can also lead to inadvertently funny results or make our worst science fiction nightmares come true. For a linguistic AI like Hai, having an in-house network of professional linguists is crucial so that the AI learns continuously which improves the quality of its output. Having AI technology is not enough. In order to truly enable AI, we need to teach it as well.

Today, Hai is already providing intelligent capabilities to a variety of SDL products, including our entire portfolio of enterprise Machine Translation (MT) solutions with neural MT capabilities available on-premises, on Amazon AWS, and in the cloud, and powers the AdaptiveMT feature within SDL Trados Studio so that the machine can gather translator feedback, learn and then deliver better subsequent translation recommendations. Going forward, Hai will lend a helping hand across the full SDL product portfolio, removing the inefficiencies of routing content tasks, freeing writers, translators, and project managers to use their time where it matters most. This in turn will help businesses scale, personalise and deliver better content, deeper customer connections and greater understanding on a global scale.



# SERVICE EXCELLENCE

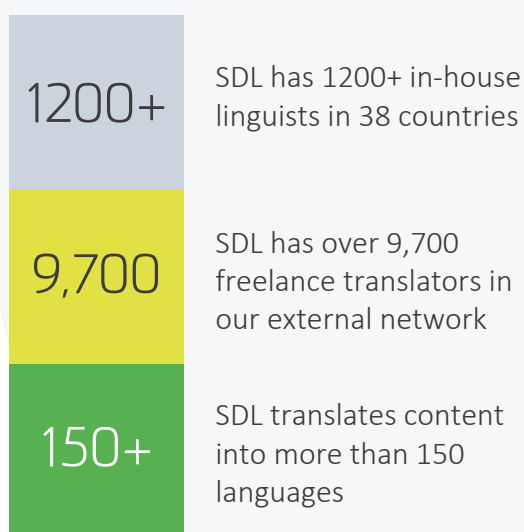
From its inception, the translation industry has been stunted by human limitations and manual processes. The explosion of digital content demands productivity increases in order to keep up with the speed that customers demand digital interactions. SDL translates content into 150+ languages. This presents SDL with opportunities for growth, in particular through automation, data mining, and AI-driven innovation. Our objective is to build the most effective and efficient Language Services operation. This serves to reduce costs and accelerate our ability to localise content for our customers allowing us to boost customer satisfaction and outpace the competition.

## In-House Linguists

With 1200+ linguists in 38 countries, SDL has extensive direct experience and expertise in the nuances about individual markets around the world. Our language consultants advise leading brands on best practices for how to advance their operations in the context of their Global Content Operating Model. Our regional expertise also plays a pivotal role in product development and market launch strategies – ensuring market messages, content and collateral will resonate with each distinct local market.

## Freelancer Network

With thousands of translation projects coming in each day that need to be executed and completed by tens of thousands of resources globally, automation is paramount to delivering results. In addition to our in-house linguists, SDL has over 9,700 freelance translators in our external network, enabling elastic capacity. To integrate them fully into our service delivery operations, this year we launched SDL Workzone. This new portal provides freelancers with an automated on-boarding process and self-service access to their end-to-end workflow. For the freelancer community, this increased automation leads to higher satisfaction and increased loyalty. For SDL, we can scale and streamline the operation of managing a global network of freelancers.



62% of brands reported they have 5 or more content repositories, while 36 percent have 10 or more, to serve up digital experiences.

## Customer Story: MarkLogic

As the leading operational and transactional enterprise NoSQL database provider, MarkLogic Corporation is expanding its collaboration with SDL to provide MarkLogic customers across the globe with a deeper understanding of its next-generation database platform technology. MarkLogic relies on SDL for its high quality, flexibility and very timely translation services. By leveraging SDL tools, along with rigorous adherence to best practices, MarkLogic has achieved significantly higher translation quality.

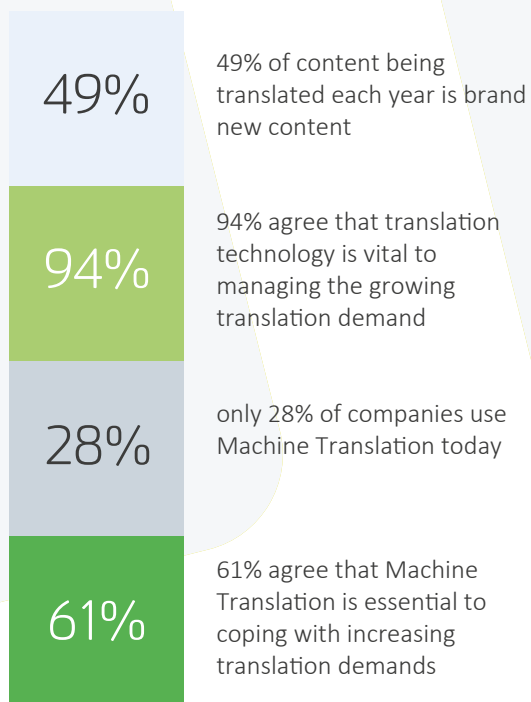


### Technology-Enabled Services

On average, 49% of content being translated each year is brand new content. To support this scale and volume, 94% of organisations agree that translation technology is vital to managing the growing translation demand. Computer assisted translation (CAT) tools like SDL Trados Studio help make translators more productive, especially when coupled with the use of translation management systems like SDL TMS and SDL WorldServer to speed up translation of content previously encountered and simplify the re-use of quality work.

Additionally, Machine Translation solutions like SDL ETS and SDL BeGlobal are essential to meet the increased translation demand at scale and speed. While 61% of respondents agree that Machine Translation is essential to coping with increasing translation demands, only 28% of companies use it today. With over 15 years of experience in deploying scalable Machine Translation solutions in private and government sectors, SDL is well positioned to help enterprises address their growing content translation requirements.

Since 2003, SDL has also used our MT in house with human post editing. With the latest technology innovations, including neural MT, we not only commercialise that as part of our technology offering, but utilise it in house within our service operations. Although we have been using MT with post editing for many years, we continue to be early adopters of the latest innovations in MT, like neural MT within our service operations.



## Automating the Entire Translation Supply Chain

For a business that receives thousands of jobs per day from our clients, resulting in hundreds of thousands of tasks to be completed by our project managers, linguists, testers and DTP engineers, automation of administrative overhead and processes, and security of how files are shared and transferred across the entire translation supply chain is paramount.

To modernise these processes, we are using agile development methodologies and a business process management platform to automate workflows while continuously rolling out new functionality and enhancements. Enabling our linguists to spend more time translating and less time managing the administrative overhead for projects (e.g. transferring files, calculating costs, finding relevant assets etc.) is a priority. By reducing our administrative tasks through our upgraded infrastructure, we will boost linguistic utilisation and improve our profit margins.

We aim to become the most automated and scalable Language Services Provider in the market, with the right global footprint, skills and supply chain.

For many of our customers, specific industry requirements require a more tailored solution to address their content globalisation needs. This often requires customisations or additional consulting work on top of off-the-shelf products and services. Our strategy around Premium Solutions is to deliver higher value-add solutions, leveraging our technology portfolio and services platform that differentiate us against the competition and enable us to build long term customer relationships.



## What our freelance partners say:

“To work with SDL is always a pleasure: they are nice people to talk to, their project teams are highly skilled, very professional and cooperative”

US – Freelancer working with SDL since 2002

“Even though I work from my home office some 400km from the main office, I feel part of their in-house team”

TN – Freelancer working with SDL since 2008

“Working with SDL is smooth, rewarding and stimulating, making them an ideal partner for a freelance translator”

AB – Freelancer working with SDL since 2010

# PREMIUM SOLUTIONS

## Marketing Solutions

Creating compelling global brand content has always been a tough challenge as it requires a deep understanding of local markets. Traditionally, brands have had to employ a broad roster of agencies to originate channel-specific content, and then juggle the additional mix of agencies to adapt and deliver it globally – leading to inefficiencies and inconsistencies as represented across channels and borders. While this fragmented model may have suited broadcast marketing of old, today's multichannel digital communications and engagement needs a new approach.

As a single global implementation partner, SDL Marketing Solutions is uniquely able to address these needs by working with specialist origination agencies to manage, adapt and deliver all of a company's global content across any and every channel worldwide, while ensuring global brand governance.

- Cultural insights and consultation to resonate with a global audience through creative ideas, concepts and campaigns
- Voice-over (VO) production

Transcreation as an added layer to traditional translation, where they weave emotional brand messaging into long-copy content.

## Customer Stories: OKI

As part of a 2017 brand awareness and repositioning campaign, Oki Europe selected SDL Marketing Solutions for their Cultural Consultation, Content Creation (Mastering), Transcreation, Versioning & Media Fulfilment services. Oki selected SDL for these new services based on their geographic in-market footprint & single source content creation, adaptation and fulfilment.

Pamela Ghosal, EMEA Brand & Marketing Communications General Manager commented, *"Working closely with Oki's preferred creative agency SDL Marketing Solutions helped to significantly reduce many moving parts from that of a fragmented creative agency, translation, and fulfilment supplier mix – delivering a great brand result and cost competitive solution"*

**OKI**

## Customer Stories: Philips Healthcare

Philips Healthcare uses SDL Passolo for its software localisation. SDL translators are often sent screenshots or brought on site to directly validate the software's translation. This approach largely serves the company's purposes, but for this project it needed to conduct localisation and verifications quicker, at a lower cost and with less involvement from its internal resources. It also needed to maintain standards of high-quality localisation.

According to Curt Freeman, a senior software engineer responsible for localisation within the Emergency Care Solutions division at Philips Healthcare, *"It's a time-consuming and painstaking process to pick and catalog the right screenshots for review when working with a device you're not yet fluent in yourself. While it's valuable to work side-by-side with expert translators from SDL, bringing them in-house is not always practical and can be expensive. And whether we're sending screenshots or working with in-house translators, time and costs can quickly add up when we run into technical issues with the device being validated."*

**PHILIPS**

**78%** increase in  
Premium Services  
revenue in 2017

### Regulatory Labelling Solution for Life Sciences

Operating in one of the most demanding and highly regulated environments, pharmaceutical organisations face the constant challenge of filing, updating and maintaining medicinal product information globally.

High standards demanded by local regulatory agencies during the submissions process – which varies by country – puts enormous pressure on firms to ensure every element of their application is flawless. Formatting and translation errors can delay timelines by weeks or even months. In 2017, we launched SDL Multilingual Submission Management (MSM), a web-based platform that enables biopharmaceutical firms to globally automate the submission of multilingual marketing authorisation applications to regulatory authorities across 100+ languages and markets.

SDL MSM enables these organisations to overcome all the multilingual challenges associated with regulatory labelling and submission, providing the industry's first dedicated platform for centrally managing this process globally. Based on market validated technologies that have helped many pharmaceutical organisations manage their global regulatory labelling submissions for the past decade, SDL MSM also combines a rich set of features that make it simple to manage the complete submission process from a single dashboard.

## Secure Translation Supply Chain for Regulated Industries

Companies facing industry regulations – including next year’s GDPR – need to identify, control and protect the storage of sensitive customer information. One document alone can involve up to 150 individuals in the translation supply chain. Multiply this by thousands of documents and it becomes difficult – and costly – to comply with data regulations. This year, we introduced SDL Secure Translation Supply Chain, a secure vendor-agnostic managed solution offering full data custody across the translation supply chain.

Designed for regulated businesses (ISO 27001), it provides complete visibility, control and compliance across global translation supply chains, reducing exposure to data breaches. SDL

Secure Translation Supply Chain solves this issue, giving companies total jurisdictional control of data within a secure hosted environment that regulates every step in the translation supply chain. From a document’s creation, translation, through the review cycle to publishing, every step is securely orchestrated through SDL’s workflows, providing traceability across the document’s journey.

One of Europe’s largest financial institutions has already deployed SDL Secure Translation Supply Chain, applying the solution’s translation memories, terminology databases, and processes to automate every translation step.

Moving forward, we will continue to offer repeatable premium solutions across our target industries.

## Customer Story: Würth

The success of the Würth Group as a leading global supplier of assembly and fastening materials can be largely attributed to the high quality of its products and services. As a global group, the Würth Group is operating more than 400 companies in approximately 80 countries around the world. Customer proximity is ensured by having over 67,000 employees – with customers ranging from small workshops to global industrial companies. The Würth Group entered into a partnership with SDL with the aim of improving consistency across its online shops and ensuring the information in each shop is sufficiently detailed and up to date.

Würth opted to implement a central product information management (PIM) system to form the basis of the eCommerce platforms that are consistent all around the world. The product databases alone contained approximately 1.1 million words. *“At this point, we decided to make a change and enlist the help of a partner that we can rely on to manage the entire translation process,”* explains Stefan Kreß. In SDL, they found a partner to develop and implement a stringent localisation model.

Within the first year, the master data for ten languages and marketing content for six languages have been localised. This corresponds to a translation volume of approximately ten million words. Terminology management is in place for 17 languages, and 11 companies now have fully localised online shops.

# OUR OFFERINGS



# SOFTWARE AND SERVICES FOR HUMAN UNDERSTANDING



To optimise the Global Content Operating Model, SDL has connected an integrated ecosystem of cloud first, AI enabled technologies like Hai. Hai is already powering some of our offerings in the content management, translation management and productivity, and Machine Translation space. But technology alone is not enough. To manage the unique globalisation needs for our customers, we

continue to offer traditional translation services, media production services, product testing and language consulting. Specific industries require complex solutions to handle their complex needs and we are meeting that challenge by building bespoke, premium solutions designed to meet the needs for Life Sciences, marketing and financial services customers.



## Language Services

	Offerings	What it Does	Buyer Persona	Pricing Model	Target Market
Localisation	<ul style="list-style-type: none"> <li>• SDL Language Translation</li> <li>• SDL Language Testing</li> <li>• SDL Language Consulting</li> <li>• SDL Language Media Production</li> </ul>	Localise any content into any language quickly by leveraging a global network of professional linguistic experts	<ul style="list-style-type: none"> <li>• Marketing</li> <li>• Product Development</li> <li>• Localisation</li> <li>• Other Lines of Business (e.g. HR, Legal, Finance)</li> </ul>	Paid per word or per value, normally under multi-year framework agreements	Small, medium, and large enterprises

## Language Technology

	Offerings	What it Does	Buyer Persona	Pricing Model	Target Market
Translation Management	<ul style="list-style-type: none"> <li>• SDL TMS</li> <li>• SDL Managed Translation</li> <li>• SDL WorldServer</li> </ul>	Centralise and streamline translation operations for lower costs, higher-quality and greater efficiency.	<ul style="list-style-type: none"> <li>• Localisation</li> </ul>	Perpetual and SaaS, priced per word basis	Medium to large enterprises with a global market presence
	<ul style="list-style-type: none"> <li>• SDL ETS</li> <li>• SDL BeGlobal</li> </ul>	Provides secure instant, scalable translation of content, based on machine learning trained on enterprise-specific content		Perpetual and SaaS, priced per word basis	Medium to large enterprises with a global market presence
Translation Productivity	<ul style="list-style-type: none"> <li>• SDL Trados Studio</li> <li>• SDL MultiTerm</li> <li>• SDL GroupShare</li> <li>• SDL Passolo</li> </ul>	Enables translators to keep up with global content demands by accelerating translation speed while enhancing quality and consistency	<ul style="list-style-type: none"> <li>• Localisation</li> <li>• Translators</li> </ul>	Perpetual	Enterprise, government, LSPs and Translators

## Content Management Technology

	Offerings	What it Does	Buyer Persona	Pricing Model	Target Market
Web Content Management	<ul style="list-style-type: none"> <li>• SDL Tridion Sites</li> </ul>	Effectively manage complex global web content across multiple websites, channels, and languages	<ul style="list-style-type: none"> <li>• Marketing</li> </ul>	Perpetual and SaaS	Medium to large enterprises with a global market presence
Technical Content Management	<ul style="list-style-type: none"> <li>• SDL Tridion Docs</li> <li>• SDL Contenta</li> <li>• SDL XPP</li> </ul>	Create, translate and review structured content for product documentation and automatically publish to any channel	<ul style="list-style-type: none"> <li>• Product Development</li> </ul>	Perpetual and SaaS	Medium to large enterprises with a global market presence

# CONNECTING THE DIGITAL EXPERIENCE WITH GLOBAL CONTENT TECHNOLOGIES

In the digital world, content is currency. We've all seen the power of the digital world transform the way we interact with customers. From that very first search result through to purchase and post-sale support, the customers choose their own moments, channels and touchpoints with many detours along the way. The right content drives the customer journey and unifies each and every customer touchpoint. But to manage this content on a global scale across channels in multiple languages requires a new approach. It demands the right combination of technology and processes across the entire content supply chain from creation, through translation and delivery.

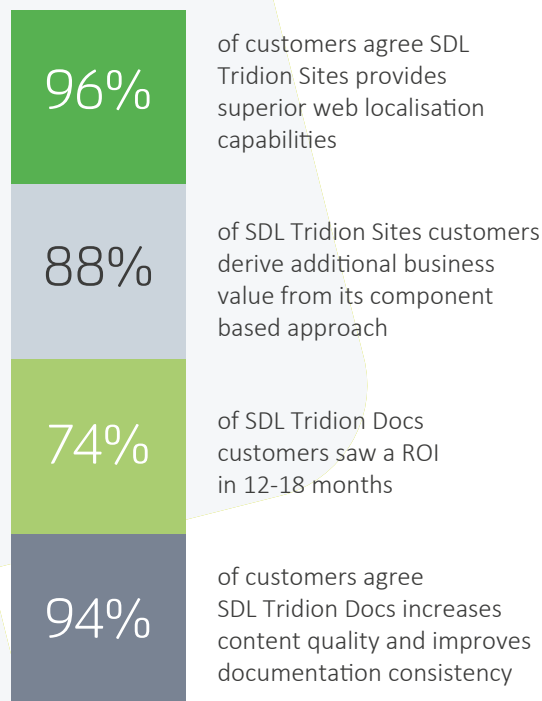
**SDL Tridion DX** helps organisations redefine digital experiences by managing the entire content lifecycle from pre-sale, sale, through post-sale by combining the best of Web Content Management (SDL Tridion Sites) and Structured Content Management (SDL Tridion Docs). This eliminates the disconnects that characterize most disparate digital experiences today when visitors engage with marketing content on one website, try to buy products online via another website, and search for support and product information via a completely separate experience. With SDL Tridion DX, global organisations can easily create, manage and publish both marketing and in-depth product content to all audiences, regardless of location, language or channel.

## Web Content Management

**SDL Tridion Sites** is a web content management solution that enables marketers to deliver contextual content and digital experiences locally, across multi-channels and touchpoints on a global scale. As part of the SDL Tridion DX content creation and delivery environment, this powerful web content management solution helps organisations deliver a consistent brand experience and continuous digital journey to help forge emotional connections with customers and yield higher conversion rates.

## Structured Content Management

**SDL Tridion Docs** is a DITA-based structured content management system that enables product teams to create, deliver and manage in-depth quality product content and documentation at scale. When combined with SDL Tridion Sites as part of SDL Tridion DX, this powerful structured content management solution can open up product content to all digital channels while improving time to market, quality and consistency of information to customers.



## Customer Story: Ruckus



SDL's Structured Content Management System, SDL Tridion Docs, was successfully transitioned from Brocade to Broadcom and finally ARRIS, to continue to deliver timely technical documentation to support new product releases globally across the three businesses, offering a wider range of product service across content management and translation services.

*"SDL Tridion Docs is great, and whenever we interact with the team, they are really helpful and good to work with. When we had to do a clone of our SDL system during a significant business change, it went really smoothly sticking to a tight schedule. I can't recommend the solution and the SDL team enough."*

Ryan Shubert  
 Document Control Specialist  
 Ruckus (an ARRIS company)

## OVERCOMING COMPLEXITY BY STREAMLINING THE TRANSLATION WORKFLOW

Success in the global marketplace requires enterprises be viewed as an international company doing business globally, not a foreign company trying to extend their reach into remote markets. Organisations with such global aspirations must ensure their content and collateral be translated and delivered quickly to local markets without sacrificing quality. In order to achieve these two competing priorities, companies invest in automation to manage and streamline the process.

Our translation management systems effectively centralise, streamline and manage translation operations for lower translation costs, higher-quality translations and more efficient processes. Providing companies with centralised linguistic data such as translation memory and terminology, enables quick reuse of translator effort across all content. This approach has a dramatic impact on time, cost, and quality.

More than 200 of top  
global companies depend  
on SDL Translation  
Management to  
optimise their translation  
programmes

## Translation Management

**SDL Translation Management System (TMS)** is built for mid-sized and large enterprises seeking control over the translation process without costly administrative overhead. It allows companies to manage all translation projects centrally, focused on lowering costs.

**SDL Managed Translation**, which is built on top of SDL TMS, is an online dashboard that provides a modern, intuitive interface for users to submit and manage their localisation projects. SDL Managed Translation leverages the power, functionality and scalability of SDL TMS without exposing any complexity to end-users.

**SDL WorldServer** is an enterprise-class translation management system that accelerates the localisation process for any content – from websites to documents to software. It enables companies to effectively integrate their translation operations across in-house content repositories, focused on customised workflows.

## Translation Management Integrations

SDL provides a wide range of out of the box solutions that make it easier for customers to get their content translated with any SDL Translation Management offering. Over 100 integrations are available to the world's most widely used web content management, ecommerce, support, collaboration system and more. Integrations are available as out of the box integrations or SDL also has a host of API/SDK that allows companies to develop their own integration with our technology.

## GOING GLOBAL WITH A LOCAL, HUMAN APPROACH

When organisations need to make their content relevant for global audiences, they translate it. However, 90% of companies face translation challenges, including lack of standardisation, inability to scale, and lack of understanding of customer needs at the local level.

SDL is uniquely positioned to help global organisations address these challenges, as the only Language Services provider to employ more than 1,200 in-house linguists – native speakers who live in-country and work from network offices. More than just linguistic experts, they are local residents who are well-versed in the ever-changing nuances of their language and culture. They also help to recruit, select and manage top freelance talent within each region. SDL augments its in-house translators with more than 9,700 freelance resources to help scale for peak requirements and provide additional subject matter knowledge.

### Translation Services

Translation is about more than converting text into another language. **SDL Translation Services** provide professional translation to any type of content, contributing essential linguistic, cultural and subject matter expertise to the transformation of those words. Specialisations are available for Software Localisation, Documentation Localisation and Website Localisation. Each offering combines technology with localisation engineering expertise and translation services to help organisations reach new markets faster and more effectively.

### Transcreation

Many organisations develop their marketing material centrally, and then translate it for a set of target markets. While this approach is fine for technical or general documentation, it can pose a real challenge for marketing content

– particularly taglines and slogans. Straight translations of this type of emotional messaging can fall flat with some audiences. Or, worse, lead to serious brand damage. At SDL, we offer transcreation services that rely on in-country, specialised translators who are highly skilled at transforming your messages so they resonate with the local audience and culture, preserving the nuance of your content so it has the impact intended.

### Media Production

**SDL Media Production** provides the services to deploy video assets in other countries in a cost-effective manner by using the best methodology possible. One of the most valuable assets a company has is their existing video library. Forbes predicts that 59% of company decision makers would rather watch a video than read an article or website. SDL offers voiceover, dubbing, subtitling and video graphic localisation and customises solutions to meet clients' specific content, quality and budget requirements.

### Testing

**SDL Testing** offers a variety of services designed to ensure the localised version of a client device, software, application, documentation or website meets the language and cultural expectations of the target market. Language ambiguity, cultural differences or even something as simple as the physical expansion of a phrase that naturally occurs when translating into some languages can impede client adaptation or acceptance in a new market. By testing the localised version, SDL helps the customer fix potential problems that might annoy or discourage customers. SDL maintains secure facilities to ensure the safety and privacy of the software/devices or services being tested.

## Interpretation

Interpretation facilitates conversations between parties who do not speak the same language. Professional interpreters listen to conversation in one language and communicate that content in another. SDL Interpretation Services provide simultaneous interpretation, consecutive interpretation and whisper interpretation, creating in-the-moment understanding between individuals who speak different languages.

## Language Consulting

With 25+ years of experience helping the world's leading brands, SDL Language Consulting partners with customers to help them improve their localisation processes and implement best practices, thereby reducing both the cost and time it takes to complete a project. Available services includes author training, source material analysis, asset identification and clean up, and software analysis.

1,200+

1,200+ in-house linguists

9,700

9,700 freelance translators

2bn

2 billion words professionally translated each year

# DELIVERING THE HUMAN TOUCH AT THE SPEED OF MACHINES

Although the concepts of Artificial Intelligence (AI) and Machine Learning (ML) have been around for decades, it is only in the last few years that advances in algorithms and the availability of data and computing power have been truly sufficient to start delivering on the promises of these revolutionary technologies. With the rise of chatbots and other AI technologies that enable brands to personally engage at scale, the demand for secure, practical, and high-quality Machine Translation solutions to build more powerful personalised on-demand content will continue to grow.

## Machine Translation

With over 15 years' experience in delivering enterprise-class Machine Translation (MT), SDL provides MT solutions that offer not only the scalability, flexibility, and privacy that companies need, but also significant quality improvements from Neural MT (NMT). We are making significant headway in our NMT research, and continuing to expand our production ready NMT product offerings as well as our customer deployments.

### SDL Enterprise Translation Server (ETS)

addresses the increasing needs that enterprises and government agencies have for a secure on-premises or private cloud MT solution. It continues to be the preferred MT product by agencies that operate under stringent data privacy and security policies. First released in 2004, SDL ETS is now in its 6th generation and is not only quick to deploy and intuitive to use, but can be tuned for the specific content that an organisation is trying to translate and easily scale to large deployments. This year, we also introduced **SDL ETS for AWS Marketplace**, offering on-demand enterprise-grade MT for time-sensitive projects that require instant translation for large volumes of content.

**SDL BeGlobal** is a cloud-based Machine Translation solution designed for enabling real-time global communication. Customers expect immediate and ongoing multichannel interactions with brands, regardless of their language. As demand for global content explodes, SDL BeGlobal provides a cost-effective, secure way to enable instant localisation of user forums, chat, email, blogs and support content, enabling organisations to connect in almost real-time speed with their customers around the world.

## Linguistic AI

**Hai** is SDL's linguistic AI that processes and understands content faster than thousands of humans combined. Hai is already making many of SDL's products smarter including our entire portfolio of enterprise Machine Translation solutions with neural MT capabilities available on-premises, on Amazon AWS, in the cloud, and all the AdaptiveMT capabilities within SDL Trados. Going forward, Hai will lend a helping hand across the full SDL product portfolio, removing the inefficiencies of routing content tasks, freeing writers, translators, content and project managers to use their time where it matters most.

49

SDL has 49 patents for Machine Translation

200

SDL publishes 200+ scientific publications

300bn

300 billion words machine translated each year



## What is Machine Learning?

Machine Learning is the means by which a computer algorithm learns patterns and draws an inference from data without being specifically programmed to do so. This self-learning process can be helpful when solving extremely complex problems. Furthermore, 'Deep Learning', based on large Neural Networks, is enabling deeper extraction of patterns. Thanks to Deep Learning and Neural Networks, Artificial Intelligence research has made rapid progress in a wide variety of domains in recent years, from speech recognition and image classification to genomics and drug discovery.

## What is Machine Translation?

Machine Translation is a Natural Language Processing application, and has been widely recognised as being some of the toughest problems in the AI field because language patterns are extremely complex, varied, steeped in idioms and cultural context – and always evolving. SDL is a pioneer in Machine Translation and has been a leader in Statistical Machine Translation (SMT) for many years. Over the last two years, SDL has been investing in Neural Machine Translation (NMT), leveraging our key Machine Learning assets of AI talent, algorithms and data.

## What is Neural MT?

Neural MT uses deep neural networks that are capable of translating not just phrases, but an entire sentence at a time. Neural MT represents a giant leap in the evolution of Machine Translation, as it delivers sharp increases in overall quality and fluency, particularly for difficult languages like Chinese, Korean and Japanese, to and from English, when compared to rules-based or statistical methods. Progress with NMT is also much more rapid as quality improvements that used to take years are now possible in months.

Prior to adoption of NMT, it was normal to deliver annual percentage performance improvements (as measured by numeric quality scores) in single digits. The early results with NMT are an order of magnitude larger: 30% quality increase on average across the languages we focused on. In some languages, it is even immediately as high as 100%. We expect that as we develop new means to tune and enhance these NMT models and link them to other SDL innovations such as Adaptive MT, we will see compelling and exciting new possibilities that open up many new enterprise use cases.

Though we are still some distance from achieving across-the-board and comprehensive equivalency to human quality, the natural fluency that NMT translation can deliver is greatly preferred by human readers and post-editors. This suggests that NMT has a bright future, even in the most demanding professional translation scenarios, where quality requirements are the highest.

## Artificial Intelligence

- Natural Language Processing
- Computer Vision
- Robotics
- Knowledge Systems

## Natural Language Processing

- Machine Translation
- Speech Recognition
- Language Modelling
- Summarisation
- Question Answering
- Dialogue Systems
- Parsing
- Tagging

## Machine Translation

- Rule-based
- Traditional SMT
- Neural MT



## HARMONISING TRANSLATOR PRODUCTIVITY AND MACHINE SCALABILITY

Machines will continue to deliver better and better quality translations with every technological innovation but nothing will ever replace human translators to convey the most important messages. By the same token, human translators can never scale to meet the content demands of the digital world. Philosophically, we don't believe organisations have to choose, because with SDL, they can have both the quality of professional linguists and the scale of Machine Translation technologies with the entire range of quality, schedule and cost variables in between.

### Translation Productivity

SDL's suite of intelligent translation productivity products enables translators and businesses to keep up with global content demands by focusing on accelerating content translation while enhancing quality and consistency. The market's leading computer aided translation (CAT) environment, SDL Trados Studio, is scalable to include powerful translation memory, terminology management, centralised sharing of assets in real time, query management, collaborative review and trainable Machine Translation capabilities – helping language professionals work faster, more easily and more accurately with dispersed teams.

**SDL Trados Studio** is the complete translation environment for language professionals who want to edit, review and manage translation projects as well as corporate terminology. We are also optimistic about the growing productivity benefits that will be enabled by combining our Adaptive MT technology with NMT and the transformational momentum it could provide to the translation productivity tools market.

**SDL GroupShare** is collaboration platform enabling translation teams to work together on shared assets, ensuring efficiency, enhanced security and data protection, increased quality and consistency, and better ways of working. SDL GroupShare balances the power of flexible collaboration with the advantage of central control and security.

**SDL MultiTerm** is a terminology management system that provides one central location to store and manage terminology. SDL MultiTerm's approach to terminology management goes beyond the traditional dictionary method of listing terms as separate entities. It has a concept-based approach to terminology meaning that all terms related to the same concept or idea are contained under the same entry.

## Customer Story: showroom privé

As one of the largest online retailers in Europe selling designer fashion to over 20 million members via private flash sales, ShowroomPrivé is successfully handling the ever increasing translation demands of the business by doubling its translation capacity while reducing department costs and thanks to SDL Trados Studio.

ShowroomPrivé doubled the number of time-limited sales it offers daily, while simultaneously growing its online presence from one French website to seven other European languages. With each daily sale containing approximately 150 products and 5,500 words of translation, a significant modification was required to meet the growing requirements of the business. The ShowroomPrivé team introduced SDL's translation productivity software to deliver fast, simple extraction of regularly used terminology. As a result, there was an impressive boost in translation speed, with typical ready-to-wear sales content (averaging 5,500 words) translated in minutes. The quality, consistency and tone of voice of translation also improved significantly in all languages across the website resulting in a better customer experience. This simultaneously increasing team productivity, while helping ShowroomPrivé reduce translation costs.

showroom  
privé • com

This provides translators the flexibility and linguistic sophistication they require when leveraging terms while they work.

**SDL Passolo** is a software localisation tool that is customisable to the users' needs; requiring no programming experience. The application offers the tools required to localise all the elements contained in the software, including strings, menus, dialogs, bitmaps, and icons, without requiring access to the source files or the development environment used for creating the software. It also provides automatic test functions, interfaces with translation memories, and enables end users to work in a WYSIWYG (What You See Is What You Get) mode. Should the length of a text string change as a result of the translation (i.e. become longer or shorter), any necessary layout modifications to dialogs and forms can be made directly within the application, saving significant developer time.

#1

The number 1 computer aided translation (CAT) tool

71%

with 71% market penetration

240+

apps available to extend translation productivity, terminology management, and software localisation tool usage



## DELIVERING THE RIGHT INFORMATION FOR MISSION CRITICAL DECISIONS

Aerospace & Defence (A&D) companies work with complex systems where structured content and data reuse is an imperative. The S1000D tech data specification has been widely adopted world-wide by both military and civil/commercial A&D programmes – it embodies the principals of content reuse and prescribes interactive electronic content delivery.

## A&D Publishing Solutions

**SDL Contenta Publishing Suite for S1000D** is a complete, integrated, industry-proven publishing solution for technical content, with functionality optimised for each step of the publishing and delivery process. Designed for aerospace and defence companies with support for the S1000D specification, it manages millions of pages of complex technical documents and delivers critical information so that maintenance professionals can meet mission objectives, reduce mean time to repair (MTTR), and keep assets deployed.

**SDL LiveContent S1000D** provides technicians in the field with accurate information in an interactive viewer so they can quickly access the content they need, and is offered as part of the SDL Contenta Publishing Suite. This Interactive Electronic Technical Publication (IETP) capability delivers virtually live content, giving users the latest content in the format they want, when they need it most.



To power its SNIPP (Standard NAVSEA Integrated Publishing Process), the US Navy chose SDL Contenta S1000D, a commercial off-the-shelf (COTS) Common Source Data Base (CSDB) that supports content authored to the S1000D specification and legacy navy MIL standards. It complemented this with SDL XML Professional Publisher software, which automates the composition and pagination of XML or other source data for output in PostScript or PDF.

SDL Contenta S1000D automates the creation of Data Module Code (DMC). It also provides “drag and drop” uploading, multi-channel publishing capabilities and simple, web-based interfaces that help gain control over the complexities of S1000D. The software contains an automated workflow that can distinguish between work in progress and approved or published content, and provide status updates throughout the editorial and publishing process.

Within SDL Contenta S1000D, the navy can build a database of all components that go into any piece of equipment, such as a helicopter. This makes it possible to dynamically assemble all the maintenance procedures and technical details for that helicopter.

## A&D Print Automation

**SDL XPP** is an adaptive publishing engine for high-quality, high-volume and high-speed print and PDF deliverables for complex documents. It automates the composition, pagination and publishing of XML data and many other data sources, into formats such as PostScript, Adobe Acrobat PDF and ePub. By providing the tools to automate manual processes, SDL XPP ensures rapid turnaround, smooth input of text and graphics from multiple sources and quality output in a variety of languages with consistent branding.

When used as part of the SDL Contenta Publishing Suite, S1000D compliant PDFs can be created simultaneously with S1000D IETPs providing for true multi-channel delivery with unparalleled scalability and performance.

SDL Powers 8 of  
the Top 10 Global  
Aerospace and  
Defence Companies

# PROFESSIONAL SERVICES

Technology is only as effective as the expertise of the people who install, develop and operate it. SDL is dedicated to supporting customers using SDL products through the post-sale process with a full range of services from engagement support, a full curriculum of courses to support all SDL products and levels of expertise, certification and support from an active end-user community.

## Professional Services

SDL Professional Services assists customers with a variety of services engagement from new initiative inception all the way through operational deployment and iterative improvements for all SDL technologies. With our network of experts around the world, SDL customers are supported in their timezones with the necessary expertise and insight needed to maintain, execute and optimise their global content supply chains.

## Training

SDL offers a variety of training options to support various experience levels and learning channel preferences, including:

- On-premises classroom training
- Classroom training at an SDL Approved Training Centre
- eLearning
- Certification programmes for professional career growth

## Certification

SDL Certification provides a recognised standard of excellence in SDL software knowledge. It acknowledges individuals for their subject mastery and expertise in a specific SDL product, and also enables organisations to document the skills of each worker. Certification is available for:

- Translators
- Project Managers
- IT developers and web technology professionals

## SDL Community

SDL Community is open to everyone using SDL products and provides a supportive environment for users of SDL products to share best practices and learn from experts and peers. It provides access to webinars, discussions and knowledge sharing as well as the opportunity to interact with others who face the same business challenges.

SDL is dedicated to supporting customers using SDL products through the post-sale process

## OUR LEADERSHIP



### Adolfo Hernandez

Chief Executive Officer

Adolfo joined SDL in April 2016 as CEO. Prior to this, he was CEO at private equity-backed Acision (Xura) for two years, where a successful exit was delivered by way of a merger. Before that, he was EVP and President of the Global Software, Services & Solution Group at Alcatel-Lucent with responsibility for sales and operations, and has also held numerous executive positions at Sun Microsystems and IBM.

### Dominic Lavelle

Chief Financial Officer

Dominic joined SDL in November 2013 and is a qualified Chartered Accountant. Previously, Dominic has held CFO roles within a number of private and publicly traded companies including Mothercare plc, Alfred McAlpine plc, Allders plc and Oasis plc where his roles have encompassed commercial, operational and strategic responsibilities.



### Xenia Walters

Interim Chief Financial Officer

Xenia was appointed as Interim CFO in June 2017 and is responsible for our financial and legal operations. Prior to joining SDL, Xenia held CFO roles at a number of private equity backed companies and was Group Financial Controller and UK CFO at Regus plc. Xenia is a Chartered Accountant, having qualified with Price Waterhouse in 1995. Xenia holds a BSc in Economics from Birmingham University and a MBA from Henley Management School.





### Peggy Chen

Chief Marketing Officer

Peggy joined SDL in 2014 and is currently Chief Marketing Officer with responsibility for communicating the strategic direction of our brand, products and services across all channels in support of customer acquisition and retention. Prior to SDL, Peggy was at Oracle where she drove go-to-market strategies leading Product Marketing and Product Management teams. Peggy holds a Bachelors and Masters of Engineering in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology.

### Thomas Labarthe

Chief Revenue Officer

Thomas joined SDL in 2016 and is currently Chief Revenue Officer, with responsibility for our commercial, sales and project management operations across all our language and content offerings. Previously, Thomas was EVP of Business and Corporate Development at SDL, overseeing AI, Incubation, Strategy & M&A. Prior to SDL, Thomas was Managing Director at Lookout, leading commercial and sales operations in Europe. He has also held several leadership positions at Alcatel-Lucent.



### Maria Schnell

SVP Global Language Offices

Following Silke Zschweigert's departure, Maria Schnell, who has been a senior member of SDL's Language Delivery Team for 10 years, will now be a full member of the Executive Team. Maria Schnell joined SDL in 2006 and is currently SVP of the Global Language Offices with responsibility for driving quality, efficiency and customer satisfaction in our Language Services operations. At SDL, she quickly rose through the ranks leading sales, pre-sales, professional services, and operations in both regional and global roles. Prior to coming to SDL, Maria received her degree in translation from Heidelberg University for Spanish and Portuguese translation. She also served in an account and project management capacities in the market research industry.



### Massimo Ghislandi

EVP Translation Productivity

Massimo joined SDL in 2006 is currently Executive Vice President of Translation Productivity with responsibility for sales and marketing of the industry's leading CAT tool for translators, SDL Trados. Prior to this, Massimo spent a decade in various marketing positions at Wandel Goltermann, ITT Cannon and Avery Dennison.





## Azad Ootam

Chief Transformation Officer

Azad joined SDL in June 2016 as Chief Transformation Officer with responsibility for transforming SDL's operational infrastructure as well as designing and implementing SDL's automation programme to modernise the language service operations. Prior to this, Azad was Head of Business Operations at Royal Mail Group, and involved in its restructure and transformation in advance of the company's privatisation. His career has been committed to transforming organisations with a straightforward and respectful approach.



## Roddy Temperley

Chief HR Officer

Roddy joined SDL in 2014 and is committed to engaging SDL's workforce by providing the right environment, opportunities and culture that enable people to thrive. Having previously lead global human resources teams at Credit Suisse, SAP and PeopleSoft, Roddy is well equipped to develop creative and effective people programmes and solutions that drive SDL's culture and environment.

## Jim Saunders

Chief Product Officer

Jim joined SDL as Chief Product Offer in 2017 from Xura, and has responsibility for SDL's entire portfolio of software solutions and leading the innovation across our content and language offerings. Prior to this he was Executive Vice President of Engineering at Xura with responsibility for a delivery organisation with 700+ employees worldwide. Jim holds a B.Sc in computer science from the University of Essex.



## Betsy Fallon

EVP Global Client Services and Professional Services

Betsy joined SDL in 2008 and is currently Executive Vice President of Global Client Services and Progressional Services, ensuring her colleagues are committed to enhancing the customer experience and creating programmes and services that drive customer success and satisfaction. Prior to joining SDL Betsy held senior leadership roles in marketing and customer development at Context Media and Idiom Technologies. Betsy holds an MS in Organisational Development from the University of Miami.

# INTERIM CHIEF FINANCIAL OFFICER'S REVIEW

Xenia Walters

Despite some positive progress in the year, SDL's financial performance was below our expectations in 2017. There were two primary reasons for this. In the first half, gross margins in the Language Services business were below target, principally the result of a small number of less profitable contracts in Asia. We took action and Language Services gross margins improved in the second half. The second driver of our underperformance was the slippage of a number of technology deals, plus a faster than forecast shift from perpetual deals to SaaS which has the impact of re-phasing revenues from the current year to future years. Since I joined as interim CFO in June, I have been focusing on simplifying, standardising and automating core processes, improving the quality and timeliness of management information, cost discipline and cash management. This work continues into 2018.

## Measuring Our Performance

The Board reviews a number of operational Key Performance Indicators (KPIs) to monitor and assess performance of the Group's Continuing Operations. Each of the KPIs also helps the Board assess progress against its strategic objectives.

In addition to the opposite, the Board also monitors financial KPIs, being Revenue, Gross Profit, Adjusted PBT and Free Cash Flow, in each case from Continuing Operations, are the most meaningful indicators of medium and long term business performance.

Specifically, these KPIs exclude the impact of exceptional costs, acquisition-related amortisation and profits or losses relating to the Non-Core businesses. Such items arise from events which are exceptional by their incidence or size, and while they may generate substantial income statement amounts, do not relate to ongoing operational performance that underpins long-term value generation.

Free Cash Flow is defined as being cash generated from operations after interest costs, maintenance capital expenditure and capitalised Research and Development (R&D) expenditure. Maintenance capital expenditure is the recurring level of capital expenditure required for the business to operate in its current form in the medium term and excludes non-recurring investment in capitalised system and infrastructure costs.

The revenue basis for RRR and premium revenue is calculated in line with Generally Accepted Accounting Principles ("GAAP"). The remaining strategic KPIs set out above have no direct reference to any GAAP measure and hence cannot be reconciled to the Group's financial statements. ARR is an annualised measure of contracts at a point in time and hence cannot be reconciled into revenue recognised during the year.



When we reset the business in August 2017 we focused our priorities on profitable growth and cash generation. The second half performance shows we are delivering on that plan

Additional KPIs			
KPI	Definition	2017	2016
Technology Annual Recurring Revenue (ARR) at Constant currency using Dec 17 rates for both periods	Annual recurring revenue from contracts in force at the year end which includes term licence fees, SaaS licence, support and maintenance and hosting. ARR is stated at constant currency, current and prior period balances being translated at December 17 rates	£63.4m	£60.5m
Language Services Repeat Revenue Rate (RRR)	Current year Language Services revenue earned from prior year customers as a percentage of current year Language Services revenue; the difference between RRR and total revenue Language Services is Language Services revenue from new customers	93%	93%
Premium revenue	Revenue from Life Sciences and Marketing Solutions	£40.1m	£22.5m <sup>(1)</sup>
Number of Upsell deals	Number of incremental sales of existing products to existing customers	213	176
Number of Cross-Sell deals	Number of incremental sales of new products to existing customers	46	52
Machine Translation Wins	Number of new Machine Translation contracts	53	38
Wins in Life Sciences	Number of new Life Sciences contracts	25	8
Linguistic utilisation (FY avg)	Average percentage of time in house linguists spend on billable work across the financial year	51.7%	50.0% <sup>(2)</sup>
Linguistic utilisation (December exit rate) <sup>(3)</sup>	Percentage of time in house linguists spend on billable work in December	53.1%	50.2%

(1) This comparative has been restated to include revenue from existing customers' Life Sciences divisions, previously recorded in other industry sectors

(2) This definition has been refined to exclude time of central translation management teams and more accurately reflect the utilisation of linguists time exclusively. The comparative has been restated in line with this definition.

(3) The month end linguistic utilisation KPI has been added in the year to monitor progress of the Group's operational efficiency initiatives including Helix.

Financial Information		
	2017 £m	2016 £m
Language Services	184.5	165.3
Language Technologies	48.6	45.4
Global Content Technologies	52.6	54.0
<b>Revenues from Continuing Operations</b>	<b>285.7</b>	<b>264.7</b>
Revenues from Discontinued Operations	2.0	25.2
<b>Total group revenues</b>	<b>287.7</b>	<b>289.9</b>
Gross profit from Continuing Operations	149.0	144.0
Gross profit margin from Continuing Operations (%)	52.2%	54.4%
Administrative expenses excluding amortisation and exceptional items from Continuing Operations	(127.0)	(117.0)
<b>Segmented Adjusted PBTA</b>		
Language Services	9.5	18.8
Language Technologies	4.9	4.4
Global Content Technologies	7.6	3.8
<b>Adjusted PBTA from Continuing Operations £m</b>	<b>22.0</b>	<b>27.0</b>
<b>Adjusted PBTA margin from Continuing Operations (%)</b>	<b>7.7%</b>	<b>10.2%</b>
Exceptional items	(5.7)	(13.1)
Adjusted PBTA from Discontinued Operations	(3.0)	(3.5)
<b>Group PBTA <sup>(1)</sup></b>	<b>13.3</b>	<b>10.4</b>
Amortisation of acquired intangibles	(4.0)	(5.2)
Profit / (loss) on disposal of Discontinued Operations	20.6	(21.0)
<b>Profit/(loss) before taxation</b>	<b>29.9</b>	<b>(15.8)</b>
Taxation charge	(1.4)	(2.3)
<b>Profit / (loss) after taxation</b>	<b>28.5</b>	<b>(18.1)</b>

(1) Profit before tax, amortisation of acquired intangibles and profit/(loss) on disposal of Discontinued Operations.

## Overview

Revenue from Continuing Operations increased 7.9% to £285.7m (2016: £264.7m); however the Group delivered an Adjusted PBTA from Continuing Operations of £22.0m which was 18.5% lower than the previous year and an increase in profit before taxation to £29.9m (2016: £15.8m loss). At 31 December 2017, the Group had net cash of £22.7m and no debt (2016: £21.3m). The Board has recommended a dividend of 6.2p (2016: 6.2p).

## Revenue

Revenue from Continuing Operations of £285.7m was 7.9% higher year-on-year (2016: £264.7m). This growth was driven by an 11.6% increase in Language Service revenues, a 7.0% increase in Language Technologies revenues offset by a 2.6% decline in Global Content Technologies revenues.

Our Annual Recurring Revenue (ARR) for our technology businesses grew 4.8% to £63.4m.

## Revenue Diversity

The Group continues to benefit from a diverse mix of regions, industry verticals and customers, limiting the Group's exposure to adverse economic conditions in certain countries and sectors. Customer concentration is broadly in line with the prior year, with the 10 largest customers contributing 26% (2016: 24%) of revenue in 2017. No single customer contributes more than 5% of Group revenue.

Geographical analysis of our external revenues (total Group) by destination is as follows:

Geographical Analysis of our External Revenues (Total Group) by Destination				
	2017 £m	2017 %	2016 £m	2016 %
UK	37.1	12.9%	39.8	13.7%
USA	109.8	38.2%	113.9	39.3%
Germany	19.9	6.9%	20.3	7.0%
Netherlands	19.6	6.8%	19.0	6.6%
Rest of World	101.3	35.2%	96.9	33.4%
<b>Group revenues</b>	<b>287.7</b>	<b>100%</b>	<b>289.9</b>	<b>100%</b>

## Gross Profit Margin

The Group's Gross Profit margin from Continuing Operations of 52.2% was 2.2% lower year-on-year due to the contraction in Language Services margin in H1 2017. This was driven by a number of factors including increased specialist freelancer costs arising from the complexity and language mix of work received, dilutive customer contracts in Asia and strategic investments in building out premium verticals. These factors had a dilutive effect on the Language Services gross profit margin reducing it from 44.2% in 2016 to 41.1% this year.

The Gross Profit margin within Language Services improved from 39.3% in H1 to 42.9% in H2 and 41.1% FY 2017 (2016: 44.2%)<sup>(1)</sup>. This improvement was driven by a reduction in the use of external linguists and improved productivity from our internal operations.

The Gross Profit margin within Language Technologies improved from 75.3% in 2016 to 78.4% in 2017 driven by the improved profitability of our Professional Services team.

The Gross Profit margin within Global Content Technologies reduced to 66.6% (2016: 68.1%) as a result of a shift towards SaaS licence deals and a lower value of perpetual licence deals in 2017 £4.1m compared to 2016: £8.8m.

(1) 2016 gross profit has been restated to show the cross charge between Language Services and Language Technology for use of Machine Translation software in administrative expenses as opposed to Cost of Sales

## Administrative Expenses

Administrative expenses from Continuing Operations excluding amortisation and exceptional items increased by £10.0m to £127.0m (2016: £117.0m).

Administrative Expenses – £m		
	2017	2016
Administrative expenses of Continuing Operations	134.0	133.0
Amortisation of intangible assets	(4.0)	(5.2)
Exceptional items	(3.0)	(10.8)
<b>Adjusted Administrative expenses of Continuing Operations</b>	<b>127.0</b>	<b>117.0</b>

The Group's adjusted administrative costs from Continuing Operations increased by £10.0m at reported rates and by £5.3m at constant currency.<sup>(1)</sup> The major increases were driven by headcount and additional infrastructure costs.

Staff costs make up a large proportion of this cost base accounting for approximately 70-80% of total administrative expenses. This percentage flexes in line with movements in variable staff compensation.

An analysis of adjusted Administrative expenses for the Continuing Operations is set out below

Adjusted Administrative Expenses for the Continuing Operations – £m			
	2017	2016	Change
Direct costs	40.5	40.3	0.2
Shared costs	86.5	76.7	9.8
<b>Total costs</b>	<b>127.0</b>	<b>117.0</b>	<b>10.0</b>
Research and Development	26.4	25.9	0.5
Sales and Marketing	46.0	40.2	5.8
General Administration	54.6	50.9	3.7
<b>Total cost by type</b>	<b>127.0</b>	<b>117.0</b>	<b>10.0</b>
Language Services	66.4	54.2	12.2
Language Technologies	33.2	29.8	3.4
Global Content Technologies	27.4	33.0	(5.6)
<b>Total costs by segment</b>	<b>127.0</b>	<b>117.0</b>	<b>10.0</b>
Administrative headcount for Continuing Operations (number)	1,168	1,049	119
Direct headcount	643	628	15
Shared headcount	525	421	104

(1) Constant currency movements are calculated by applying 2017 monthly exchange rates to the 2016 monthly results. Average rates for the year for the Group's two principal foreign currencies are set out on page 86.

Research and Development (“R&D”) costs of £26.4m (2016: £25.9m) exclude £2.5m of R&D expenditure capitalised in the year.

Sales and Marketing of £46.0m (2016: £40.2m) includes direct costs for specific sales teams (e.g. product specific teams) as well as general sales and marketing costs which are allocated across the segments.

General Administration expenses of £54.6m (2016: £50.9m) encompass all of our Group, regional and local support functions.

Shared costs of £86.5m (2016: £76.7m) are group, regional and local costs of operating our global footprint. It includes property costs, corporate functions and regional and local costs which support our segment operations. The absolute year-on-year increase of £9.8m is due to changes in the organisational structure which is driving less siloed working and more cross-functional and business segment collaboration.

These costs are allocated on a revenue or headcount based methodology and is consistent with previous years. The allocation methodology results in better performing segments bearing more of the shared costs if we allocate on a revenue basis. This has a slight distorting effect at the operating profit level, which is why we tend to focus on gross margin as the more relevant indicator of profitability in Language Services in 2017.

Management will be exercising strong cost control in 2018 to streamline the operating model, but maintaining adequate levels of spend in R&D and sales capabilities to ensure that we can execute our strategy and grow sales over the medium to long term. In addition, a review of cost allocations is being undertaken in the first half of this year to improve the visibility and accountability of costs and derive divisional profitability that better reflects the performance of each of our segments.

## Research and Development Costs

R&D costs of £28.9m includes £26.4 m (2016: £25.9m) expensed within administrative costs and £2.5m (2016: £nil) capitalised on the balance sheet capitalised R&D costs are to be amortised over the expected useful lives of the development projects concerned, being approximately 3 years (see note 9).

The Group has invested in its development processes and governance during the year.

The Group now operates the SAFe methodology across its development streams and, as a consequence, development work is now carried out on an agile basis. The strengthening of these processes and governance means that the Group is able to demonstrate technical and commercial feasibility of development activities and consequently is now required to capitalise development spend under IAS 38 ‘Intangible assets’.

These processes have been rolled out by product family over the year on a product by product basis. The majority of product families have only begun capitalisation of costs during the latter part of 2017 and the amount capitalised this year is only a proportion of the amount expected to be capitalised on a full year basis. The Group expects to capitalise approximately £6-8m per annum in future years.

## Adjusted Profit Before Tax and Amortisation (PBTA)

Adjusted PBTA from Continuing Operations reduced by 18.5% to £22.0m (2016: £27.0m). Adjusted PBTA from Continuing Operations excludes £2.5m of R&D expenditure which has been capitalised in the year.

The Adjusted PBTA margin from Continuing Operations for the year declined from 10.2% to 7.7%, with the H2 margin of 9.5% improving over H1 of 5.7%.

## Performance by Segment

### Language Services

The business contributed FY17 revenue of £184.5m (2016: £165.3m) which represented an 11.6% year-on-year increase and equates to 65% of Revenues from Continuing Operations. After charging £66.4m (2016: £54.2m) of direct and shared administrative costs, segment Adjusted PBTA was £9.5m (2016: £18.8m). The increase in administrative costs was mainly driven by a £10.1m increase in the allocation of shared costs to the Language Services segment. This increased allocation in shared costs has impacted the relative performance of this segment.

On a constant currency basis, revenue growth was 7.1% and RRR was maintained at 93% (2016: 93%) with new business accounting for 7%.

Revenues in premium verticals increased from £22.5m to £40.1m, led by the Life Sciences vertical.

Revenues in the Americas have grown year-on-year by 20.6% to £74.3m, Asia has grown by 28.5% to £25.7m whilst trading in EMEA has been flat on last year due to some customers operating lower activity cycles. We continue to maintain a broad customer base with the top 30 customers representing 55.2% of Language Services revenues (2016: 51.4%).

Segment Adjusted PBTA margin reduced from 11.4% in 2016 to 5.1% in 2017. The contraction in margin in H1 2017 was driven by a number of factors including:

- Increased specialist freelancer costs arising from the complexity and language mix of work received
- Dilutive customer contracts in Asia
- Strategic investments in building out premium verticals

Significant work was undertaken in the second half of 2017 to isolate and tackle the underperformance and address the operational inefficiencies experienced in the first half of 2017. Improved controls around the use of external freelancers, transition to off shore project managers, increased use of Machine Translation (adoption rates rising from 14.3% in 2016 to 30.2% by the end of 2017) increased linguistic utilisation (rising to 53.1% in December 2017 versus 50.2% in December 2016) and renegotiation of contracts, where required have improved Language Services gross margins from 39.3% in the first half to 42.9% in the second half.

The Group has also made good progress with its automation programme, Helix.

This investment will continue in 2018 and will deliver increased productivity and improved margin from H2 2018 onwards.

### Language Technologies

The business contributed FY17 revenue of £48.6m (2016: £45.4m) which represented a 7.0% year-on-year increase and equates to 17% of Revenues from Continuing Operations. After charging £33.2m (2016: £29.8m) of direct and shared administrative costs, segment Adjusted PBTA was £4.9m (2016: £4.4m).

On a constant currency basis, revenue growth was 1.6% and ARR increased 13.2% to £25.9m (2016: £22.9m)

The revenue growth was driven by a 16.6% increase in Translation Management, 13.3% increase in Translation Productivity partially offset by a 20.7% decrease in Machine Translation revenues.

Translation Management revenues experienced a 20.1% year-on-year growth in SaaS software licence sales and a 35.1% increase in professional services work.

Translation Productivity delivered another strong year with FY17 revenue growth of 13.5%. The launch of SDL Trados Studio 2017, SDL MultiTerm 2017 at the end of last year delivered a step change in translation memory productivity with our ground-breaking upLIFT technology. In addition, our Adaptive MT technology is directly accessible with the SDL Trados Studio interface. These 2017 releases have confirmed our competitive advantage and driven increased revenues in our Corporate and Language Service Providers (LSP) markets.

Machine Translation revenues contracted 20.7% on 2016 and this was in part driven by deal slippages in our Government sector. Development of our Neural MT capability has continued throughout the year and results show significant improvements in translation effectiveness. This, together with marketing and sales enablement programmes, has improved our competitive position and our sales pipeline has strengthened markedly during the year. These Neural MT/AI developments will also increase the operational effectiveness of our Language Services business and will assist other SDL product developments.

Segment Adjusted PBTA margin increased 0.4% to 10.1% (2016: 9.7%) primarily driven by capitalisation of R&D spend offset by the performance of our Machine Translation business.

### Global Content Technologies

The business contributed FY17 revenue of £52.6m (2016: £54.0m) which represented a 2.6% year-on-year decrease and equates to 18% of Revenues from Continuing Operations. After charging £27.4m (2016: £33.0m) of direct and shared administrative costs, segment Adjusted PBTA was £7.6m (2016: £3.8m).

On a constant currency basis, revenue declined 7.4% and ARR stayed flat at £37.5m. This decrease was primarily driven by deal slippage at the year end.



Revenues from Technical Content Management products (Knowledge Centre and Contenta) reduced 8.1% year-on-year as a consequence of strong perpetual licence sales in the prior year. Web Content Management software revenue grew 1.5% in 2017, but declined 2.1% on a constant currency basis. There has been a shift from perpetual licence deals to SaaS. The revenue recognition treatment for SaaS results in revenue being recognised over the term of the contract therefore building future revenue streams.

Segment Adjusted PBTAs increased to £7.6m in FY17 (2016: £3.8m). Actions taken to right-size sales and marketing resources together with improved performance from the Professional Services team and the capitalisation of R&D spend has improved the profitability of the business in the current year.

### Discontinued Non-Core Business

During 2017, the Group disposed of the Fredhopper and Social Intelligence businesses in March and May 2017 respectively. A profit on disposal of £20.6m and net cash proceeds of £22.2m was reported in relation to the sale of these businesses.

### Exceptional Items

Exceptional items amounted to £5.7m (2016: £13.1m), of which £2.7m (2016: £2.3m) was in relation to Discontinued Operations and £3.0m (2016: £10.8m) for Continuing Operations. The reorganisation is focused on streamlining operations to deliver a more scalable and efficient operating model.

Exceptional Items – £m		
	2017	2016
Redundancy and other staff costs	2.1	4.2
Strategy development	-	2.8
Relaunch of SDL	-	2.1
Other exceptional items	0.9	1.7
<b>Continuing Operations</b>	<b>3.0</b>	<b>10.8</b>
Redundancy and other staff costs	0.8	2.3
Other exceptional items	1.9	-
<b>Discontinued Operations</b>	<b>2.7</b>	<b>2.3</b>
<b>Group exceptional items</b>	<b>5.7</b>	<b>13.1</b>

During 2016, the Group began to restructure the business under the new leadership team focusing on improving the customer experience, systems and processes and implementing changes to the Group's organisational structure including investment in premium verticals, namely Life Sciences and Marketing Solutions.

Following the Group's performance in H1 2017, the Group began a further restructuring programme and this programme will be completed in 2018. Redundancy costs associated with this programme amounted to £2.1m in 2017. Further restructuring costs will be incurred in FY18 and the expectation is for these to have a cash impact of approximately £4m.

Other exceptional items of £0.9m primarily related to dual running costs associated with relocation of the Group's two principal UK offices in Maidenhead and Sheffield. Business-as-usual severance costs and property relocations have been charged to the income statement in administrative expenses.

## Depreciation and Amortisation

Depreciation and amortisation expense decreased by £1.8m to £6.9m. (2016: £8.7m).

Intangible assets include software and customer relationships arising from acquisitions and are amortised over periods of between 5 and 10 years. Their carrying value is reviewed annually for signs of impairment. The intangible asset amortisation charge in FY17 was £4.0m (2016: £5.2m). Depreciation of £2.9m (2016: £3.5m) relate to property, plant and equipment.

Going forward, amortisation on R&D and internally generated intangibles (for example, Helix) will be reported as amortisation but not added back in arriving at Adjusted PBTA.

Depreciation and Amortisation – £m		
	2017	2016
Depreciation	2.9	3.5
Amortisation of acquired intangibles	4.0	5.2
Group depreciation and amortisation	6.9	8.7

## Group Profit Before Tax

The Group profit before tax rose to £29.9m driven by the £20.6m gain on sale of the Fredhopper and Social intelligence businesses (2016 – loss of £15.8m, driven by the £21.0m loss on sale of the Campaign business).

## Taxation

The tax charge for the year amounted to £1.4m (2016: £2.3m).

Taxation – £m		
	2017	2016
Adjusted tax charge on Continuing Operations	6.6	7.4
Tax charge / (credit) relating to Discontinued Operations	0.2	(0.4)
Exceptional credit	(4.6)	(3.7)
Deferred tax arising on amortisation charge	(0.8)	(1.0)
<b>Tax charge</b>	<b>1.4</b>	<b>2.3</b>
<b>Continuing Operations adjusted effective tax rate</b>	<b>29.7%</b>	<b>27.3%</b>
<b>Recognised tax losses</b>	<b>10.4</b>	<b>7.1</b>

The Adjusted tax charge on Continuing Operations amounted to £6.6m and represents an effective tax rate of 29.7%. This charge is expected to reduce going forward as the reduction in the US Federal tax rate from 35% to 21% takes effect.

The exceptional credit of £4.6m has arisen from the recognition of previously unrecognised tax losses of £10.1m and tax credits associated with exceptional items charged to operating profit of £0.6m offset by a £2.8m transition tax charge arising from the US tax reform enacted in December 2017 and a £3.3m charge associated with the downwards revaluation of the Group's US deferred tax asset following the reduction of the US federal tax rate from 35% to 21%. The recognition of historical US tax losses in the year has been facilitated by the completion of s382 exercises which have confirmed the availability of these historical losses.

We exited the year with recognised carried forward tax losses of £10.4m (2016: £7.1m)

The Group effective current tax rate going forward is expected to be in the region of 25% to 27%.

## Earnings Per Share

Adjusted Earnings Per Share from Continuing Operations (p)		
	2017	2016
Basic	18.9p	26.6p
Diluted	18.8p	26.3p

Earnings Per Share (p)		
	2017	2016
Basic	34.8p	(22.3)p
Diluted	34.7p	(22.1)p

Basic Adjusted EPS was 18.9p (2016: 26.6p) and basic EPS was 34.8p (2016: loss per share 22.3p). Fully diluted Adjusted EPS was 18.8p (2016: 26.3p) and diluted earnings per share was 34.7p (2016: loss per share 22.1p).

Net Cash and Cash Flow – £m		
	2017	2016
<b>Adjusted PBTDA from Continuing Operations</b>	<b>22.0</b>	<b>27.0</b>
Depreciation	2.9	3.5
<b>Adjusted PBTDA<sup>(1)</sup> from Continuing Operations</b>	<b>24.9</b>	<b>30.5</b>
Working capital and share based payments charge from continued operations	(10.7)	3.5
<b>Adjusted operating cash flow<sup>(2)</sup> from Continuing Operations</b>	<b>14.2</b>	<b>34.0</b>
Maintenance capital expenditure	(3.0)	(2.3)
Capitalised R&D costs	(2.5)	-
Taxation	(2.9)	(6.5)
Interest	-	(0.1)
<b>Free cash flow from Continuing Operations</b>	<b>5.8</b>	<b>25.1</b>
Exceptional items	(7.0)	(11.0)
Investment capital expenditure	(10.4)	-
Cash consumed from Discontinued Operations	(3.7)	(4.4)
Disposal proceeds	22.2	(1.6)
Dividends paid	(5.1)	(2.5)
Other financing activities	1.2	(4.1)
FX on cash	(1.6)	2.6
<b>Net cash flow</b>	<b>1.4</b>	<b>4.1</b>
<b>Opening net cash at 1 January</b>	<b>21.3</b>	<b>17.2</b>
<b>Closing net cash at 31 December</b>	<b>22.7</b>	<b>21.3</b>

(1) Adjusted PBTDA – profit before tax, depreciation, amortisation and exceptional items

(2) Adjusted operating cash flow is cash generated from Continuing Operations before exceptional items and income tax paid.

Net cash at 31 December was £22.7m compared to £21.3m at 31 December 2016.

Adjusted operating cash flow from Continuing Operations before tax was £14.2m (2016: £34.0m) with a £10.7m working capital outflow (2016: £3.5m inflow) principally due to the reduced accrual of variable compensation plan pay outs in respect of 2017 performance.

Capital expenditure of £15.9m includes payments for investment capital expenditure (£10.4m), maintenance capital expenditure (£3.0m) and R&D (£2.5m). These capitalised R&D costs are regarded as normal spending by

the business and included within the definition of Free Cash Flow. Routine maintenance capital expenditure of £3.0m (2016: £2.3m) represents 1% of revenues. We expect maintenance capital expenditure in FY18 to be within our target of 1% of revenue, excluding capitalised R&D.

Investment capital expenditure of £10.4m includes £5.9m on our centralised Language Service delivery platform, Helix, which will allow us to drive scale and efficiency improvements. In addition, we incurred £3.1m in property relocation costs for our Head Office in Maidenhead, UK and EMEA Regional Head Office in Sheffield, UK and £1.4m on other IT related capex.

Tax of £2.9m (2016: £6.5m) primarily relate to tax paid in our European entities. Last year's comparable tax payment was high due to a number of catch-up adjustments and 2017 tax payments were impacted by the high level of exceptional charges in 2016.

The cash impact of exceptional items amounted to £7.0m (2016: £11.0m). This includes £3.4m of severance payments and £2.7m in relation to the discontinued businesses. The latter also consumed working capital of £3.7m in the first half of the year (2016: £4.4m).

The net cash impact from the disposal of the Fredhopper and Social Intelligence businesses was an inflow of £22.2m.

Dividends of £5.1m paid in the year (2016: £2.5m) comprised the dividend for 2016 of 6.2p.

Other financing activities includes the sale of own shares of £1.2m (2016: £0.7m) and repayment of borrowings in 2016 of £4.8m (2017: £nil)

### Balance Sheet

SDL continues to maintain a strong balance sheet and has no debt. Net assets at 31 December 2017 were £189.1m compared to £168.7m at 31 December 2016.

Non current assets increased to £175.6m (2016: £167.6m) principally due to the capitalisation of Helix costs (£5.9m), fit-out costs for our Head Office in Maidenhead and Regional Head Office in Sheffield (£3.1m) and capitalised R&D (£2.5m).

### Working capital

Trade and other receivables at 31 December 2017 were £82.7m, which is ahead of last year (2016: £81.0m) and reflects the increase revenues year-on-year. Our average DSO (Days Sales Outstanding) has improved from 68 days to 64 days with the second half of 2017 delivering strong collections. The bad debt provision of £1.7m at 31 December 2017 was similar to last year's provision of £1.5m.

Trade and other payables of £78.3m (2016: £88.5m) include deferred income of £37.6m (2016: £36.5m). Accruals of £21.0m (2016: £34.5m) were lower than prior year primarily due to lower accruals in respect of our variable compensation plans.

### Funding and Capital Structure

The Group had cash balances at the year-end of £22.7m with no external borrowings (2016: £21.3m cash and no year end external borrowings). As a result, no interest costs were incurred in FY17 or 2016.

The Group has a £25m committed revolving credit facility, expiring in August 2020. The agreement also includes a £25m uncommitted Accordian facility.

Pricing of this borrowing facility is between 1.15% and 1.9% above LIBOR dependent upon the ratio of the Group's total net debt to its Adjusted EBITDA (as defined by the Facility Agreement). Under the credit facility agreement, SDL is subject to certain financial covenants which are required to be tested quarterly. The Group was in compliance with the terms of all its facilities, including the financial covenants at 31 December 2017 and throughout the year and expects to remain in compliance with the terms going forward.

### Derivatives and Other Financial Instruments

The Group has cash and short-term deposits of varying durations to fund its working capital needs and other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. The Group's policy is that no active trading in financial instruments will be undertaken within the operating units and all decisions on use of financial instruments will be taken at Group level under the direction of the Chief Financial Officer.

### Foreign Currency Exchange Impact

The Group's results are impacted by movements in foreign currencies. During 2017 key individual currency exchange rates have moved, as shown in the following table.

Depreciation and amortisation	Average exchange rate <sup>(1)</sup>		Change	Balance sheet rate		Change
	2017	2016		2017	2016	
USD	1.29	1.37	(5.8%)	1.34	1.22	9.8%
Euro	1.15	1.23	(7.2%)	1.13	1.17	(3.9%)

(1) Calculated as simple average of month end rates across the year

For most of 2017, sterling was weaker than the 2016 US dollar ("USD") and the Euro and Euro aligned currencies average exchange rates. However, sterling strengthened against USD towards end of the year.

When comparing 2017 and 2016, changes in currency exchange rates had a net favourable impact of £12.2m on revenue and £0.6m on adjusted PBTA.

This mix of currency movements in the second half are estimated to have had a negative impact on the group's PBTA results amounting to £1-1.5m.

## New Accounting Standards

On 1 January 2018, the Group will adopt IFRS 15 – Revenue recognition. The Group is well progressed in its detailed exercise to assess and quantify the impact of this standard on the reported results.

There are two primary impacts arising from the adoption of this standard, namely

- Term licence revenue will be recognised on delivery, after appropriate deductions for services such as support and maintenance and hosting which are amortised over the term of the contract. The estimated impact of this would be to increase 2017 revenues by £1.7m.
- Sales commission costs are capitalised and amortised to match the revenue stream. The estimated impact of this change of treatment will be to decrease 2017 costs by £0.5m.

Accordingly, the estimated impact of adopting IFRS 15 on the Group's 2017 results would have been to increase reported profit by £2.2m.

The impact of profitability on the group's future results will be driven by the mix of sales going forward (proportion of perpetual/ term vs SaaS) and the contractual period of new deals (impacting the amortisation period of commissions).

## Dividend

A dividend for the year ended 31 December 2017 of 6.2p per share (2016: 6.2 p) will be proposed at the Annual General Meeting on 26 April 2018. SDL PLC has distributable reserves of £63.6m at 31 December 2017.

## Going Concern Statement

The Group's business activities, performance and position, together with the factors likely to affect its future development, are set out in the Strategic Report. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in the 2017 Annual Report. Details of the financial risk management objectives and policies of the Group are given in the 2017 Annual Report.

The Directors believe that the Group is well placed to manage its business risks successfully. The Board's assessment of prospects and stress test scenarios, together with its review of principal risks and the effectiveness of risk management procedures, show that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements. In forming their view, the Directors have considered the Group's prospects for a period exceeding 12 months from the date when the financial statements are approved.

---

**Xenia Walters**  
Interim Chief Financial Officer  
6 March 2018

---

# PRINCIPAL RISKS & UNCERTAINTIES

The Board is responsible for setting the levels of acceptable risk and they participate in regularly reviewing the risks and controls to ensure that the appropriate mitigations are in place. Whilst the Board retains overall responsibility, the Audit Committee, Executive Committee and all employees have a part to play. Managing risk is embedded in our culture and how we conduct our day-to-day business activities.

## Approach to Managing Risk

The Board has performed a robust assessment of the principal risks facing the group, reviewing those that would threaten the business model, future performance and the Group’s strategic objectives.

The Group’s risk management process is built around the risk register. Throughout the year the Board, via the Audit and Executive Committees, reviews and evaluates the major risks faced by the Group and the controls and mitigation plans in place.

The Risk Register is reviewed and updated by the Executive Committee with risks added, amended or removed as appropriate and relevant mitigation strategies identified. The development of mitigation plans and actions to manage these risks is delegated to the Executive Committee and other senior management. The Executive Committee and their teams are also responsible for the identification, evaluation and management of local risks.

Alongside this, the Audit Committee review the controls framework and the effectiveness of the mitigations identified to manage the risks.

Risk Framework		
Board	Audit Committee	Executive Committee
Sets strategic objective & agrees acceptable risk profile	Monitors risk management policies and procedures against strategic objectives	Regular review of operational and strategic risk: Identification/ analysis/ evaluation/ mitigation
Delegates authority	Receives and reviews risk register	Reporting to the Board and the Audit Committee.
Approves Group policies and procedures	Performs detailed reviews of financial and other risks as appropriate	
Challenges and assesses risk register		

The Group faces many risks and uncertainties and the system is designed to manage and provide reasonable assurance against material misstatement or loss. No risk management process can fully eliminate risk but the Board believes that it has an effective framework that will recognise, minimise and mitigate the effect of the risk should it occur. Set out over the following pages are the principal risks and uncertainties which we believe could adversely affect the SDL Group. This list is not exhaustive and the list will change as something that seems immaterial today assumes greater importance tomorrow. In the following section, we outline those items we currently consider to be our most important risks.

Strategic Risks		
Description	Risk	Mitigation
Acquisition strategy	Stakeholder expectations are not realised. Fall in market value.	Risk analysis and due diligence carried out for each acquisition. Contribution to group results from each acquisition is identified including understanding of risk to projected results.
Competition strategy – services	Operating model does not support growth ambition. Services business fails to sustain competitive advantage.	The Delivery function continues to embed its global operating model which provides enhanced governance, process harmonisation, efficiencies and scalability. Investment and development of technology into the translation process continues to keep SDL competitively positioned.
Competition strategy – technology	SDL is unable to clearly identify or deploy or sustain competitive advantage, including product development.	Business product development and Product Marketing oversee competitive positioning. Prioritised product development based on strategic roadmaps. Reviews of anticipated return on investment are being further enhanced. Product integration continues where appropriate.

Operational Risks		
Description	Risk	Mitigation
Human Resources	Company dependent upon the ability and experience of certain key employees in key functions.	People Strategy, aligned to the business strategy was launched in Q1. Alongside is Learning Zones by function. Talent review and succession plans in place and regularly reviewed.  In Q2 the CFO began a long-term leave of absence and an interim CFO was appointed.
Information security (including cyber)	Legislation/client requirements: fail to respond to emerging security legislation &/or client's requirements.  Data privacy and protection – financial loss, disruption or damage to the Group's reputation from failure of its information technology systems.	Central security team established and permanent security lead in position.  Programme of laptop encryption throughout 2017 and ongoing, plus enforced installation of security updates.  Formal certification schemes are maintained and include internal and external validation of compliance e.g. ISO27001 certification.  Secure Translation Environment being deployed – provides enhanced security options to customers.  Established Security Sales Support function to provide earlier security engagement in the sales process and identify and escalate contract security risk.  The Compliance Team provides direction around data and Data Protection, and our response to GDPR
Transformation and control	Planned returns from investment in systems not realised.	Program steering/project management meet regularly. Benefits tracking is a core part of these meetings.  Definition and deployment of control frameworks is ongoing.  Continuation of initiatives to enhance the supporting control environment across key business processes. (Helix & Hai.)



## Financial Risks

Description	Risk	Mitigation
Currency movements	Trading patterns and/or intercompany trading/loan patterns expose the Group to foreign exchange risk.	Periodic reporting and review of Group currency exposures. Controlled program of intercompany balance settlement in place to minimise balance sheet exposures.
Brexit and the Economic environment	Potential changes to tax, trading and other arrangements with European countries/authorities. Decline in demand from key customers and verticals.	Global nature of SDL's presence. Ongoing dividend repatriation to the UK. Continued review of latest information on Brexit available. Location of the Group's assets worldwide is kept under review.
Taxation	Assessment by tax authorities results in disallowance of intercompany or other charges.	Formal agreements in place. All intercompany transactions take place at arm's length.

## Viability Statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision.

The Board conducted this review for a period of three years, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out above.

Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2020.

This is the period focussed on by the Board during the strategic planning process and the Group's customers do not typically contract for a term in excess of this period. Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved the Board believes this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

The Board also considers the ability of the Group to raise finance and deploy capital. The results take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

The review has considered all the principal risks identified by the Group and although not considered principal risks, the following were focussed on for enhanced stress testing: Group's cash flows and debt requirements, banking covenant headroom and dividend cover over the period. These metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast both individually and in unison.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, our business model is structured so that the Group is not overly reliant on a small customer base. Our largest customer constitutes only 5% of Group sales and our top 20 clients account for less than 41% of Group sales.



## PEOPLE STRATEGY

Digital transformation is reshaping the way we all work and think. As we start to realise our vision and evolve our strategy to support our customer's own content and digital revolution – by creating the most automated localisation and content services delivery platform, investing in technology products and infrastructure, and building out our premium solutions – we are also evolving our people strategy to create a dynamic working environment where all our employees can thrive worldwide. An environment built on understanding, transparency, trust and respect.

3,647

2017:  
3,647 employees  
in 38 countries

3,580

2016:  
3,580 employees  
in 38 countries

3,504

2015:  
3,504 employees  
in 38 countries

To execute on our strategy with speed and precision, we are creating a culture where we can adapt and react quickly to whatever the future may throw at us. It will be our continued investment in our people, who are inspired to perform at their very best, that will enable our success. To deliver on that, our People Strategy is focused into five pillars: Leadership, Alignment, Growth & Enablement, Recognition, and Employee Experience.

## 1 | Leadership

To enable all employees to be more agile, adaptable and successful, we have dedicated programmes around executive coaching, talent review and succession management, and leadership development programmes, to empower our managers to lead and guide our business forward with confidence and clarity.

## 2 | Alignment

To ensure all parts of the organisation are aligned and delivering against our corporate strategy, we have built and cascaded objectives and balanced scorecards from the top to each department to promote line-of-sight between what the work teams are doing and desired results, ensuring accountability and joint success across at each level.

## 3 | Growth and Enablement

By continuing to inject new talent into the organisation and provide continuous learning opportunities to all our employees, delivered through our internal MyLX platform, we can embrace new skills, encourage career development and create a stronger workforce. Within the community, the SDL University Partner programme supports universities and lecturers in the teaching of translation worldwide and offers training, free certification programmes, software and advice to students that are on-the-way to becoming language professionals.

The programme continues to see growth, with over 500 universities and education partners worldwide in 76 countries. SDL Research now offers annual summer internships for outstanding Ph.D. students in the field of Machine Learning and Natural Language Processing. Previous interns joined SDL Research from competitive programmes at top universities such as Carnegie Mellon University, University of Southern California, John Hopkins University, University of Cambridge, Heidelberg University and University of Sheffield.

## 4 | Recognition

Recognition is at the core of our business, acknowledging our employees contributions and success stories across the organisation. This has a positive impact on how employees value their relationship with SDL, and their loyalty and dedication to the business. We have employee recognition and award programmes in place to credit achievements. Our formal awards programme recognises individuals for outstanding performance at our annual meetings – with our over 250 nominations received last year.

## 5 | Employee Experience

Continuing to foster productive and positive work environments is a priority for us at SDL – ones that breed collaboration and engagement, enabling employees to perform at their best. This year we improved the facilities for Maidenhead, Granada and Sheffield, providing more modern and stimulating office environments for our employees. We will continue to invest in revitalising physical work spaces over time. In addition, we have several initiatives underway aimed at streamlining our supporting IT infrastructure and making processes more efficient.

Regarding our culture, based on insight gained from regular Employee Focus Group Workshops and prior Employee Engagement Surveys, we have learned that SDL is praised for having a flexible, open and friendly culture which offers challenges and opportunities for professional growth.

We have also received constructive feedback that employees desire more work/life balance and recognition, which is now being addressed through our People Roadmap, an outgrowth of our People Strategy.

One way we will address the work/life balance needs of our employees is by introducing Agile Work Practices across SDL. Built on the philosophy that as long as business results are achieved and the job lends itself to an agile work arrangement, SDL is less concerned with the schedule or location where work is accomplished. Agile working – part-time work, job sharing, flexi-time and flexi-place – can help SDL manage its business and serve clients more effectively, capitalise on the diversity of our people, provide employees with options for balancing work/life, and improve productivity and employee engagement.

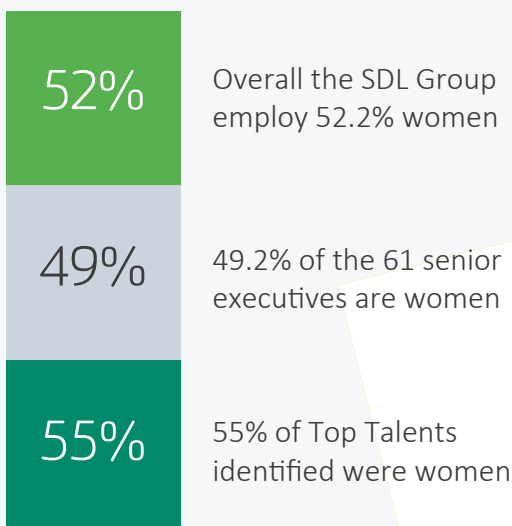
## Equality and Diversity

Being a diverse and inclusive employer is a fundamental part of our business, driven by our strategy, required by our customers and led from the top. The future of our business depends on our ability to provide innovative and intelligent content management and localisation solutions to our customers, which can only happen if we recognise and harness the most diverse range of ideas, perspectives, thinking, knowledge, experiences and skills, from across the different cultures and backgrounds within SDL. This diversity also contributes to greater team synergy, innovation and productivity within and across internal teams.

We are both a multinational and a multicultural company and employ people from across 38 countries, with 68 nationalities working across boundaries to achieve goals, and setting a positive tone for our organisation. Having a diverse workforce not only helps us meet our values in today's "glocal" business climate but, by the very nature of our business of creating, translating, managing and delivering localised and culturally relevant content, which can be understood by all, we can better understand the needs of all our stakeholders.

We believe in treating all employees equally and offering equal opportunities in all aspects of employment and advancement, regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religion or political beliefs. Under no circumstance will discrimination be tolerated due to any of these things either directly or implied.

Today, across the SDL Group we employ close to equal numbers of men and women, with



slightly more women (52.2%). 4 of our 10 Executive Committee members are women and nearly half (49.2%) of the 61 senior executives at the next level are women. We continually monitor our pipeline of talent, with a focus on growing and developing women for more senior roles. At SDL, one of the ways that we achieve this is through our annual Talent Review & Succession Management practice. For 2017, we are happy to report that over half (55%) of Top Talents identified were women.

Another important element of diversity is related to disabled persons. Our policy at SDL is to always consider employment applications from disabled or handicapped persons where that person can perform the job requirements. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and disabled people are afforded the same training and development opportunities for personal growth as other employees within the organisation.

We know we will thrive with a level playing field for everyone, across genders, disabilities and ethnic minorities and will continue to do more to achieve parity across SDL.

## Whistleblowing Policy

A whistleblowing policy is in place which enables employees to bring matters of concern to the attention of the Senior Independent Director in confidence. The Board are reviewing the current procedures and practices for dealing with whistleblowing claims to ensure that potential issues are captured and addressed as early as possible.

## SDL Values

Our commitment is to ensure we continue to foster a collaborative, productive and positive approach to work, and create an ethical workplace where we take time to understand each other and reflect SDL's values of:

**Passion:** We love information, language, communication, understanding and connecting humans across the world.

**Proactivity:** We tackle problems head on, adapt to the latest technologies and embrace new ways of doing business.

**Authenticity:** We are confident in our abilities due to years of success, feel good about accomplishments and always stay true to ourselves.

**Collaboration:** We are team players, engaging each other, hands on with the work and in it together with our partners and customers.

# CORPORATE RESPONSIBILITY

## SDL Foundation

SDL Foundation partners with charities and charitable causes to support projects in disadvantaged communities across the world by helping them to become self-sufficient. Our guiding principal is to enrich communities by providing a hand-up, not a handout. Recipients of SDL Foundation funds must demonstrate an ability to better their communities' futures through income generating activities or educational and vocational training that pays sustainable dividends in the long-term. The SDL Foundation also requires high levels of governance from the causes it supports. Recipients provide regular reporting to ensure that the charities can quantify the success of their projects and that all funding is making an impact where it is intended.

The SDL Foundation also continues to be closely allied to SDL's broader corporate social responsibility (CSR) programme to enhance employee engagement with charitable causes close to and relevant to their local offices. The SDL Foundation provides funding to the offices and individuals / groups of individuals to enable them to participate in local fund raising, construction, mentoring and social activities.

The SDL Foundation enables the recipients of its funding to better their own and their family's futures through income generating activities

## Projects in 2017 included:

**Hatua Likoni (Hatua)** – Hatua provides secondary and university scholarship funding to the poorest children in Likoni, a desperately impoverished suburb of Mombasa, Kenya. Having established a very thorough vetting process to select those intelligent but most in need and determined youngsters, the programme also provides the children with mentoring and vocational training through both school and university and requires the scholars to help those less able in their spare time. In addition to the specific scholarships, Hatua has also established a library and IT centre for the general use of the local school children enabling them to supplement their school studies. The Foundation has worked with Hatua since the establishment of the programme and 2017 saw the number of scholars rise to over 250 with the first University graduates to pass through the full system. The specific funding in 2017 is enabling Hatua to open an additional library and IT centre as a precursor to establishing a second scholarship community in a neighbouring municipality.

**Microloan Foundation (MLF)** – having enabled MLF to establish operations in Zimbabwe in 2016 the SDL Foundation provided further funding during 2017 to support the opening of the first loan office together with supporting loan officers. MLF has chosen its first rural location having determined that the inhabitants of the area score very low on the established Poverty Index MLF uses to establish which families are most in need of support. MLF specifically steers clear of urban areas where pay day lending is the norm and has introduced mobile banking technology for security and to enable the female recipients of the loans to manage their micro businesses and eventually start saving money for future expansion but also to fund their children's' educations.

**Bead for Life (BfL)** – having established itself as a successful provider of funding to impoverished women in Uganda through ox plough and business start-up schemes, BfL have sought to use these skill sets and processes to educate other charitable causes to enable them to benefit from BfL's success. As a result the SDL Foundation has been able to provide funding to BfL to enable business training to some 80 women in Uganda and to also provide the funding for BfL to run a number of courses for smaller charities so they can pass on the knowledge. BfL's aim is to ensure some 1 million women across Africa receive this training over the next 10 years. A number of the SDL offices continued to participate in selling BfL products to help further fund the programmes.

**Princes Trust (the Trust)** – for many years the Trust has funded educational and vocational training to 16 to 22 years olds in the UK, enabling hundreds of thousands of youngsters to obtain a skill and get into full time employment. An essential part of this training is the drafting and completion of a supportive CV. During 2017, a number of SDLs Maidenhead and Sheffield employees participated in the CV training courses that the Trust provides to these youngsters. The annual funding that the SDL Foundation has provided as part of the Trust's Technology Leadership Group enables courses like the CV training to provide valuable support to the participants' future employment chances.

**Translators without Borders (TwB)** – TwB operates a system for translators around the world to provide essential translation services relating to natural disasters and similar instances where multi lingual / cultural forces are often at odds and translation or localisation is needed to enable the donated resources / equipment to be used effectively. The SDL Foundation is a Gold Standard funder of TwB and through this a number of SDL's own translators and those in SDL's external translator community have given their time pro bono for this valuable emergency work.

## Employee Engagement

Employee engagement in charitable projects benefitting the less well-off especially those in their local communities has always been a key objective of the SDL Foundation. The SDL Foundation's success is largely driven by our employee's enthusiasm for volunteering and we support their enthusiasm by providing additional

vacation days off to support charitable causes that are meaningful to SDL's employees. We are proud that our employees have enhanced the communities in which they live and operate by:

### Housing the Poor

- Give and Gain – this worldwide organisation facilitates a broad range of projects such as construction, renovation, food provision etc. to the needy in local communities. 8 SDL offices and over 100 SDL employees supplied the energy and manpower to carry out these projects, while the SDL Foundation funded the purchase of construction materials and other supplies to enable the work to be carried out.

### Feeding the Hungry

- SDL Finland held a Baking Day to celebrate SDL's 25th birthday and to raise money for a local charity organisation called Hope, which helps families with limited means.
- SDL Colorado purchased and prepared food for the Boulder Homeless Shelter residents' dinner. They also stocked shelves with food and filled food bags with donations to needy families at a local food pantry.
- SDL India Office, Bangalore CSR team donated goods and sponsored a meal at the Shree Sharada Educational & Charitable Trust which is a home for under privileged kids in Malalakshmpuram, Bangalore.

### Healing the Sick

- Montreal Office raised \$2,500 to support the Canadian Cancer society. It also took part in a Big Bike event to raise money and awareness for the Heart & Stroke foundation and raised nearly \$1000.
- SDL Munich and Lepizig raised €1100 for 2 projects benefiting BaanGerda, an orphanage for children with AIDS in Thailand.
- SDL Maidenhead colleagues raised over £750 for Macmillan Cancer Support UK and Children in Need.

### Building Communities

- Stuttgart and Munich offices volunteered at a local primary school in a special class for refugee children and organised a BBQ party with the kids for their families.

To commemorate 25 years of business, 8 SDL offices and over 100 employees worldwide pledged their support to a 'Give and Gain' day, which is organised by the Prince's Responsible Businesses Network to connect businesses with the local communities in which they operate. SDL employees including Melania Duma and Florentina Caputa (pictured here) helped to create a cheerful space for refugee children at a local kindergarten as part of this one-day event.



## The SDL Foundation's success is largely driven by our employee's enthusiasm for volunteering



- Bucharest helped enhance a permanent shelter for the elderly and handicapped.
- Budapest, Hradec Kralove and Cluj have been involved in projects dedicated to help disadvantaged children in shelters, primary schools and kindergartens.
- SDL Munich and Leipzig enabled families in Bosnia to start a business and become self-sufficient.
- Cluj supported abandoned young men who have spent their lives in state care by participating in a local charity marathon for Blythswood Romania – the Daniel Centre.
- SDL China taught tips, played games, drew pictures and wrote essays for the Korean Culture Educational & Charitable Activity.
- SDL San Jose packed 252 bags of groceries that were distributed to students in need at local schools through the 'Sunnyvale Community Services' agency. They also partnered with the Family Giving Tree Back-to-School Drive to supply materials for children going back to school.
- Cluj taught mathematics to the children in Cutus village.
- SDL Munich prepared an herb garden for young refugees through GreenCity Gardening.

### **Bringing Smiles to Children**

- SDL Colorado sorted clothing for children and families facing difficult life challenges such as abuse and neglect, crisis situations, and poverty at A Precious Child.
- SDL's Wakefield office prepared backpacks and school supplies for the Boys & Girls Club.
- SDL Cluj painted and arranged kindergarten classrooms and arranged activities for children coming from the poorest community near Cluj, where people live near the city's landfill.
- SDL Thailand repaired and improved facilities for the Phorn Sawan Foster Home, Chiangdao Day-care Centres. They also donated pre-loved computers to provincial schools, provided daily lunch + packet milk for young children of migrant workers in Chiangdao for 3 months.

### **Helping the Environment**

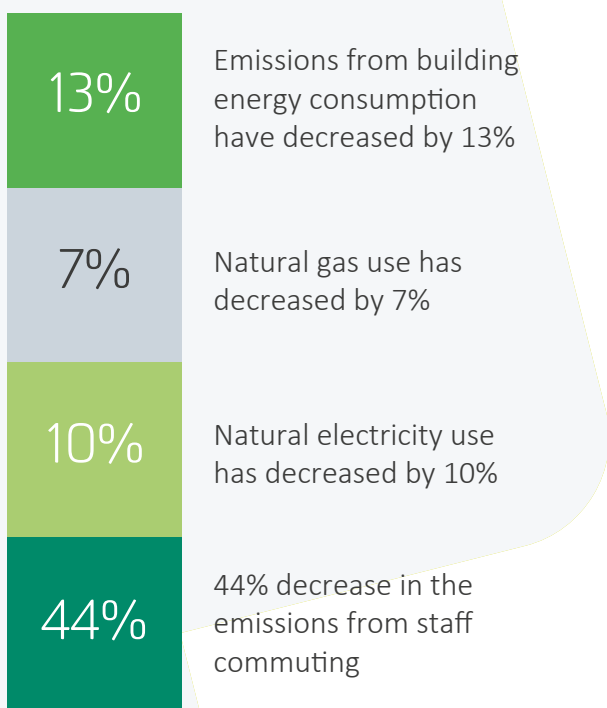
- SDL Portugal team members participated in a full-day initiative at a local beach that was part of a Natural Reserve. Together with 50 people from other companies, 200kg of litter were gathered and removed from the beach. The SDL team also cleared ground, planted autochthonous trees, and applied techniques for controlling invasive species through an initiative organized by GRACE. The volunteering day was covered by national TV.
- SDL Los Angeles also participated in a Beach Clean-up.



# ENVIRONMENT

As a socially responsible organisation we recognise the importance of reducing our environmental impact wherever possible. Currently, three of our major sites, including the UK Head Office in Maidenhead, are ISO 14001:2015 certified. Whilst energy use is not a material spend to our operations, we recognise the importance of implementing reductions. Our compliance with the Energy Savings Opportunity Scheme aided the discovery of c. 1.75 GWh of energy savings per year across our UK portfolio.

To enhance our environmental leadership, we pledge to limit our contribution to climate change by managing and counteracting our greenhouse gas emissions. We acknowledge our role in restricting global warming to < 2°C from pre-industrial levels in accordance with the Paris agreement (COP 21), and are investigating the adoption of long-term Science Based Targets across our global operations. We remain committed to being open and transparent in our activity and will continue to disclose the details of our response to climate change via CDP.



## Global Footprint

SDL retained Carbon Clear to measure the organisational carbon footprint with the following objectives:

- Calculate a detailed carbon footprint for the 9 main office locations
- Enable SDL to comply with Mandatory Greenhouse Gas Reporting regulations.

This summary provides details of the carbon footprint for SDL’s global operations based on a sample of sites, including UK Head Office in Maidenhead and eight other major locations, in total accounting for >74% of global revenue. The footprint covers the period of the 12 months ending 31 December 2017 and is presented alongside the data for the previous period (2016) for comparison. The footprint was calculated by Carbon Clear using data provided by SDL and was conducted in line with the ISO-14064-1:2006 standard for organisational carbon footprinting with no material emissions excluded. This footprint has been uplifted for all of SDL’s remaining offices based on floor area, full time employee (“FTE”) and revenue, dependant on KPI, to give figures for SDL’s global operations.

The results show that GHG emissions in the period were 20,866 tCO<sub>2</sub>e, comprised of the following;

Scope 1 & 2 – Combustion of fuels & operation of facilities

- Direct Emissions (Scope 1) were 1,130 tCO<sub>2</sub>e or 5% of the total.
- Indirect Emissions (Scope 2) were 3,484 tCO<sub>2</sub>e or 17% of the total.

Scope 3 – Additional Activity Data Reported

- Other, Indirect Emissions (Scope 3) were 16,252 tCO<sub>2</sub>e or 78% of the total.

The table below displays the year on year analysis for SDL's global footprint.

Year on Year Comparison of Global Carbon Footprint 2017 vs. 2016				
Type of Emissions	Activity	2016 tonnes CO <sub>2</sub> e	2017 tonnes CO <sub>2</sub> e	Percentage change
Direct (Scope 1)	Gas	829	767	-7%
	Pool cars and company cars	568	362	-36%
	Diesel consumption	0.03	0.07	233%
	Refrigerant loss	71	0	-100%
	<b>Subtotal</b>	<b>1,469</b>	<b>1,130</b>	<b>-23%</b>
Indirect energy (Scope 2)	Purchased electricity	3,852	3,484	-10%
	<b>Subtotal</b>	<b>3,852</b>	<b>3,484</b>	<b>-10%</b>
Indirect other (Scope 3)	Business travel	4,793	6,068	27%
	Commuting	5,635	3,167	-44%
	Additional upstream activities	2,279	2,404	5%
	Other	2,768	4,613	67%
	<b>Subtotal</b>	<b>15,475</b>	<b>16,252</b>	<b>5%</b>
<b>Total Emissions (t CO<sub>2</sub>e)</b>		<b>20,796</b>	<b>20,866</b>	<b>0.3%</b>

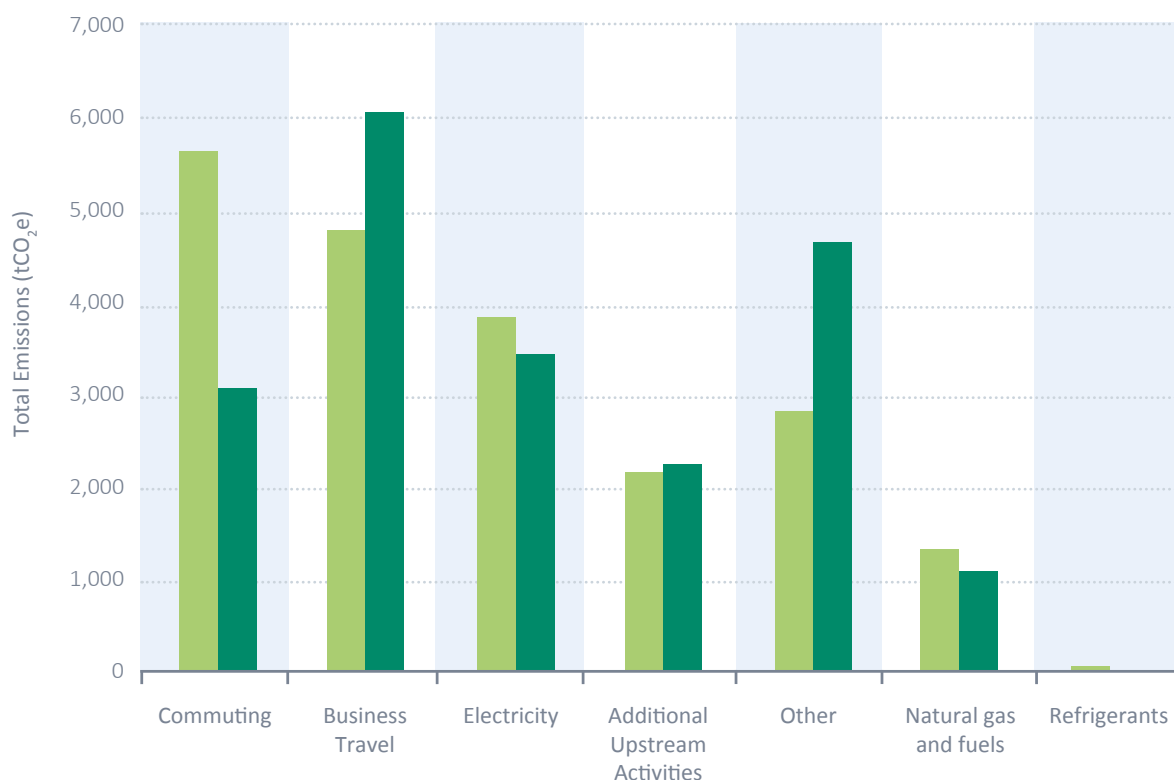
## Year on Year Analysis

When compared with 2016, the total footprint has increased by 0.3% (70 tCO<sub>2</sub>e). The movement in emissions year on year is summarised below:

- Emissions from building energy consumption have decreased by 13% (707 tCO<sub>2</sub>e). Natural gas and electricity use have decreased by 7% (62 tCO<sub>2</sub>e) and 10% (368 tCO<sub>2</sub>e) respectively. Improvements in electricity efficiency at our Maidenhead, Amsterdam, Superior and Sheffield sites, in particular, are the main drivers of this decrease.
- There has been a significant decrease in the emissions from staff commuting (44% reduction, 2,468 tCO<sub>2</sub>e). It is noted that this year, the commuting survey was issued to all employees worldwide, increasing the total number and diversity of respondents. This increase in sample size has increased the accuracy of commuting calculations.
- Emissions from business travel have increased significantly by 27% (1,275 tCO<sub>2</sub>e). This can be attributed to a 32% (1,409 tCO<sub>2</sub>e) increase in air travel (carbon intensive), attributable to two events held in Europe this year. Other methods of business travel (cars, rail, coach) have decreased. We expect emissions from business travel to decrease over 2018.
- In conjunction with the increase in business travel, emissions associated with hotel stays have increased by 84% (1,979 tCO<sub>2</sub>e).

### Year on Year Comparison of Global Emissions by Activity

2016 2017



### Year on Year Intensity Metrics

The intensity in terms of carbon per £m revenue has fallen by 2.3% and carbon per FTE has fallen by 0.5%, indicating increased efficiencies. The decrease in carbon intensity reflects both

increased revenue in 2017 and the more efficient use of resources in our facilities which have countered our increased business travel related emissions.

#### Emissions Intensity Changes Against FTE and Revenue 2016 vs 2017

Description	Staff (FTE)	tCO <sub>2</sub> e/FTE	Revenue (£m)	tCO <sub>2</sub> e /£m
<b>2017</b>	3,647	5.7	285.7	73.0
<b>2016</b>	3,580	5.8	264.7	78.6
<b>% Change</b>	1.9%	-1.7%	7.9%	-7.1%

This Strategic Report is approved by the Board of Directors and signed on its behalf by

Adolfo Hernandez  
Director  
6 March 2018



## GOVERNANCE

106	<a href="#"><u>Chairman's Introduction</u></a>
108	<a href="#"><u>Board of Directors</u></a>
112	<a href="#"><u>Directors' Report</u></a>
116	<a href="#"><u>Corporate Governance Report</u></a>
121	<a href="#"><u>Audit Committee Report</u></a>
126	<a href="#"><u>Nomination Committee Report</u></a>
128	<a href="#"><u>Directors' Remuneration Report</u></a>
131	<a href="#"><u>Remuneration Policy Report</u></a>
139	<a href="#"><u>Annual Report on Remuneration</u></a>
150	<a href="#"><u>Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements</u></a>

# CHAIRMAN'S INTRODUCTION

David Clayton

## Dear Shareholder

Good corporate governance is an essential element in building and managing a sustainable successful business. The Board is committed to maintaining the highest standards of corporate governance in its management of the affairs of SDL and its accountability to all its stakeholders. The Board does not reduce corporate governance to compliance with checklists and codes; governance does not exist in isolation. The Board needs to understand the business to be able to review strategy, determine our approach to risk and to respond to events. During the year, the Board received presentations on a number of areas of the business from senior management to ensure it was fully aware of the Group's performance, the market environment and progress against strategic KPIs.

## Culture

We, the Board, are responsible for ensuring that our activities reflect the culture we wish to instil in our colleagues and other stakeholders and drive the right behaviours. We have a responsibility to ensure that our colleagues do the right things in the right way by setting the tone from the top and leading by example.

These values are recognised across the SDL Group and are embedded in our culture. They ensure that every colleague at SDL across the world understands what is important – about how we work together as a team and how customers are at the centre of what we do. The values are supported by our Code of Conduct

(which was reviewed and refreshed in 2017) which sets out the standards that are required across the Group and further emphasises the need to do things in the right way.

SDL has implemented steps within its procurement team to ensure that we only work with suppliers who abide by our global Code of Conduct or adhere to similar principals and ethical guidelines. SDL has adopted a risk based approach to Modern Slavery and identified high risk territories where SDL has ensured that employees have completed the relevant training and are aware on how to identify unethical behaviour. SDL has a Whistle Blowing Policy and a dedicated Ethics Compliance team which investigate all claims of unethical behaviour.

SDL undertakes a zero-tolerance approach to Modern Slavery within its global organisation and supply chain. SDL launched its Global Code of Conduct in January 2017 which detailed its ethical conduct requirements for all employees, contractors and suppliers. This was followed up with mandatory training for all employees and contractors and SDL has over a 95% completion and success rate.



## Succession Planning

Board and senior management succession and refreshing and selecting the right individuals from a diverse talent pool are key issues for the Board. They ensure a continuous level of quality in management, avoid instability by helping mitigate the risks which may be associated with unforeseen events, such as the departure of a key individual, and in promoting diversity. During the year, the Board reviewed succession planning for the Board and Executive Committee to ensure we have an appropriate pipeline of talent both now and for the future.

## Risk Management

The Board remains focused on ensuring that the Group's risk management and internal control systems are effective in underpinning robust decision-making on major activities. The Board has continued to debate and develop its understanding of risk, risk appetite and tolerance, risk testing and how we can maximise our opportunities. As we move forward, the Board's challenge will be to oversee the integration of these systems with the Group's strategic priorities as they continue to evolve. Protecting the Group from operational and reputational risk is an essential part of the Board's role. Supported by the Audit Committee, we have continued to drive a better understanding of the risks we face, further developed and tested our tolerance on risk and ensured our Group risk map continues to reflect the Group's strategic objectives and opportunities.

## Diversity and Inclusion

The Board believes it is important to have an appropriate balance of experience, skills, knowledge and backgrounds on the Board and at senior management level. This is vital for bringing both the expertise required and to enable different perspectives to be brought to the Board and Committee discussions. The combination of these factors means that the Board benefits from a diverse range of competencies and thoughts, which promotes a dynamic environment for decision-making.

We are committed to having a diverse Board and senior management team as this diversity improves our performance. We understand and

support the requirement for gender diversity target although our overriding principle will continue to be to make appointments on the basis of merit relative to a number of different criteria including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise, future appointments to the Board must also complement the balance of skills that the Board already possesses. The Board recognises the need to create the conditions that foster talent and encourage all colleagues to achieve their full career potential in the Group. As part of our overall approach to human resource management we encourage colleague diversity and aspire to be an inclusive organisation.

## Engaging with Shareholders

Meaningful engagement with shareholders is one of the key aspects of corporate governance. I and my fellow Directors welcome open, meaningful discussions with shareholders, particularly with regard to governance, strategy, succession planning and remuneration. The Board also receives regular reports on investor relations activities and, in particular, on shareholder sentiment and feedback. The Board continues to believe that ongoing engagement with shareholders and other stakeholders is vital to ensuring their views and perspectives are fully understood and taken into consideration. This will remain a key focus for the Board in 2018. At the Company's forthcoming Annual General Meeting (AGM), all Directors who are able to attend will be available, as usual, to meet with shareholders to discuss any issues they may have.

## Conclusion

During a challenging year, I have greatly valued the diverse and complementary range of skills and experience of my fellow Board members. All of our discussions and debates have taken place within a culture of openness, mutual trust and respect.

---

**David Clayton**  
Chairman  
6 March 2018

---

## BOARD OF DIRECTORS

### David Clayton

Non-Executive Chairman

Tenure: 8 years (appointed December 2009)

Board Committees: Nomination

David Clayton joined SDL as a Non-Executive Director in December 2009 and has served as Senior Independent Director and, for 9 months through 2015/2016, interim Executive Chairman.

After a career in senior executive roles at a number of international technology companies he joined BZW where, after its merger with CSFB in 1997, he was Managing Director and Head of European Technology Research until 2004. David Clayton joined The Sage Group plc Board in June 2004 as a Non-Executive Director and took up an executive role as Director of Strategy and Corporate Development from October 2007 to February 2012. He is currently Chairman of Forensic and Compliance Systems, a Non-Executive Director of SwiftPage Inc and Chairman of the Board of Trustees of the charity Changing Faces.



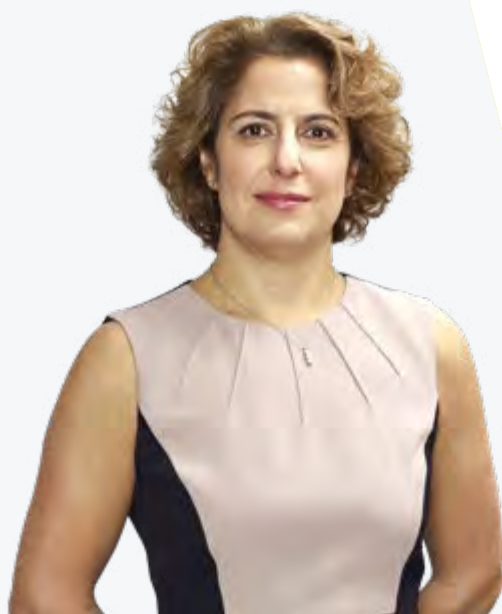
### Xenia Walters

Interim Chief Financial Officer

Tenure: 1 year (appointed as Interim CFO in June 2017)

Xenia Walters was appointed Interim Group CFO from June 2017.

Prior to joining the Group, Xenia held CFO roles within a number of private equity backed companies and was Group Financial Controller and UK CFO at Regus plc. Xenia is a Chartered Accountant, having qualified with Price Waterhouse in 1995. Xenia holds a BSc in Economics from Birmingham University and a MBA from Henley Management School.







### Adolfo Hernandez

Chief Executive Officer

Tenure: 2 years (appointed April 2016)

Adolfo Hernandez joined the Board of SDL as Chief Executive Officer on 18 April 2016. Prior to joining SDL, he was CEO of Acision Limited from July 2013 to August 2015, a privately held mobile communications software company specialising in messaging systems, prior to its merger with Comverse Inc in 2015 to form Xura Inc. Before that Adolfo spent four years at Alcatel-Lucent, with his most recent position being Executive Vice President, Global Software Services and Solutions. Adolfo has also held senior management roles at Sun Microsystems Inc and spent nine years with IBM in London and Munich where he held a variety of sales leadership positions in the areas of eBusiness and Open Systems.

### Dominic Lavelle

Chief Financial Officer

Tenure: 4 years (appointed November 2013)

Dominic Lavelle is a qualified Chartered Accountant who joined SDL in November 2013. Previously, Dominic has held CFO roles within a number of private and publicly traded companies including Mothercare plc, Alfred McAlpine plc, Allders plc and Oasis plc where his roles have encompassed commercial, operational and strategic responsibilities.



## BOARD OF DIRECTORS

### Mandy Gradden

Non-Executive Director – independent

Tenure: 6 years (appointed January 2012)

Board Committees: Remuneration and Chairman of Audit

Mandy Gradden is an experienced corporate CFO with more than 20 years' financial and senior management experience. She is CFO of the FTSE 250 information company Ascential plc. Previous roles include: CFO of the private-equity owned Torex, the retail technology firm; CFO at the FTSE 250 business and technology consultancy, Detica; Director of Corporate Development at Telewest Communications; and Group Financial Controller at Dalgety. She began her career at Price Waterhouse, where, in 1992, she qualified as a Chartered Accountant.



### Glenn Collinson

Non-Executive Director – independent

Tenure: 3 years (appointed June 2014)

Board Committees: Audit, Nomination and Chairman of Remuneration

In 1998 Glenn Collinson co-founded Cambridge Silicon Radio (CSR plc) as a start-up project and was a member of the board of Directors that managed the growth of CSR through its listing as a public company in 2004 and up until 2007, serving first as Marketing Director and then as Sales Director. Prior to CSR plc, he held positions including Senior Engineer and then Marketing Manager at Cambridge Consultants Ltd and held positions as a Design Engineer and Marketing Manager at Texas Instruments. He is a member of the Institution of Engineering and Technology and holds a B.Sc. in Physics and a M.Sc. in Electronics from Durham University, as well as a MBA from Cranfield University. Mr Collinson currently holds other Non-Executive Director positions within the technology sector.



### Christopher Humphrey

Non-Executive Director – independent  
 Tenure: 2 years (appointed June 2016)  
 Board Committees: Audit and Remuneration

Christopher Humphrey is a qualified accountant and has over 25 years' experience managing engineering and technology companies. He is a Non-Executive Director and Chairman of the Audit Committee of Vitec Group plc. He is also the Senior Independent Director and Chairman of the Audit Committee of Aveva Group plc and Chairman of Eckoh plc. Christopher was Group Chief Executive Officer of Anite plc from 2008 until 2015 and Group Finance Director between 2003 and 2008. Prior to joining Anite he was Group Finance Director at Critchley Group plc and held senior positions in finance at Conoco and Eurotherm International plc. Between 2011 and 2012 he was a Non-Executive Director of Alterian plc. Christopher has a BA (Hons) in Economics, is a Chartered Management Accountant, a Fellow of CIMA and has an MBA from Cranfield School of Management.



### Alan McWalter

Non-executive Director – Senior Independent Director  
 Tenure: 4 years (appointed March 2014)  
 Board Committees: Audit, Remuneration and Chairman of Nomination

Alan McWalter is the Chairman of Churchill China plc, Belfield Group and Newmarket Promotions. He has previously held Chairmanship and Non-Executive roles with numerous quoted and private companies. He was an Executive Director of Marks & Spencer and Kingfisher Group companies and in his earlier career held both marketing and general management appointments with Thomson Consumer Electronics and Spillers Foods having started his career with Unilever.



# DIRECTORS' REPORT

The Directors present their report, together with the audited accounts for the year ended 31 December 2017.

Other information which forms part of the directors' report can be found below and by reference to the following sections:

- Strategic Report
- Board of Directors
- Governance
- Financial Statements

## General Information

SDL PLC is the ultimate parent company of the SDL Group which operates internationally. SDL PLC is registered in England and Wales (company number 2675207). The principal activities of the Group and its subsidiaries are described in the Strategic report on pages 2-103.

## Responsibility Statement

As required under the Disclosure and Transparency Rules ("DTR"), a statement made by the Board regarding the preparation of the financial statements is set out following this report which also provides details regarding the disclosure of information to the Company's auditor and management's report on internal control over financial information.

## Going Concern

In line with UK Corporate Governance Code requirements, the Directors have made enquiries concerning the potential of the business to continue as a going concern.

The Strategic report on pages 2-103 considers the Group's activities and outlines the developments taking place in the markets for our products and services.

Strategic, operational and financial risks plus actions taken for their mitigation are set out on pages 91-93.

The Group has a £25m committed revolving credit facility with HSBC plc, expiring in August 2020. The agreement also includes a £25m uncommitted Accordian facility. The Group had no borrowings at 31 December 2017.

After reviewing performance in 2017, the Group's budget, forecasts and three year plans (to 2020), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Given this expectation they have continued to adopt the going concern basis in preparing the financial statements.

## Corporate Governance Statement

The Company's statement on corporate governance can be found on page 116. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross-reference.

## Strategic Report

The Strategic Report is set out on pages 2-103 and is incorporated into this Directors' Report by cross-reference.

## Directors

Brief biographical details of the Directors who have served during the year, and up to the date of this report, are set out on pages 108-111. Directors are subject to annual re-election.

### Powers

The powers of the Directors are set out in the Company's Articles of Association, plus those granted by special resolution at the AGM dated 27 April 2017 governing shares issuance.

### Interests in contracts

As at the date of this report, there is no contract or arrangement with the Company or any of its subsidiaries that is significant in relation to the business of the Group as a whole in which a Director of the Company is materially interested.

### Indemnification

The Company has entered into deeds of indemnity with each of its current Directors to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. These indemnities are Qualifying Third-Party indemnity provisions as defined in section 234 of the Companies Act

2006 and copies are available for inspection at the registered office of the Company during business hours.

### Remuneration

Particulars of Directors' remuneration are shown in the Directors' Remuneration Report. Details of service contracts and how a change of control will affect the service contracts of the Executive Directors are also summarised within the Directors' Remuneration Report. Executive Directors' contracts do not provide for extended notice periods or compensation in the event of termination or a change of control.

## Annual General Meeting

Our 2018 AGM will be held at 9:30am on Thursday 26 April 2018 at DLA Piper UK LLP, 1 London Wall, London EC2Y 5EA. The notice of the 2018 AGM will be made available to shareholders and will also be published on the Group website [www.sdl.com /About Us / Investor Relations / AGM](http://www.sdl.com/About Us / Investor Relations / AGM).

## Results and Dividends

The Group's Consolidated Income Statement appears on page 160 and note 3 shows the contribution to revenue and profits made by the different segments of the Group's business. The Group's profit (Continuing Operations PBTA before exceptional items) for the year was £22.0m (2016: £27.0m). The Directors are recommending that shareholders declare a final dividend of 6.2 pence per ordinary share in respect of the year ended 31 December 2017. If approved, the final dividend will be paid on 8 June 2018 to shareholders on the Register of Members at close of business on 11 May 2018.

## Employee Share Schemes and The SDL Employee Benefit Trust (the Trust)

The Company operates a number of employee share schemes. Under one of those schemes, ordinary shares may be held by trustees on behalf of employees. Employees are not entitled to exercise directly any voting or other control rights in respect of any shares held by such trustees. The trustees may not vote any shares in which they hold the beneficial interest. However, where the trustees are holding shares in a nominee capacity, the trustees must act on any voting instructions received from the underlying beneficial owner of such shares.

Details of issues and purchases of the Company's shares made in the year to 31 December 2017

by the Trust are to be found in note 19 to the accounts. Since 31 December 2016, no shares have been purchased by the Trust to satisfy employee awards under The SDL Retention Share Plan. As at 31 December 2017 the Trust holds zero shares.

All employees, who meet the necessary service criteria, in Canada, the Netherlands, the UK and the USA including Executive Directors may participate in the Company's UK or International Sharesave plan.

Employees also hold outstanding share options under discretionary schemes, see note 19 to the accounts.

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

## Share Capital and Control

As at 6 March 2018 the Company's issued share capital comprised a single class of ordinary shares. Details of the structure of the Company's capital and the rights and obligations attached to those shares are given in note 18 to the accounts.

Each share carries the right to one vote at general meetings of the Company and ordinary rights to dividends. The rights and obligations attached to the shares are more fully set out in the Articles of Association of the Company. There are no restrictions on the transfer of securities of the Company other than the following:

- Certain restrictions may, from time to time, be imposed by laws and regulations (such as in-sider trading laws).
- Pursuant to the Listing Rules of the Financial Conduct Authority, the Company requires certain employees to seek the Company's permission to deal in the Company's ordinary shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares and/or voting rights. There are no shareholdings which carry special rights relating to control of the Company.

The agreements between the Company and its Directors for compensation for loss of office are given in the Directors Remuneration Report on page 137.

## Substantial Shareholdings

All persons with a significant holding, along with the value of that holding are given in the table below (share price at 14 February 2018; 420 pence)

Substantial Shareholdings			
	Holding at 14 February 2018	% of issued share capital	Value of Holding (£000)
Schroder Investment Mgt	12,003,615	14.58	£50,415
Artemis Investment Mgt	8,012,519	9.73	£33,653
Aberforth Partners	6,927,674	8.42	£29,096
River and Mercantile Asset Mgt	6,143,214	7.46	£25,801
RGM Capital	4,760,184	5.78	£19,993
AXA Investment Mgrs	3,315,495	4.03	£13,925
Legal & General Investment Mgt	3,040,882	3.69	£12,772
Majedie Asset Mgt	2,843,310	3.45	£11,942

## Employees

Information regarding our employees and their involvement within the business, including the Company's policy towards discrimination and diversity can be found on page 94-100.

Our employment policies are developed to reflect local legal, cultural and employment requirements. We ensure that there are equal opportunities for all employees, irrespective of age, gender, ethnicity, race, religion, sexual orientation or disability. Applications for employment from disabled persons are treated equally where the requirements of the job may be adequately carried out by a disabled person. Where existing employees become disabled it is our policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide retraining if necessary.

We have an inclusive environment where colleagues are treated with dignity and respect. By encouraging diversity, and employing people with different experiences, backgrounds and talent, we aim to reflect the customers and communities we serve and strengthen and grow as a business. Our selection, training, development and promotion policies ensure equal opportunities for all colleagues, regardless of factors such as gender, marital status, race, age, sexual preference and orientation, colour, creed, ethnic origin, religion or belief, disability (including colleagues who become disabled during service). All decisions are based on merit.

We are working continually to improve the communication channels we use to engage, consult, inform and connect with colleagues, both to enable awareness of the financial and economic factors affecting the Group's performance and to ensure our colleagues' voices are heard. Our colleagues' feedback is important to us and we recognise that to drive our business forward we must respond to their feedback to ensure they are engaged in the decisions we make for the business.

We encourage the involvement of our employees and significant matters are communicated through regular updates from: the Chief Executive Officer; Site Leaders; management meetings; the Group's intranet; a periodic digital magazine; discussion forums and informal briefings. Employee involvement is an essential element of the business.

## Health and Safety

The Chief Financial Officer has ultimate responsibility for Health and Safety.

A Health and Safety Committee, chaired by the Chief Financial Officer, meets regularly to discuss health and safety policy and review activities. Each location in the Group has a Site Leader, responsible for day-to-day health and safety activities. Specific tasks are delegated to local managers and suitably trained individuals within the organisation.

SDL's policy on Health & Safety includes the following:

- To provide information, training and supervision as is necessary to ensure health and safety at work;
- To provide and maintain safe equipment;
- To comply with statutory requirements for health, safety and welfare in each global office;
- To maintain safe and healthy working conditions; and
- To review and revise this policy as necessary at regular intervals.

No 'Reporting of Injuries, Diseases and Dangerous Occurrences' reports were submitted to the Health and Safety Executive (2016: zero).

## Contractual Relationships

There are no individual contracts which are considered to be significant or critical to the overall business of the Group.

## Political and Charitable Donations

During the year no political donations were made. Charitable donations amounting to £nil (2016: £3,066) were made to external charities and £195,000 (2016: £205,527) was committed to The SDL Foundation.

## Disclosure of Relevant Audit Information

So far as the Directors who are in office at the time of the approval of this report are aware, there is no relevant audit information (namely,

information needed by the Company's auditors in connection with the preparation of their auditors' report) of which the auditor is unaware. Each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

## Information Presented in Other Sections of the Annual Report

Other information which is required to be included in a Directors' Report can be found in other sections of the Annual Report, as described below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

- Commentary on the likely future developments in the business of the Group is included in the Strategic Report.
- A description of the Group's financial risk management and its exposure to risks arising are set out in note 23 to the accounts.
- Particulars of events occurring after the balance sheet date are described in notes 25 to the accounts and discussed in the Strategic Report.
- Information concerning Directors' contractual arrangements and entitlements under share based remuneration arrangements is given in the Directors' Remuneration Report.
- Information concerning the employment of disabled persons and the involvement of employees in the business is given in 'Employees'
- Disclosures concerning greenhouse gas emissions are contained in the Environment section of the Strategic report on pages 101-103.

### By order of the Board

---

**Adolfo Hernandez**  
Director  
6 March 2018

---

# CORPORATE GOVERNANCE REPORT

## UK Corporate Governance Code Compliance

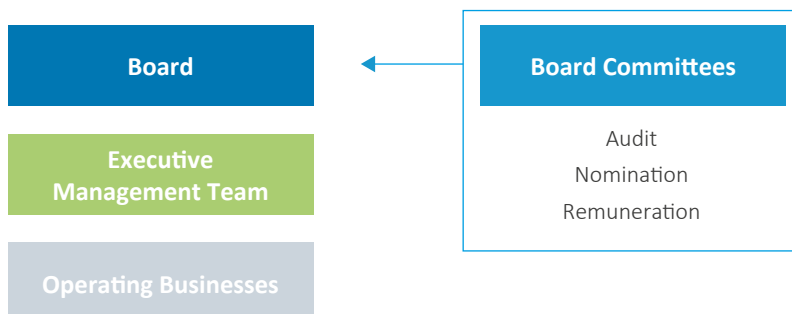
The Board confirms that throughout the year ended 31 December 2017 the Company applied the main principles and complied with the relevant provisions set out in the UK Corporate Governance Code (Code) issued by the Financial Reporting Council (FRC) in April 2016. The Code can be found on the FRC website at: [www.frc.org.uk](http://www.frc.org.uk).

## Leadership – Governance Framework

The Board is responsible for the risk management and internal control systems and for reviewing their effectiveness. In addition the Board and Executive management team operate within a wider governance framework. This ensures that decisions are taken at the right level of the business by the people best placed to take them. The framework allows us to run our business whilst maintaining high standards of governance that support our aim of trust and transparency. Having delegated the detailed operation of the business to the CEO and CFO, the Board holds them to account for their responsibilities. In order to do this effectively, the Board operates through a number of Committees, each made up entirely of members of the Board. Each Committee meets separately to the Board during the year, providing time to focus in depth on the particular key matters of audit, remuneration and nominations.

The Board confirms that it has reviewed the effectiveness of the Group’s system of internal control for the period and that these procedures accord with the ‘Guidance on Risk Management, Internal Control and Related Financial and Business reporting’ published by the FRC.

The framework





## The Board

The Board, led by the Chairman, is accountable to shareholders for managing the Group in a way which promotes the long-term and sustainable success of the Company for the benefit of shareholders as a whole. To support our role in determining the strategic objectives and policies of the Group, we have a well-defined corporate governance framework. The Board provides entrepreneurial leadership within a framework of prudent and effective controls for risk assessment and management.

A key responsibility is to ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

## Matters Reserved for the Board

The Board is the decision-making body for those matters that are considered of significance to the Group owing to their strategic, financial or reputational implications or consequences. To retain control of these key decisions, certain matters have been identified that only the Board may approve and there is a formal schedule of powers reserved to the Board. These include approval of:

- the Company's strategic and operating plans;
- the type and degree of risk that the Group is willing to take in order to meet strategic objectives;
- long-term plans and budgets;
- financial results, viability statement and governance;
- material contracts;
- capital and liquidity matters; and
- major acquisitions, mergers and disposals.

Specific responsibilities have been delegated to the Board Committees, each of which is responsible for reviewing and dealing with matters within its own terms of reference. Each Committee reports to, and has its terms of reference approved by, the Board. The Committee papers and minutes are, where appropriate, shared with all Directors.

## Board Meetings

A planned programme of work is established to ensure all matters are covered and to allow

sufficient time for debate and challenge.

The Board receives and considers papers and presentations from the Executive Directors on relevant topics and Executive management team members are regularly invited to attend meetings for specific items. This enables the Non-Executive Directors to engage with colleagues from across the Group. Effective review and decision-making is supported by providing the Board with accurate, timely information, including input from advisers where necessary. Board meetings are structured around the following areas: strategic; financial; operational including risk and internal controls; and corporate governance matters.

During the year, the Board and its Committees continued to focus on delivering the Company's transformation strategy. A two-day strategy meeting was held in September which included in-depth discussions of strategic matters and a number of presentations by senior management.

A forward agenda for the Board is maintained, setting out items for consideration periodically in the future. This provides context for the current meeting agenda, setting out when items will be tabled for consideration through the annual cycle of events.

## Division of Responsibilities

The responsibilities of the Chairman, CEO, SID and other Directors are clearly defined and no individual has unrestricted powers of decision. The Chairman is responsible for the leadership of the Board, while the responsibility for the day to day management of SDL has been delegated to the CEO.

The CEO is supported by the Executive Management team which is responsible for making and implementing operational decisions and for making recommendations to the Board.

## Board Committees

There are three Board Committees: Audit, Remuneration and Nomination. Members are appointed by the Board upon recommendation of the Nomination Committee which reviews regularly the composition of the Board and its Committees. Only members of the Committees are entitled to attend their meetings, but others may attend by invitation. Memberships are as follows:

- The Audit Committee consists of Mandy Gradden (who chairs the Committee), Glenn Collinson, Alan McWalter and Christopher Humphrey all of whom are independent Non- Executive Directors. The Board is satisfied that all members of the Committee have recent and relevant financial experience. The Committee meets at least three times a year.
- The Nomination Committee consists of Alan McWalter (who chairs the Committee), David Clayton, Glenn Collinson and Christopher Humphrey, ensuring that a majority of the Committee’s members are independent Non-Executive Directors.
- The Remuneration Committee consists of Glenn Collinson (who chairs the Committee), Mandy Gradden, Christopher Humphrey and Alan McWalter, all of whom are independent Non-Executive Directors.

All Board committees operate within defined terms of reference and sufficient resources are made available to them to undertake their duties. The terms of reference of the Board committees are available on the website ([www.sdl.com](http://www.sdl.com)) and by request from the Company Secretary.

## Directors’ Attendance at Meetings

The attendance of individual Directors at the regular meetings of the Board and its Committees in the year is set out below, with the number of meetings each was eligible to attend shown in brackets. Directors who are unable to attend meetings will receive the papers and any comments will be reported to the relevant meeting. Directors have attended a number of ad hoc meetings during the year in addition to the regular Board meetings and have contributed to discussions outside of the regular meeting calendar.

The Nominations Committee assesses the external commitments of Board members to ensure that they each have sufficient time and energy to devote to their role with SDL.

Director	Board	Audit committee	Nomination committee	Remuneration committee
David Clayton, Chairman	11(11)	3(3) <sup>(3)</sup>	2(2)	5(5) <sup>(3)</sup>
Chris Batterham <sup>(1)</sup> , NED	2(3)	1(1) <sup>(3)</sup>	-	-
Glenn Collinson, NED	11(11)	3(3)	2(2)	5(5)
Mandy Gradden, NED	11(11)	3(3)	-	5(5)
Adolfo Hernandez, CEO	11(11)	3(3) <sup>(3)</sup>	-	2(2) <sup>(3)</sup>
Christopher Humphrey, NED	11(11)	3(3)	2(2)	5(5)
Dominic Lavelle <sup>(2)</sup> , CFO	4(4)	1(1) <sup>(3)</sup>	-	1(1) <sup>(3)</sup>
Xenia Walters <sup>(2)</sup> , Interim CFO	7(7) <sup>(3)</sup>	2(2) <sup>(3)</sup>	-	1(1) <sup>(3)</sup>
Alan McWalter, SID	11(11)	3(3)	2(2)	5(5)

(1) Chris Batterham resigned as a director on 27 April 2017.

(2) Dominic Lavelle is on leave of absence (from 15 June 2017). Xenia Walters, Interim CFO, attended Board meetings by invitation.

(3) Attended by invitation

The Chairman met with the Non-Executive Directors, without the Executive Directors present, during the financial year. Issues discussed at these meetings included Board composition, financial and management performance and acquisition strategy.

## Independence

Independent Non-Executive Directors form the majority of the Board and are appointed for an initial three-year term, subject to annual re-election by shareholders at the Annual General Meeting. The Board considers each of its current Non-Executive Directors to be independent in character and judgement, providing objective challenge to management in order to support the ultimate good of the Group and that there are no business or other relationships likely to affect, or which could appear to effect, the judgement of the Non-Executive Directors.

## Effectiveness

Non-Executive Directors are expected to commit sufficient time to their role and all Directors are expected to attend each Board and Committee meeting for which they are members. As stated above, if a Director is unable to attend a meeting because of exceptional circumstances, he or she still has access to the papers and other relevant information and has the opportunity to discuss with the relevant Chair or the Company Secretary any matters he or she wishes to raise or follow up.

The Board is satisfied that the Chairman and each of the Non-Executive Directors are able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment of the time required to fulfil their role. The Board is satisfied that the number of appointments held by each Director in addition to their position with SDL is appropriate to allow them to fulfil their obligations to the Group.

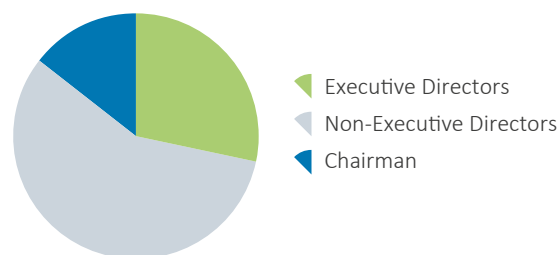
## Induction and Development

Led by the Chairman, a comprehensive induction programme is tailored for each new Director prior to their appointment to the Board. The programme is tailored for the individual, taking account of their existing knowledge, specific areas of expertise and proposed Committee appointments.

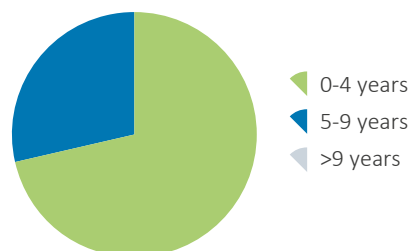
On-going development opportunities for all Directors are provided as required. Any training will take account of an individual's skill sets and be designed to meet the needs of each Director as well as the collective requirements of the Board and its Committees. During the year, the Group provided an induction programme for Xenia Walters, Interim Chief Financial Officer. Meetings were arranged with the Chairman,

## Diversity

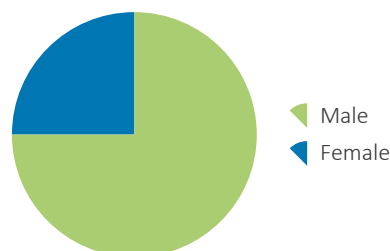
### Balance of Non-Executive Directors



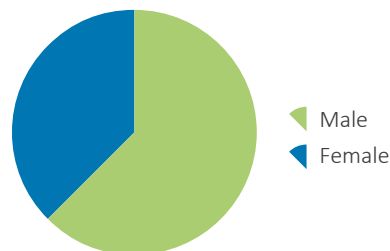
### Length of tenure



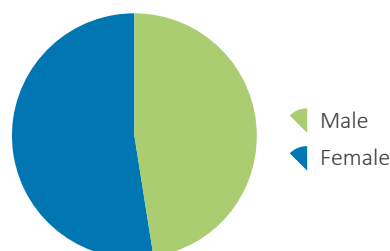
### Gender split at Board level



### Gender split at Executive Management level



### Gender split at Employee level



Chief Executive and Senior Independent Director, as well as senior members of the executive management team to ensure she gained a thorough overview and understanding of the business. In addition, she has visited principal offices worldwide.

The Board also receive regular reports on shareholder sentiment following investor roadshows and conferences. Non-Executive Directors are invited to attend shareholder meetings and analyst presentations.

## Information and Support

All Directors are supplied with information in an appropriate format. They each have access to the advice and services of the Company Secretary and are able to arrange for independent professional advice at the Company's expense where they judge it is necessary in order to discharge their responsibilities as Directors. In addition, a Directors' and Officers' Liability Insurance policy is maintained for all of our Directors and each Director has the benefit of a Deed of Indemnity.

Directors receive papers and other relevant information on the business to be conducted at each Board or Committee in advance. Directors also have direct access to senior management if they require additional information on discussion items.

## Evaluation

The Board, individual Directors and the Board's main Committees are reviewed annually, with this year's review being carried out internally. No issues have arisen that are required to be addressed but the Board's discussion of the review's output will help to shape the future development of the Group's risk profile.

Evaluations are structured to promote debate on issues that are relevant and assist in identifying any potential for improvement in the Company's processes. The 2017 evaluation consisted of a detailed questionnaire focussing on the operation of the Board and its Committees.

The Non-Executive Directors, led by the Senior Independent director, met to review the performance of the Chairman. It was agreed that the Chairman continues to show effectiveness in leadership. The performance of the other Executive Directors is appraised

by the Chairman. The Chairman appraises the performance of the Non-Executive Directors, identifying any development opportunities or training needs.

## Election of Directors

In accordance with best practice and the UK Corporate Governance Code, all Directors will submit themselves for re-election at the forthcoming AGM.

## Investor Relations

The Board encourages and conducts constructive dialogue with institutional and private investors to enable clear communication of the Company's objectives and to understand what is important to shareholders.

During the year, activities were undertaken to engage with our institutional shareholders:

- the Chairman, SID, Chairman of the Remuneration Committee, CEO and CFO held meetings throughout the year with institutional shareholders;
- investor roadshows and Capital Market days were organised and conferences attended in the UK and North America;
- institutional shareholders were invited to attend the Company's full-year and half-year results roadshows; and
- other presentations were made to institutional investors and analysts to enable them to gain a greater understanding of important aspects of the Group's business

The outcome of all shareholder interactions are reported to the Board to ensure that all Non-Executive Directors develop an understanding of the view of major shareholders. All Non-Executive Directors are able to attend scheduled meetings with major shareholders.

## Annual General Meeting

The 2017 AGM was held on Thursday 27 April 2017. All directors attended and were available to answer questions. Voting on all resolutions was by poll, allowing shareholders to vote by proxy if they could not attend. The results of voting were published on our website at [www.sdl.com](http://www.sdl.com).

The 2018 AGM will be held on Thursday 26 April 2018 at 9:30am at DLA Piper's offices in London. Full details are included in the Notice of Meeting.

# AUDIT COMMITTEE REPORT

## Dear Shareholder

On behalf of the Board, I am pleased to present this year's Audit Committee report. The Committee has continued to play a key role within the governance framework to support the Board in matters relating to financial reporting, internal control and risk management. 2017 has been another busy year for the Committee, undertaking our principal responsibilities. Some of this year's highlights include the following:

- overseeing the continued development of the Group's risk management and internal controls framework, including the enhancement of the risk, controls and assurance model aiming to align the approach to risk and further embed the risk management culture across the Group;
- reviews of specific principal risk areas, and potential impacts arising from Brexit;
- a review of the Group's IT general controls and information security risks and the ongoing implementation of the technology transformation project which continues to strengthen controls in these areas;
- monitoring key compliance activities in the Group, including in the areas of data privacy, anti-bribery, modern slavery and fraud and in respect of the Group's whistleblowing arrangements;
- review and consideration of tax regulations, disclosures and new reporting requirements;
- assessment of the going concern and viability statements and the underlying models and assumptions, prior to consideration by the Board oversight of the Group's foreign exchange exposures and the Group's mitigating controls;
- received regular reports on the Group's implementation of IFRS 15 and capitalisation of R&D costs; and
- in addition to the matters specifically reviewed during Audit Committee meetings, the Board as a whole have also reviewed the Group's forecasting processes.

In 2018 these areas will remain a key focus. We will also continue to oversee the implementation of some new and significant accounting standards, namely IFRS 15 'Revenue from contracts with customers'; and IFRS 16 'Leases', as further described in Note 2 to the financial statements.

**Mandy Gradden**  
Audit Committee Chairman  
6 March 2018



## Composition and Governance

The Audit Committee is comprised of four Non-Executive Directors all of whom are considered independent. Both Mandy Gradden and Christopher Humphrey are chartered accountants. Mandy Gradden currently serves as Chief Financial Officer of Ascential plc. The Board considers both Mandy Gradden and Christopher Humphrey, who is Chairman of the Audit Committee for Vitec Group plc and Aveva Group plc, to have relevant financial experience in accordance with the UK Corporate Governance Code.

All Committee members have significant current 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.

Only the members of the Committee have the right to attend Committee meetings, however the

Chief Financial Officer, Chairman, Chief Executive Officer, senior representatives of the external auditor KPMG, 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.

The Chairman of the Committee reports to the Board and meets with the external auditor, without executive management present to discuss matters relating to its remit and any issues relating to the audit. Mandy Gradden also meets with the Chief Financial Officer and the external auditor outside of formal meetings to ensure that any areas for discussion are dealt with on a timely basis.

The Committee undertakes its duties in accordance with its terms of reference which were reviewed during the year to ensure that they remained fit for purpose and in line with best practice guidelines. The terms of reference are available on the Company's website.

As part of the formal annual Board evaluation, the Committee's effectiveness was subject to review.

### Audit Committee membership and attendance

	Number of scheduled meetings eligible to attend	Number of meetings attended
Mandy Gradden	3	3
Glenn Collinson	3	3
Christopher Humphrey	3	3
Alan McWalter	3	3

The Committee met three times during the year ended 31 December 2017. Since the end of the year, the Committee has met once (1 March 2018) and all members attended.

## Audit Committee meetings and key activities

Committee meeting date	Key Agenda Items
1 March 2017	<p>Annual results</p> <ul style="list-style-type: none"> <li>• Significant accounting issues, key judgements &amp; estimates, viability statement</li> <li>• External auditor's report</li> <li>• Review of preliminary results and draft announcement</li> </ul> <p>Draft annual report</p> <p>Review of the future changes to accounting standards including IFRS15</p> <p>Review proposed Modern Slavery Act statement</p> <p>Risk Review</p>
28 July 2017	<p>Interim results</p> <ul style="list-style-type: none"> <li>• Significant accounting issues, key judgements &amp; estimates, viability statement</li> <li>• External auditor's report</li> <li>• Review of preliminary results and draft announcement</li> </ul> <p>Review of findings from internal audit site visits</p> <p>Review of effectiveness of external audit</p>
23 November 2017	<p>External auditor Audit Strategy report</p> <p>Treasury/Foreign exchange review</p> <p>Group Tax matters</p> <p>Compliance update including: Data Privacy and GDPR; Whistleblowing; Modern Slavery</p> <p>Risk review including: Detailed papers on information security, cyber and shadow IT, Brexit</p> <p>Annual review of internal controls</p> <p>Review of internal audit structure/approach</p>
1 March 2018	<p>Annual results</p> <ul style="list-style-type: none"> <li>• Significant accounting issues, key judgements &amp; estimates, viability statement</li> <li>• External auditor's report</li> <li>• Review of preliminary results and draft announcement</li> </ul> <p>Draft annual report</p> <p>Risk register review</p> <p>Review of risk management assurance processes</p>

Outside of the formal meetings, the Chairman meets regularly with the external auditor, the Chief Financial Officer and other senior management.

## Significant Judgements

The significant judgements considered by the Committee in relation to the 2017 accounts were:

### Carrying value of goodwill

The Committee reviewed management's process for testing goodwill for potential impairment and ensuring appropriate sensitivity disclosure. This included challenging the key assumptions: revenue growth rates, forecasting accuracy, cash flow projections and discount rates.

This is an area of focus for the Committee given the materiality of the Group's goodwill balances (£142.1m at 31 December 2017 (£146.7m at 31 December 2016)). No impairment has been identified for 2017 (2016: no impairment identified). See notes 9 and 11 to the financial statements for further information.

The judgements continue to relate primarily to the assumptions underlying the calculation of the value in use of the business.

The Committee received detailed reporting including consideration of:

- the historical accuracy of management's forecasts
- benchmarking data supporting key assumptions e.g. revenue growth
- sensitivity analysis in relation to possible changes to key assumptions and their impact on valuation
- the overall group value in use calculation in comparison with the groups externally determined to market capitalisation
- the adequacy of the groups disclosures in respect of impairment testing including whether the disclosures properly reflect the risks inherent in the key assumptions and the requirements of relevant accounting standards.

### Technology revenue recognition – perpetual licences

There is a key area of judgement in the timing of this recognition and resulting deferred revenue on licenced software and related services. This judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Assessment of whether the Group's revenue recognition policies are appropriate and consistently applied continues to be a key focus given the ongoing transition in business model to selling software as a service.

The Committee continue to monitor the application of the Group's revenue recognition policy (which recognises difference category of revenue: Services, Licence and Professional Services and is set out in note 2 to the financial statements) and received reports from management on the processes in place to confirm consistent application of the policy. The Committee also received reports from the external auditor on its findings over perpetual licence revenue recognition.

The Committee discussed and challenged management's reports, satisfying itself that a consistent approach had been applied to determine revenue recognised in 2017.

In addition, the Committee received progress updates for the project to implement the forthcoming revenue standard, IFRS 15. The implementation activities and impact of the adoption of this standard on the Group's results are explained in note 1 to the financial statement. The standard is being fully adopted in 2018 on a full retrospective basis.

2018 will be the first year of reporting under IFRS 15.

## Internal Control and Risk Management

On behalf of the Board, the Committee monitors and reviews the Company's internal control and risk management systems. This includes all material controls: financial, operational and compliance.

Reviews carried out by the Committee during the year included:

- Principal risks – the ongoing assessment of each risk and management actions and mitigations in place. Presentations were received from the executive management team on selected principal risks and other topics.
- Compliance Team – reviewed and considered the effectiveness of adherence to policies and any incidents relating to Code of Conduct, Data Protection, Anti-Bribery and Corruption, Anti-Money Laundering and Whistleblowing.
- Internal Audit and controls – received reports from management on internal control and monitored the implementation of management actions to address identified control weaknesses.



- Whistleblowing – the suitability of the policy and associated processes and requested a management review of alternative arrangements for capture and escalation of any incidents, and disclosure to the Committee. The Committee is notified of all matters raised, including financial reporting, alleged fraud, bribery or corruption.
- Tax risk – received and considered presentation from management on the key drivers of the Group’s effective tax rate, the status of the Group’s tax compliance filings and ongoing tax enquiries and audits, the Group’s principal tax risks and how these were being managed.
- Foreign exchange – received and considered presentations from management on the Group currency cash flows, net earnings exposures and mitigating controls.

## Internal Audit

The effectiveness of the internal audit, headed up by the Group Finance Director, is reviewed by the Committee on an annual basis. The Committee considers and evaluates the level of resource, skills and experience to ensure it is appropriate to provide the required level of assurance over the principal risks, processes and controls throughout the Group.

The Committee approved the scope and plan of the Internal Audit at the beginning of the financial year and monitors progress at subsequent updates.

In 2017 the Committee concluded that the Group would be best served by having a dedicated internal audit function. This recommendation was accepted by the Board. The Committee continues to monitor the implementation of this recommendation.

## External Auditor and Independence

KPMG were appointed as SDL’s external auditor in 2010 following a tender process. The current audit partner is Simon Haydn-Jones and he has been in the role since 2014.

The Committee reviews and makes a recommendation to the Board with regard to the re-appointment of the external auditor. In making this recommendation, the Committee considers KPMG’s effectiveness, independence, objectivity and scepticism on an ongoing basis during the year, through its own observations

and interactions with the external auditor. The audit committee meet the external auditor both formally and informally throughout the year to discuss, amongst other things, materiality, audit strategy and audit findings. Having regard to the:

- experience and expertise of the auditor in their direct communication with, and support to, the Committee;
- content, quality of insights and added value of their reports;
- completion of the agreed external audit plan;
- robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements;
- the interaction between management and the auditor, including ensuring that management dedicates sufficient time to the audit process;
- provision of non-audit services as set out below; and
- review and consideration of the results of management’s evaluation of the effectiveness of the external auditor.

The Committee recommended to the Board the reappointment of KPMG at the 2018 AGM.

The process for approving all non-audit work provided by our external auditor is overseen by the Committee in order to safeguard the objectivity and independence of the auditor. KPMG currently provides an interim review to the Group the cost of which is less than £0.1m.

From June 2016, EU regulations prohibit the provision of certain non-audit services by the external auditor and introduce a cap on non-audit fees. The regulations require the Group to cap the level of non-audit fees paid to its external auditor at 70% of the average audit fees paid in the previous three consecutive financial years.

As a consequence, tax advisory / compliance work was put out to tender and the contract awarded to BDO. No material non-audit work is provided by our external auditor.

In 2017, KPMG received total fees of £0.5m (2016: £1.1m) consisting of £0.4m of Group audit fees (2016: £0.5m) and £0.1m for non-audit and audit related services (2016: £0.6m).

Fees paid to KPMG are set out in Note 4 to the financial statements.

# NOMINATION COMMITTEE REPORT

## Dear Shareholder

The main issues considered by the Committee during the year were the appointment of Xenia Walters as Interim CFO in June 2017 and succession planning for senior management.

The Committee has continued to keep under review the succession planning arrangements for the Executive Directors and Executive Management, together with the adequacy of the pipeline of talent. We recognise that good succession planning contributes to the delivery of the Group's strategy by ensuring the desired mix of skills and experience of Board members and senior management now and in the future. An in-depth review was conducted during the year of the Group's talent management approach and succession pipeline and this will continue to be a focus during 2018.

Nominations Committee membership and attendance		
	Number of scheduled meetings eligible to attend	Number of meetings attended
Alan McWalter	2	2
David Clayton	2	2
Glenn Collinson	2	2
Christopher Humphrey	2	2

## Nomination Committee Responsibilities

The responsibilities of the Nomination Committee include:

- review of the structure, size and composition (including skills, knowledge, experience, and diversity) of the Board and its Committees and making recommendations to the Board regarding any changes;
- identification and nomination of candidates for appointment to the Board;
- review of succession over the longer term for Directors and senior management;
- keeping under review the time commitment expected from the Chairman and Non-executive Directors; and
- ensuring an effectiveness review is conducted annually of the Board, its Committees and Directors.

The Committee's terms of reference are available at [www.sdl.com](http://www.sdl.com)

## Nomination Committee Activities

During 2017, the Committee considered, amongst other matters, the following:

- selecting and recommending Xenia Walters as an Interim CFO;
- succession planning for Executive Directors, Non-executive Directors and the Executive Management;
- reviewing the results of the annual performance evaluation of the Committee; and
- reviewing the Committee's terms of reference.

## Board Appointments Process

When considering the recruitment of a new Director, the Committee adopts a formal, rigorous and transparent procedure with due regard to diversity, including gender. Prior to making an appointment, the Committee will evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, will prepare a full description of the role and capabilities required. In identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search;
- considers candidates from different genders and a wide range of backgrounds;
- considers candidates on merit and against objective criteria ensuring that appointees have sufficient time to devote to the position, in light of other potential significant positions; and
- engages from time-to-time with the Group's major shareholders on future skills requirements and ideas for potential candidates.

Where the Committee appoints external advisers to facilitate the search, it ensures that the firm selected has signed up to the relevant industry codes (for example, on diversity) and has no connection with the Company.



**Alan McWalter**  
Nomination Committee Chairman  
6 March 2018

# DIRECTORS' REMUNERATION REPORT

This report covers the activities of the Remuneration Committee for the year ended 31 December 2017 and sets out the remuneration policy and remuneration details for Executive and Non-Executive Directors. Below is the Annual Statement from the Chair of the Remuneration Committee followed by the Remuneration Policy and the Annual Report on Remuneration.

Our Remuneration Policy, set out on pages 131 to 138 was approved in a binding vote at the Annual General Meeting on 28 April 2016 at the same time as separate resolutions to approve a new Long Term Incentive Plan (LTIP) and a new Deferred Share Bonus Plan. The Remuneration Policy will continue to apply in 2018 as it has throughout 2017. The Annual Report on Remuneration (set out on pages 139 to 149) describes how this policy will be implemented in 2018, together with details of remuneration paid in the 2017 financial year. This report together with the Annual Statement will be subject to a single advisory shareholder vote at the 2018 AGM.

## Annual Statement

### Dear Shareholder,

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 December 2017, which summarises the Group's performance and the resulting remuneration for the year.

## Performance and Remuneration for 2017

### Summary of 2017 performance

2017 was a year of continuing transformation for the Group and it was frustrating that the business was not able to perform consistently in financial terms in all areas. In particular, the financial results were impacted by weak gross margins in Language Services in the first half and software deal slippage towards the end of the period. As a result, whereas the Group's sales were broadly in line, the profit based measures were below expectations.

### Executive Directors' annual bonus

The 2017 annual bonus was based on stretching profit based and revenue targets as well as the achievement of personal objectives. The profit based performance threshold was not achieved and no bonus was therefore accrued for this element of the bonus plan. Although the revenue performance threshold was exceeded and several of the personal objectives were achieved, the Committee and Board decided, as allowed for under the executive bonus plan, that the Group's overall performance did not justify the payment of these bonus elements.

Therefore no bonus payments were made to the Executive Directors in respect of performance in 2017.

Full details of the measures, targets and bonus outcomes are set out on pages 142 to 143 of the Annual Report on Remuneration.

### **Executive Directors' long-term incentives**

The CFO was granted a Long Term Incentive Plan (LTIP) award on 17 April 2015. This award reached the end of its performance period on 31 December 2017 and was subject to a Total Shareholder Return ("TSR") condition and an Earnings per Share ("EPS") underpinning condition. The TSR performance was below the threshold of meeting the FTSE 250 Index (excluding Investment Trusts) over the three year period.

Therefore, the LTIP awards subject to performance ending in the 2017 financial year will lapse in full.

The Board is satisfied that the bonus and long term incentive outcomes are reflective of the Company's performance over their respective periods.

## Implementation of Policy in 2018

### **Executive Directors' salary**

The CEO's salary will be increased by 2.8% effective 1 January 2018. This compares to the average salary increase for employees across the UK workforce of 2.8%.

### **Executive Directors' annual bonus**

The maximum annual bonus for 2018 will be 150% of salary for the CEO and 112.5% of salary for the CFO (which, for the latter, is lower than applied in 2017). The financial performance measures used will continue to be based on the achievement of targeted levels of revenue and profit before tax, amortisation and exceptional items. These will continue to operate alongside a scorecard of personal objectives. 83.3% of the executive directors' maximum possible bonus (or 125% of salary for the CEO and 87.5% of salary for the CFO) will be based on the financial measures and the remaining 16.7% of maximum possible bonus (or 25% of salary for both the CEO and CFO) will be based on personal objectives. The profit and revenue elements shall have a weighting of 41.67% each and 16.67% will be based on personal objectives.

### **Executive Directors' long-term incentives**

It is proposed that LTIP awards are granted to the CEO and CFO in line with the approved remuneration policy. The Committee is considering the grant level (subject to the policy caps) and further details of the grant will be set out in a separate RNS announcement.

The 2018 LTIP performance measures will be, as in 2017, 50% based on EPS growth and 50% based on relative TSR, both measured independently.

A two-year holding period applies to vested LTIP awards and robust recovery and withholding provisions operate.

The Board is satisfied that the policy continues to provide a good balance between appropriately stretching targets and potential rewards.

### **Board changes**

We announced in June 2017 that the CFO, Dominic Lavelle, was taking a temporary leave of absence to undergo treatment for a medical condition. Xenia Walters has joined SDL on an interim basis in order to cover Dominic's responsibilities as Interim CFO. Xenia has not joined the Board but attends all Board meetings.

### **Shareholder views**

As the 2016 Remuneration Policy has a three year life, a new policy will be submitted for shareholder approval in 2019. The Remuneration Committee will therefore review directors' remuneration during 2018 and will take on board investors' views when putting together the new policy. If you have any comments in the meantime, please feel free to contact me through the Company Secretary at [ppickering@sdl.com](mailto:ppickering@sdl.com).

The advisory vote on the remuneration-related resolution received the support of 93% of shareholders at the AGM on 27 April 2017.

On behalf of the Committee, I thank shareholders for their support last year and hope you will be able to support the advisory vote on our remuneration report at the 2018 AGM.



**Glenn Collinson**  
Remuneration Committee Chairman  
6 March 2018

# REMUNERATION POLICY REPORT

This part of the directors' remuneration report sets out a summary of the remuneration policy which was approved by shareholders at the AGM on 28 April 2016. The policy took formal effect from the date of approval and is intended to apply until the 2019 AGM. A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 31 December 2015 available on our website at [www.sdl.com/about/investors/](http://www.sdl.com/about/investors/)

Details of how the Company intends to implement the Policy in 2018 are provided in the Annual Report on Remuneration section starting on page 139.

## Remuneration Policy Objectives

The objective of the remuneration policy is to provide remuneration packages to each Executive Director that will:

- Align rewards with the interests of shareholders;
- Motivate and encourage superior performance;
- Allow the Group to retain the talent needed to execute its business strategy;
- Enable the Group to be competitive when recruiting appropriately skilled and experienced management; and
- Ensure that the overall package for each Director is linked to strategic objectives of the Group.

## The Remuneration Policy for Directors

Our policy is designed to offer competitive, but not excessive, remuneration structured so that there is a significant weighting towards performance-based elements. A significant proportion of our variable pay is delivered in shares with deferral and holding periods being mandatory, and with appropriate recovery and withholding provisions in place to safeguard against overpayments in the event of certain negative events occurring. The table below provides a full summary of the policy elements for the Company's Directors.

A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 31 December 2015 available on our website at [sdl.com/investors](http://sdl.com/investors)

Element	Purpose & link to strategy	Operation
<b>Base salary</b>	Essential to recruit and retain executives of a high calibre. Reflects an individual's experience, role and performance.	<p>Salaries are paid monthly. They are reviewed annually and normally fixed for 12 months commencing 1 January.</p> <p>In deciding appropriate levels, the Committee takes into account:</p> <ul style="list-style-type: none"> <li>• The role, experience, responsibility and performance (individual and Group);</li> <li>• increases applied to the broader workforce; and</li> <li>• relevant market information for similar roles in broadly similar UK listed companies and companies of a similar size.</li> </ul> <p>Periodic account of practice in comparable companies in terms of size and complexity will be taken (e.g. comparable technology sector peers and pan-sector companies of a broadly similar size).</p> <p>The Committee considers the impact of any salary increase on the total remuneration package prior to awarding any increases.</p>
<b>Benefits</b>	To provide competitive benefits to help recruit and retain executives.	<p><b>Benefits include:</b></p> <ul style="list-style-type: none"> <li>• Car or car allowance</li> <li>• Private medical insurance</li> <li>• Life assurance</li> <li>• Health insurance</li> </ul> <p>Executive Directors are also eligible to participate in the all-employee HMRC approved share schemes on the same basis as other employees.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Relocation or related expenses may be offered including tax equalisation to ensure the executive is no better or worse off.</p> <p>Executive Directors may be offered other benefits if considered appropriate and reasonable by the Committee.</p>
<b>Pension</b>	To provide retirement benefits in line with the overall Company policy	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a salary supplement in lieu of pension benefits or a mixture of both.
<b>Annual bonus</b>	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets. To ensure further alignment with shareholders through the retention of deferred equity.	<p>Bonus payment is determined by the Committee after the year end, based on performance against targets set prior to the start of the year. Targets are reviewed annually.</p> <p>Bonuses up to 100% of salary will be payable in cash. Any bonus earned in excess of 100% of salary will normally be deferred in shares. Deferred shares vest after two years subject to continued employment but no further performance targets.</p> <p>A dividend equivalent provision allows the Committee to pay dividend equivalents on deferred shares (in cash or shares) up to the date of vesting. This may assume the reinvestment of dividends on a cumulative basis.</p> <p>Bonus payments, including deferred bonus awards, are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct.</p> <p>Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.</p>



## Maximum Opportunity

## Framework Used to Assess Performance

There is no prescribed maximum.

Generally, the Committee is guided by average increases across the workforce. However, higher increases (in percentage of salary terms) may be awarded on occasion, for example (but not limited to):

- where an individual is promoted or has been recruited on a below market rate,
- in relation to a change in size, scale or scope of an individual's role or responsibilities or in the size or complexity of the business or where salaries have fallen significantly below mid-market levels.

The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.

There is no prescribed maximum as costs may vary in accordance with market conditions.

HMRC tax-approved limits will apply to all employee share schemes.

Not applicable

12% of salary p.a.

Not applicable

The maximum award under the annual bonus scheme is 150% of salary.

Performance metrics are selected annually based on the Company's strategic objectives. The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets. Measures and weightings may change each year to reflect any year-on-year changes to business priorities.

Financial measures will represent the majority of bonus, with clearly defined non-financial targets representing the balance (if any).

For financial metrics, a sliding scale of targets is normally set by the Committee, taking into account factors such as the business outlook for the year.

- Nothing is payable for performance below a minimum level of performance.
- Up to 25% of this part of the bonus is payable for meeting a demanding target with maximum bonus payable for achieving a more demanding target.
- Where non-financial targets operate, it may not always be practicable to set targets on a graduated scale. Where these operate, not more than 25% will be payable for achieving the threshold target.

The metrics, and proportion of bonus that can be earned against each metric, will be disclosed in the Annual Remuneration Report each year for the following year.

The calculation of the annual bonuses from the actual performance achieved against each bonus target will be described retrospectively each year in the Annual Remuneration Report.

Element	Purpose & link to strategy	Operation
<b>2016 Long- Term Incentive Plan</b>	<p>Incentivises selected employees and Executive Directors to achieve successful execution of business strategy over the longer term.</p> <p>Provides long-term retention.</p> <p>Aligns the interests of the Executives and shareholders.</p>	<p>Awards are normally granted annually in the form of nil cost options, conditional share or forfeitable share awards. Participation and individual award levels will be determined annually at the discretion of the Committee within the policy.</p> <p>Award levels will be subject to the individual limit and will take into account matters such as market practice, overall remuneration, the performance of the Company and the Executive being granted the award.</p> <p>Awards normally vest after three years subject to the achievement of stretching performance conditions and continued employment.</p> <p>Awards are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct.</p> <p>A holding period will apply under which all participants are required to retain their net of tax vested awards for two years post vesting.</p> <p>A dividend equivalent provision allows the Committee to pay dividend equivalents, at the Committee's discretion, on vested awards (in cash or shares) up to the point of exercise or sale (but no later than the expiry of the holding period). This may assume the reinvestment of dividends on a cumulative basis.</p>
<b>2011 Long Term Incentive Plan</b>	<p>To motivate and incentivise delivery of sustained performance linked to the Company's strategy; aligning Executive Directors' interests with those of shareholders.</p>	<p>The Company will make no future grants under this plan if this remuneration policy and the 2016 LTIP are approved by shareholders at the 2016 AGM.</p> <p>Awards of share-based incentives are made annually, vesting over 3 years. Vesting is subject to comparative Total Shareholder Return and Earnings per Share targets. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them.</p>
<b>Non-Executive Chairman and Non-Executive Directors' fees</b>	<p>To attract and retain a high quality Chairman and experienced Non-Executive Directors.</p>	<p>The Non-Executive Chairman receives a single fee covering all his duties. The Non- executive Directors receive a basic fee and additional fees payable for chairing the Audit, Nomination and Remuneration Committees and for performing the Senior Independent Director role.</p> <p>The Chairman and Non-executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties, including those expenses that have been deemed to be taxable benefits by HMRC (or equivalent body). This includes any personal tax that may become due on those expenses.</p> <p>The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size.</p> <p>In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.</p>
<b>Share ownership guidelines</b>	<p>To align the interests of management and shareholders and promote a long- term approach to performance.</p>	<p>Executive Directors are expected to build and maintain a holding of shares to the value of at least 200% of base salary after five years from the latter of appointment date or approval date of this policy.</p>

**Notes**

1. In exceptional circumstances, the Committee may in its discretion allow participants to sell, transfer, assign or dispose of some or all of these awards before the end of the holding period.
2. The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors. Overall, the remuneration policy for the Executive Directors is more heavily

**Maximum Opportunity      Framework Used to Assess Performance**

The maximum annual award that can be made in any given financial year is 250% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors.

A combination of financial performance (amongst EPS growth, EBITDA to cash conversion, cash flow, return on invested capital or any other of the Company's Key Performance Indicators which may change during the policy window) and relative total shareholder return may be used to ensure that rewards are linked to long-term shareholder value creation. The financial metrics chosen from the above list each year will be those considered by the Committee at the time of each grant to be most likely to support the Company's long-term growth strategy.

The use of TSR aligns with the Company's focus on shareholder value creation and rewards management for outperformance of sector peers. At least one third of an award will be subject to a relative TSR measure each year. No part of the award subject to relative TSR will pay out until the return is at least equal to the median of the peer group.

Where EPS growth is used it will continue to be based on profit after share based payment charges to executives and employees are deducted.

Performance below the threshold target will result in zero vesting for each performance measure. No more than 25% of the award vests for achieving threshold performance. 100% of the award vests for maximum performance. There is no opportunity to retest.

In determining the target range for a financial metric, the Committee ensures it is challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations.

Performance periods will normally start from the beginning of the financial year in which the award is made. See Note 1.

Maximum award of 150% of salary

Performance period is 3 years.

TSR – must at least match that of the FTSE 250 index over the performance period.

EPS – must increase by at least inflation + 3% per annum during the performance period by reference to the Consumer Prices Index.

There is no prescribed maximum, however, any increase to fees will be considered in light of the expected time commitment in performing the roles, increases received by the wider workforce and market rates in comparable companies.

Neither the Non-Executive Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.

Not applicable

Not applicable

weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors given it is the Executive Directors who are considered to have the greatest potential to influence Company value creation.

- For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed previously to shareholders, for example the 2011 Long-Term Incentive Plan approved by Shareholders at the AGM on 20 April 2011.

## Bonus Plan and LTIP Discretions

The Committee will operate the annual bonus plan and LTIP according to their respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. A copy of the LTIP rules is available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit the level of award is restricted as set out in the policy table above):

Who participates in the plans;

- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- The ability to adjust existing performance conditions for exceptional events, including any M&A activity so that they can still fulfil their original purpose whilst being no less stretching.

## Recruitment and Promotion Policy

The remuneration package for a new Director will be established in accordance with the Company's approved policy subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the

role. Benefits will generally be provided in line with the approved policy, with relocation or other related expenses provided for if necessary. A pension contribution or cash in lieu of up to 12 per cent of salary may be provided.

The structure of variable pay elements will be in accordance with the Company's approved policy detailed above. The maximum variable pay opportunity will be as set out in the remuneration policy table, being 150% of salary under the annual bonus plan and awards with a face value of up to 250% of salary under the LTIP for a CEO role and 150% of salary for other Executive Directors. Different performance measures may be set initially for the annual bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board. The bonus will be pro-rated to reflect the proportion of the financial year served. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period).

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the LSE Listing Rules. The aim of any such award would be to ensure that, as far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.

In the case of an internal recruitment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

## Service Contracts and Payments for Loss of Office

The Company's policy is to have service contracts for Executive Directors that continue indefinitely unless determined by their notice period. Under the Executive Directors' service contracts and, in line with the policy for new appointments, no more than 12 months' notice of termination of employment is required by either party. Service contracts are available for inspection at the Company's registered office.

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointments may be terminated with three months' notice. The appointment letters for the Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses. Letters of appointment are available for inspection at the Company's registered office.

In accordance with the terms of the UK Corporate Governance Code all Directors submit themselves for re-election at the Annual General Meeting each year.

For Executive Directors, the Company may, in its absolute discretion, at any time after notice is served by either party, terminate a Directors' contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice plus the fair value of contractual benefits subject to the deduction of tax.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct or a serious breach of contract. No payment or compensation beyond salary (and the value of holiday entitlement) accrued up to the date of termination will be made if such an event occurs.

There are no special provisions relating to change of control. The policy on termination is that the Group does not make payments beyond its contractual obligations and the Committee ensures that there are no unjustified payments for failure.

Any statutory payments required by law will be made.

## Treatment of Incentives

There is no automatic or contractual right to a bonus payment. At the discretion of the Committee, for certain good leaver circumstances (such as death, illness, injury, disability, redundancy, retirement, his employing company ceasing to be a Group Company or the undertaking business or division for which he or she works being sold out of the Company's Group, or any other circumstances at the discretion Committee), a pro rata bonus may become payable at the normal payment date for the period of employment and based on full year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

The treatment of share-based incentives previously granted to an Executive Director will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, an executive will be treated as a 'good leaver' under certain circumstances such as death, illness, injury, disability, redundancy, retirement, his employing company ceasing to be a Group Company or the undertaking business or division for which he or she works being sold out of the Company's Group, or any other circumstances at the discretion Committee.

Under the Deferred Share Bonus Plan, if treated as a good leaver, awards will normally vest on the original vesting date and will not be normally be subject to a pro rata reduction (unless the Committee determines otherwise).

Under the LTIP, if treated as a good leaver, awards will vest at the normal vesting date subject to the extent to which performance targets have been achieved.

The number of LTIP awards that would normally vest will be reduced pro-rata to reflect the proportion of the three year performance period actually elapsed unless the Committee at its discretion determines otherwise.

Vested awards that remain subject to a holding period are not forfeitable.

## How Shareholder Views are Taken into Account

The Remuneration Committee is committed to ensuring an open dialogue with our shareholders and therefore, where changes are being made to the remuneration policy or where there is a material change in the way we operate our policy, we will consult with major shareholders in advance. The Remuneration Committee adopted such an approach in putting together this revised policy by consulting the Company's largest shareholders and shareholder advisory bodies beforehand.

In addition, the Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

## Consideration of Employment Conditions Elsewhere in the Group

Whilst the Committee does not consult directly with employees on the Directors' Remuneration Policy, the Committee does receive periodic updates regarding salary increases and remuneration arrangements across the Group. This is borne in mind when determining the remuneration policy for the Executive Directors.

## External Non-Executive Director Appointments

Executive Directors are permitted to serve as Non-executive Directors of other companies where there is no competition with the Company's business activities and where these duties do not interfere with the individual's ability to perform his duties for the Company.

A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 31 December 2015 available on our website at [sdl.com/investors](http://sdl.com/investors)

# ANNUAL REPORT ON REMUNERATION

This Annual Report on Remuneration (together with the Remuneration Committee Chair’s Annual Statement) will be put to a single advisory shareholder vote at the 2018 AGM.

The information below includes details of how we intend to operate our policy in 2018 and of the pay outcomes in respect of the 2017 financial year.

## Implementation of Remuneration Policy in 2018

The CEO’s salary has been increased by 2.8% which is in line with the average 2018 salary increase for UK employees.

### Pension and benefits

The CEO and CFO will receive a company pension contribution of 12% of basic salary. Benefits will be provided in line with the approved remuneration policy.

### Annual bonus

The maximum bonus opportunity for 2018 is capped at 150% of base salary for the CEO and 112.5% of base salary for the CFO. Any bonus payable in excess of 100% of salary will be deferred in shares which will vest after two years, subject to continued employment.

The metrics and their weightings for the year ending 31 December 2018 are:

Metrics / Weightings	CEO	CFO
Adjusted profit before tax, amortisation and exceptionals	62.5%	46.875%
Revenue	62.5%	46.875%
Personal objectives	25.0%	18.75%
Total (% of salary)	150%	112.5

No bonus will become payable if profit before tax, amortisation and exceptionals is below a profit threshold.

The targets themselves are deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report.

### **Long-term incentives**

It is proposed that LTIP awards are granted to the CEO and CFO in line with the approved remuneration policy. The Committee is considering the grant level (subject to the policy caps) and further details of the grant will be set out in the RNS announcement at the time of grant, which will be before the Annual General Meeting.

Half of the awards will be subject to EPS growth targets and the other half subject to a relative Total Shareholder Return measure against the constituents of the FTSE Small Cap (excluding Investment Trusts). Each element will be assessed independently of the other. Performance will be measured over the three-year period ending 31 December 2020 and the Committee will set appropriately stretching targets in light of internal and external forecasts.

To the extent they vest, awards will be subject to a post-vesting holding period of two years. This requires Executive Directors to hold on to the net of tax number of vested awards for a period of two years following vesting.

### **Non-Executive Director fees**

The fees for the Chairman and Non-Executive Directors will be as follows:

Chairman – £110,000

Basic fee for other Non-Executive Directors – £50,000

Supplementary fee for chairing the Audit Committee – £5,000

Supplementary fee for chairing the Remuneration Committee – £8,000

Supplementary fee for chairing the Nomination Committee – £5,000

Supplementary fee for performing the Senior Independent Director role – £3,000.



## Single Total Remuneration Figure for Directors

### Information subject to audit

The following table presents a single total remuneration figure for 2017 for the Executive and Non-Executive Directors.

		Fixed Pay			Pay for Performance		Total Remuneration £000's
		Salary/ Fees £000's	Benefits <sup>(1)</sup> £000's	Pension <sup>(5)</sup> £000's	Annual Bonus £000's	LTIP £000's	
<b>Chairman</b>							
David Clayton	2017	110.0	-	-	-	-	110.0
	2016	255.0	6.0	-	163.0	-	424.0
<b>Executive Directors</b>							
Adolfo Hernandez	2017	500.0	22.0	60.0	-	-	582.0
	2016	352.6	15.2	42.3	472.3	-	882.4
Dominic Lavelle <sup>(2)</sup>	2017	233.0	13.0	28.0	-	-	274.0
	2016	310.0	12.6	37.2	350.3	365.7	1,075.8
Xenia Walters <sup>(3)</sup>	2017	231.0	-	-	-	-	231.0
	2016	-	-	-	-	-	0.0
<b>Non-Executive Directors</b>							
Chris Batterham <sup>(4)</sup>	2017	15.0	-	-	-	-	15.0
	2016	43.8	-	-	-	-	43.8
Mandy Gradden	2017	55.0	-	-	-	-	55.0
	2016	52.5	-	-	-	-	52.5
Alan McWalter	2017	58.0	-	-	-	-	58.0
	2016	54.8	-	-	-	-	54.8
Glenn Collinson	2017	58.0	-	-	-	-	58.0
	2016	54.8	-	-	-	-	54.8
Christopher Humphrey	2017	50.0	-	-	-	-	50.0
	2016	28.3	-	-	-	-	28.3

(1) Taxable benefits for the year included: Car allowance, private medical insurance, life assurance and health insurance.

(2) Salary includes statutory sick pay and paid holidays.

(3) Xenia Walters was appointed, on a contract basis, as Interim CFO on 15 June 2017 to cover Dominic Lavelle's extended leave of absence. Whilst not formally appointed to the Board, she attends Board meetings in her role of CFO.

(4) Chris Batterham did not seek re-election at the AGM on 27 April 2017 and stepped down from the Board on that date.

(5) 2017 pension contributions were paid into the Company pension scheme.

The following shows the details of payments to Dominic Lavelle during his temporary leave of absence in 2017;

Status	Dates	Pay
Company sick pay	Monday 19 June to 15 September	Full pay
Statutory Sick Pay	16 September to 19 November 2017 (8 weeks and 2 days £750.54)	£89.35 per week
Returned to work	20 November – part-time	2 days per week

Dominic Lavelle remained a member of the SDL Group Personal Pension Plan during his temporary leave of absence.

## 2017 Annual Bonus

### Performance versus targets

The maximum annual bonus for the Executive Directors for 2017 was 150% of salary. The annual bonus was based on a mix of company financial performance targets, split between revenue achievement, profit before tax, amortisation and exceptional items (PBTA) achievement and personal objectives. The profit based performance threshold was not achieved and no bonus was therefore accrued for this element of the bonus. Although the revenue threshold target was exceeded and some of the personal objectives were achieved the Committee decided that the Group's overall performance did not justify these bonus payments. As a result no bonuses were payable to executive directors for performance over financial year 2017.

Details of performance versus each of the financial targets and personal objectives are provided in the tables below for completeness:

Measure	Weighting CEO	Weighting CFO	Threshold	Target	Stretch	Actual
Revenue (£m)	41.67%	43.75%	£279.3m	£294m	£323.4m	£285.7m
PBTA (£m)	41.67%	43.75%	£28.8m	£30m	£34.5m	£19.5m <sup>(1)</sup>
Personal Objectives	16.67%	12.5%	Objectives relating to services recurring revenue, life science wins and marketing solutions and linguistic utilisation were achieved, resulting in partial achievement of the personal objectives bonus category.			

(1) The target used for 2017 PBTA of £19.5m is the figure before the accounting change to capitalise R&D, i.e. using the same basis as when the target was set at the beginning of the year.

### LTIP vesting for performance ending in 2017

The 2015 awards were eligible to vest subject to TSR measured relative to the FTSE 250 Index with an EPS growth target underpin measured relative to the Consumer Price Index. The performance period for the awards was measured over the three financial years ending 31 December 2017.

- TSR – No part of this award was eligible to vest if performance was below the Index, with 25 per cent eligible to vest for achieving performance in line with the Index, and 100 per cent vesting for performance at 2 x the Index performance, with straight line vesting in between; or
- EPS – No part of this award was eligible to vest if EPS did not increase by at least inflation + 3% per annum during the performance period (with inflation measured by reference to the Consumer Prices Index).

If one or both of the minimum levels of performance were not achieved the awards would lapse.

The outcome was as follows and, as a result, the award lapsed:

TSR measure	Performance	Level of vesting
FTSE 250 index return	40.6%	0%
Maximum – Out performance of Index by 100%	81.3%	0%
SDL actual performance	32%	0%

Because the TSR measure resulted in zero vesting, the overall level of vesting of the 2015 LTIP award was also zero:

2015 LTIP vesting – Dominic Lavelle	17 April 2015	% vesting	Number of awards vesting	Value of awards vesting (000s)
Number of awards	62,957	0%	0	£0

2017 LTIP granted in the year						
	Basis of award granted	Shares awarded	Face value of awards £000's	Maximum vesting	Percentage vesting for threshold performance	Vesting period
Adolfo Hernandez	250% of salary	222,025	1,250	100%	25%	Awards will vest on the third anniversary of grant subject to continued employment and achievement of performance conditions measured over the three financial years ending 31 December 2019.
Dominic Lavelle	125% of salary	68,828	388	100%	25%	

Awards were granted as nil-cost options on 18 April 2017 and will vest subject to a relative TSR measure against the constituents of the FTSE SmallCap Index (excluding investment trusts) and EPS growth targets each with an equal weighting. These targets will be assessed independently of each other. The performance period for the award is the three financial years ending December 2019.

- TSR (50%) – No part of this award vests if performance is below the median of the comparator group, 25 per cent vests for achieving performance at the median, with 100 per cent vesting for TSR ranking at or above the upper quartile of the comparator group with straight line vesting in between.
- EPS (50%) – If EPS as disclosed in the Company's accounts for FY 2019 is less than 30p, no part of this award vests, 25 per cent vests for EPS of 30p, with 100 per cent vesting for EPS of 42p or higher, with straight line vesting in between.

Vested awards will be subject to a post vesting holding period of two years. This requires Executive Directors to hold on to the net of tax number of vested awards for a period of two years following vesting.

**Annual Bonus Deferral Plan shares granted in the year**

Awards under the plan were granted as nil-cost options on 1 March 2017 and will normally be eligible to vest in two years from grant subject to continuous employment. The awards were as follows:

	Shares awarded	Face value of awards £000's
Adolfo Hernandez	-	-
Dominic Lavelle	8,052	£40.3

**Information subject to audit****Outstanding Long-Term Incentive Plan awards**

Details of the nil cost option awards, not yet vested and exercised, made under the LTIP are disclosed in the table below:

Director	Award grant date	Share price at grant (pence)	As at 1 Jan 2017	Granted during year	Lapsed during year	Exercised during year	As at 31 Dec 2017	Earliest date shares can be acquired	Latest date shares can be acquired
Adolfo Hernandez	8 Jun 2016 <sup>(3)</sup>	419	298,329	-	-	-	298,329	8 Jun 2021	8 Jun 2026
	18 Apr 2017 <sup>(3)</sup>	562.5	-	222,025	-	-	222,025	18 Apr 2022	18 Apr 2027
Dominic Lavelle	17 Apr 2014 <sup>(1)</sup>	333.5	83,958	-	-	83,958	-	7 Apr 2017	7 Apr 2024
	17 Apr 2015 <sup>(2)</sup>	444.75	62,957	-	-	-	62,957	17 Apr 2018	17 Apr 2025
	8 Jun 2016 <sup>(3)</sup>	419	92,482	-	-	-	92,482	8 Jun 2021	8 Jun 2026
	18 Apr 2017 <sup>(3)</sup>	562.5	-	68,828	-	-	68,828	18 Apr 2022	18 Apr 2027

(1) The 2014 award vested in full in the year as the performance conditions were met in full. This was described in the 2016 Annual Report on Remuneration.

(2) The 2015 awards are eligible to vest subject to a relative TSR measure measured against the FTSE 250 Index and an EPS growth target measured relative to the Consumer Price Index. The performance period for the awards will be measured over the three financial years ending 31 December 2017.

- TSR – No part of this award vests if performance is below the Index, 25 per cent vests for achieving performance in line with the Index, with 100 per cent vesting for performance 2 x the Index performance with straight line vesting in between.
- EPS – must increase by at least inflation + 3% per annum during the performance period (with inflation measured by reference to the Consumer Prices Index).

If one or both of these minimum levels of performance are not achieved the awards will lapse.

As set out on page 142, the TSR criterion attached to the 17 April 2015 awards was not met and therefore these will not vest in 2018.

(3) Awards granted on 8 June 2016 and 18 April 2017 will vest subject to a relative TSR measure against the constituents of the FTSE SmallCap Index (excluding investment trusts) and EPS growth targets. These targets will be assessed independently of each other. The performance period for the award is the three financial years ending 31 December 2018 and 2019 respectively.

- TSR: No part of these awards vest if performance is below the median of the comparator group, 25 per cent vests for achieving performance at the median, with 100 per cent vesting for TSR ranking at or above the upper quartile of the comparator group with straight line vesting in between.
- EPS: 2016 awards: If EPS as disclosed in the Company's accounts for FY 2018 is less than 27p, no part of the award vests, 25 per cent vests for EPS of 27p, with 100 per cent vesting for EPS of 39p or higher, with straight line vesting in between.  
2017 awards: If EPS as disclosed in the Company's accounts for FY 2019 is less than 30p, no part of this award vests, 25 per cent vests for EPS of 30p, with 100 per cent vesting for EPS of 42p or higher, with straight line vesting in between.

Awards granted since 2016 will be subject to a post vesting holding period of two years. This requires Executive Directors to hold on to the net of tax number of vested awards for a period of two years following vesting.

## Information subject to audit

### Directors' interest in shares

Executive Directors are subject to a share ownership guideline. Executive Directors are expected to accumulate a holding of Ordinary Shares in the Company to the value of 200 per cent of their salary. Until the guideline is met, the Executive Directors are required to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities).

The interests of the Directors in the share capital of SDL PLC at 31 December 2017 are set out below.

Name of director	Owned (number of shares)		LTIP awards (nil cost options) <sup>(1)</sup> (number of shares)		Deferred bonus share awards (nil cost options) <sup>(2)</sup> (number of shares)		Total (number of shares)	% of salary held under Shareholding Policy
	31.12.16	31.12.17	Unvested	Vested	Unvested	Vested	31.12.17	31.12.17
<b>Executive Directors</b>								
Adolfo Hernandez	50,000	120,000	520,354	-	-	-	640,354	105%
Dominic Lavelle	45,000	82,970	224,267	-	8,052	-	315,289	117%
Xenia Walters <sup>(4)</sup>	-	10,490	-	-	-	-	10,490	
<b>Non-Executive Directors</b>								
David Clayton	113,950	133,950	-	-	-	-	133,950	n/a
Glenn Collinson	12,000	36,500	-	-	-	-	36,500	n/a
Mandy Gradden	7,500	7,500	-	-	-	-	7,500	n/a
Alan McWalter	-	-	-	-	-	-	-	n/a
Christopher Humphrey	15,000	15,000	-	-	-	-	15,000	n/a
Chris Batterham <sup>(3)</sup>	100,000	100,000	-	-	-	-	100,000	n/a

(1) LTIP awards are granted in the form of nil-cost options subject to performance – further details can be found in the Outstanding Long-Term Incentive Plan awards table on page 142.

(2) Deferred bonus awards are granted in the form of nil-cost options and will normally be eligible to vest after two years from grant subject to continuous employment.

(3) Chris Batterham stepped down from the Board on 27 April 2017 – shareholding is at date of leaving.

(4) Xenia Walters joined SDL on 15 June 2017 as Interim Chief Financial Officer on a contract basis.

There has been no change in the interests of the current Directors between 31 December 2017 and 6 March 2018.

In assessing compliance against the share ownership guideline, the Committee looks at the value of the shareholding at the year end and may take into account the price at the time shares have been purchased or acquired. The figures above have been calculated using the share price as at 31 December 2017, 439p.

During the year, Adolfo Hernandez purchased: 50,000 shares at a price of 528.33p and 20,000 shares at a price of 496.38 pence.

#### Payments for loss of office and payments to past directors

No payments for loss of office or to past Directors have been made during the year.

#### Information not subject to audit

#### Details of directors' service contracts and letters of appointment

Details of the service contracts and letters of appointment in place at 31 December 2017 are as follows:

Name	Contract date	Notice period (months)
David Clayton	1 July 2013	3
Adolfo Hernandez	18 April 2016	12
Dominic Lavelle	18 November 2013	12
Glenn Collinson	1 June 2014	3
Mandy Gradden	30 January 2012	3
Christopher Humphrey	8 June 2016	3
Alan McWalter	1 March 2014	3

#### Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend of employee pay in the 2017 financial year compared with the prior year.

Relative importance of spend on pay			
	2016 £m	2017 £m	% change
Dividends	2.5	5.1	104.0
Total return to shareholders	2.5	5.1	104.0
Employee remuneration costs	156.5	151.4	-3.2

#### Percentage change in CEO pay

The table below shows the percentage year on year change in the value of salary, benefits and annual bonus for the Chief Executive between the current and previous year compared to that of the average employee on a full time equivalent basis.

Percentage change in CEO pay			
Chief Executive	2016 £000's	2017 £000's	% change
Salary	*552.6	**500.0	-9.5
Benefits	21.2	22.0	3.8
Bonus	635.3	-	n/a
Full time equivalent average UK employee <sup>(1)</sup>	2016 £000's	2017 £000's	% change
Salary	51.9	49.4	-4.8
Benefits	1.9	1.7	-10.5
Bonus	10.3	-	n/a

\*Adolfo Hernandez and David Clayton, \*\*Adolfo Hernandez

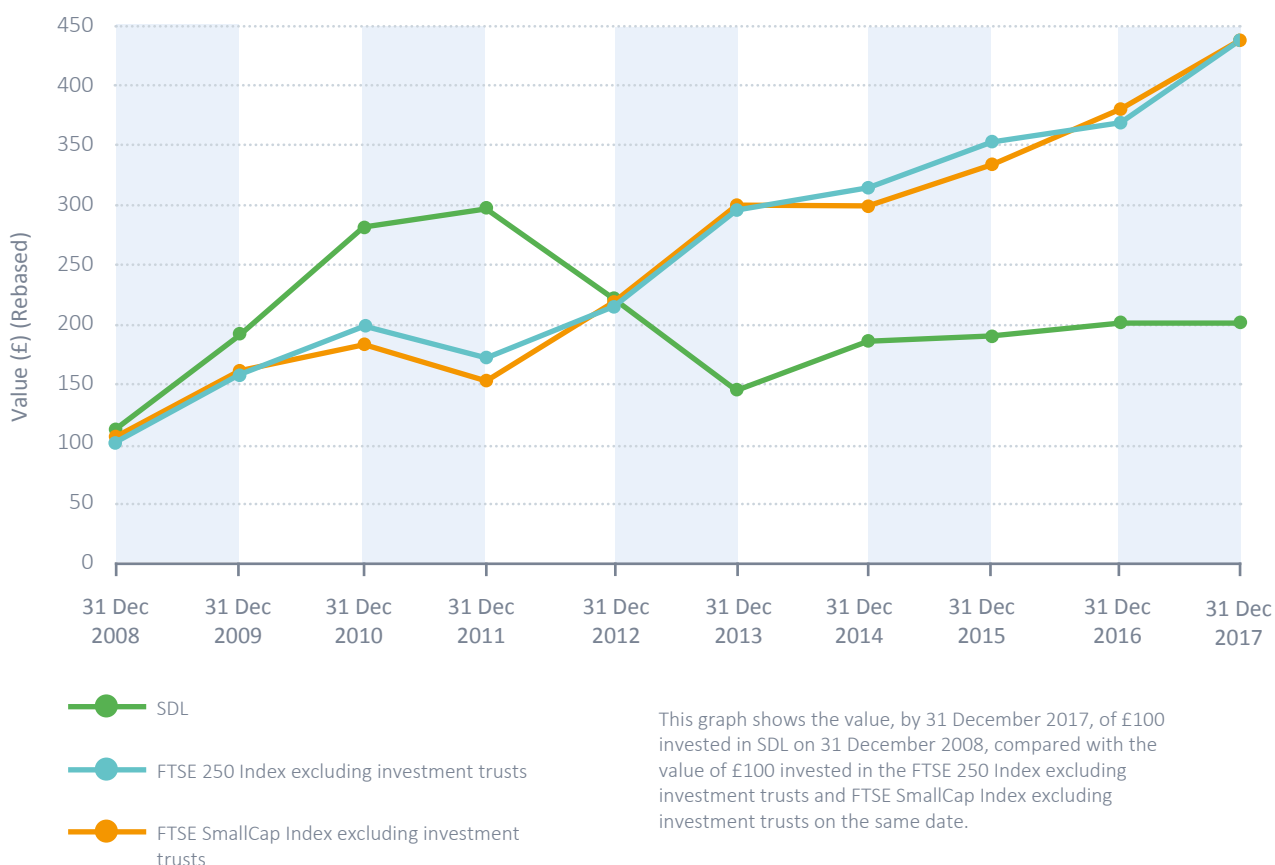
(1) There are 473 UK employees at 31 December 2017 (31 December 2016: 408), of which 33 (2016: 26) were part time.

### Performance graph and single figure history

The following graph shows the Company's TSR performance over the last nine financial years against the FTSE 250 Index (excluding investment trusts) and the FTSE SmallCap Index (excluding investment trusts). These indices have been chosen as they include companies of a broadly comparable size to SDL PLC.

### Total Shareholder Return

Source: Datastream (Thomson Reuters)



The table below shows the total remuneration figure for the CEO and Executive Chairmen roles over the same nine year period. The total remuneration figure includes the annual bonus and LTIP awards with performance periods ending in or shortly after the relevant year ends.

	2009	2010	2011	2012	2013	2014	2015 <sup>(2)</sup>	2016	2017
CEO single total figure of remuneration (£000's)	914	954	1,200	729	597	1,285	1,911	1,252	582
Bonus payout (%)	40	44	47	24	-	53	-	84	-
LTIP vesting (%)	100	100	100	71.5	-	-	<sup>(1)</sup> 2013 = 0% 2014 = 46% 2015 = 21%	n/a	n/a

(1) Vesting percentages of Mark Lancaster's outstanding LTIP awards at time of resignation.

(2) The 2015 and 2016 figures include the values of the Executive Chairman's single figure of remuneration.

### Membership of the Remuneration Committee

The Code requires that the Remuneration Committee comprises a minimum of three non-executives. The Committee is chaired by Glenn Collinson. The other Committee members are Mandy Gradden, Alan McWalter and Christopher Humphrey.

The Remuneration Committee members have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interests arising from cross directorships and no day to day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes.

The Remuneration Committee determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration and its cost to the Group. The Committee considers the performance of the Executive Directors as a prelude to recommending their annual remuneration, bonus awards and share awards to the Board for final approval.

The Committee met 5 times during the year. At those meetings basic salaries of Executive Directors and senior managers were reviewed, the targets and quantum of annual performance related bonuses for Directors were also agreed, as were awards granted under the Group's Long-Term Incentive Plan ('LTIP'). The meetings also approved the payment of the 2016 performance related bonus, dealt with the vesting of the shares awarded in 2014 under the LTIP scheme and agreed the arrangements in relation to Dominic Lavelle's leave of absence.



The Committee also receives advice from several sources, namely:

- The Chairman, who attends the Remuneration Committee by invitation or when required and the Company Secretary, who attends meetings as Secretary to the Remuneration Committee. The Chief Executive attends the meetings upon invitation. No individual takes part in discussions relating to their own remuneration and benefits.
- New Bridge Street (NBS) (a trading name of Aon plc) was appointed by the Remuneration Committee in 2016 to act as independent advisor to the Committee. Other than the provision of these services, NBS (nor any other part Aon plc) has no other connection with the Company and the Committee is satisfied that New Bridge Street’s advice is objective and independent. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that code. During the year, total fees charged by NBS were £25,900.

#### External appointments

Executive Directors are permitted, where appropriate and with Board approval, to take Non-executive Directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the Directors in their capacity as Directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. Neither of the Executive Directors currently holds an appointment of this nature.

#### Statement of shareholder voting at the AGM

At last year’s AGM held on 27 April 2017, the Directors’ Remuneration Report received the following votes from shareholders:

Annual Report on Remuneration		
	Total number of votes	% of votes cast
For	67,245,496	93.08
Against	4,998,437	6.92
Abstentions	225	n/a
<b>Total</b>	<b>72,243,933</b>	

---

**Glenn Collinson**  
Remuneration Committee Chairman  
6 March 2018

---

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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's position and performance, business model and strategy.

---

**Adolfo Hernandez**  
Director  
6 March 2018

---



## FINANCIAL STATEMENTS

154	<a href="#"><u>Independent Auditor's Report</u></a>
160	<a href="#"><u>Consolidated Financial Statements and Related Notes</u></a>
207	<a href="#"><u>Company Financial Statements and Related Notes</u></a>
219	<a href="#"><u>Five Year Group Summary</u></a>
220	<a href="#"><u>Corporate Information</u></a>

# Independent auditor's report

to the members of SDL plc

## 1. Our opinion is unmodified

We have audited the financial statements of SDL plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2 to the consolidated financial statements and note 1 to the parent company financial statements.

### In our opinion:

- 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 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 23 April 2010. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

<b>Materiality:</b> group financial statements as a whole	£0.87m (2016: £1.0m) 4.8% (2016: 4.6%) of continuing profit before tax and exceptional items
---	---

<b>Coverage</b>	96% (2016: 87%) of group absolute profit before tax*
-----------------	--

### Risks of material misstatement vs 2016

<b>Recurring risks</b>	Recoverability of group goodwill and of parent's investment in subsidiaries	▲
	Group and parent: Perpetual licence revenue	◀▶

\* This is the total profits and losses as a percentage of the total profits and losses that made up Group profit before tax

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>Recoverability of group goodwill and of parent's investment in subsidiaries</b></p> <p>(Group goodwill: £142.1 million; 2016: £146.7 million; Parent investment in subsidiaries: £222.6 million, 2016: £222.6 million)</p> <p><i>Refer to page 124 (Audit Committee Report), page 166 (accounting policy) and page 193 (financial disclosures).</i></p>	<p>The risk of recoverability of group goodwill and of the parent's investment in subsidiaries has increased due to the group's lower than originally expected financial results in 2017.</p> <p><b>Forecast-based valuation</b></p> <p>Goodwill in the group and the carrying amount of the parent company's investments in subsidiaries are assessed for recoverability using a discounted cash flow model to calculate value in use (VIU). Due to the inherent uncertainty involved in forecasting and discounting future cash flows for a VIU model, this is one of the key judgemental areas that our audit concentrates on.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>- <b>Benchmarking assumptions:</b> In considering the reasonableness of key external inputs, such as projected long term economic growth and discount rates, we compared the input assumptions to externally derived data. We utilised our internal valuation specialists to assist in the consideration of external benchmarks;</li> <li>- <b>Sensitivity analysis:</b> We performed sensitivity analysis which considered reasonably possible changes in assumptions and their impact on the valuation;</li> <li>- <b>Historical comparisons:</b> We considered the historical accuracy of the Directors' forecasts;</li> <li>- <b>Assessing transparency:</b> We assessed the adequacy of the Group's disclosures in respect of impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflect the risks inherent in the key assumptions and meet the requirements of relevant accounting standards;</li> <li>- We assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>- The results of our testing were satisfactory and we consider the carrying value of goodwill in the group and the parent company's investment in subsidiaries to be acceptable (2016: acceptable).</li> </ul>

## 2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Group and Parent: Perpetual licence revenue</b></p> <p>Group: (£15.9 million; 2016: £21.3 million)</p> <p><i>Refer to page 124 (Audit Committee Report), page 166 (accounting policy) and page 175 (financial disclosures).</i></p> <p>Parent: (£1.1 million; 2016: £1.8 million)</p> <p><i>Refer to page 210 (accounting policy).</i></p>	<p><b>Subjective estimate</b></p> <p>Perpetual licence revenue recognition is considered a significant audit risk as there can be significant judgement required in allocating the consideration receivable to each element of the contract, which requires estimation of the fair value of the delivered and undelivered elements of the contract.</p> <p>This judgement could materially affect the timing and quantum of revenue and profit recognised in each period.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>- <b>Tests of details:</b> We inspected those contracts contributing the highest levels of perpetual licence revenue. We considered the appropriateness of the Directors' judgements in determining the fair value of each element of the selected contracts by reference to standalone selling prices, day rates for consultancy and training, support and maintenance rates and renewal rates;</li> <li>- Where appropriate, we agreed elements of the selected contracts that have been delivered to proof of delivery;</li> <li>- <b>Assessing transparency:</b> We assessed the adequacy of the Group and Parent's disclosures in respect of perpetual licence revenue.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>- We found the Group and Parent's perpetual licence revenue to be acceptable (2016: acceptable).</li> </ul>



3. **Our application of materiality and an overview of the scope of our audit**

Materiality for the group financial statements as a whole was set at £0.87m (2016: £1.0m), determined with reference to a benchmark of continuing profit before tax normalised to exclude exceptional items as disclosed in note 4, of which it represents 4.8% (2016: 4.6%).

Materiality for the parent company financial statements as a whole was set at £0.6m (2016: £0.8m), determined with reference to a benchmark of company total assets, of which it represents 0.17% (2016: 0.23%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.04m (2016: £0.05m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

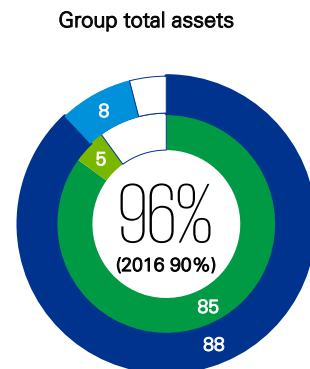
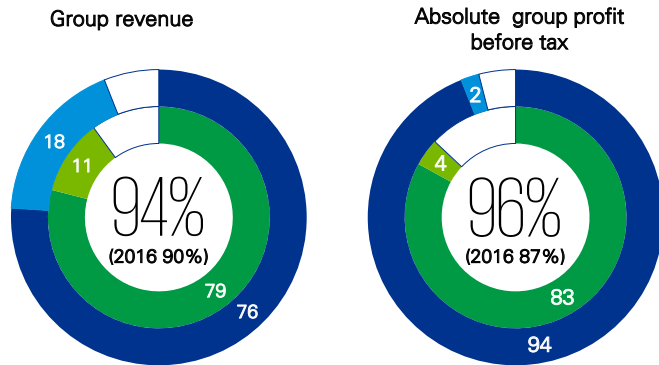
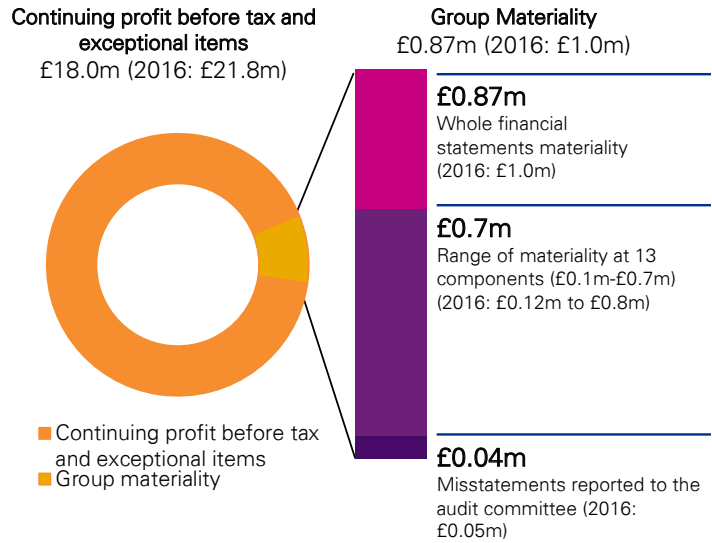
Of the group's 64 (2016: 71) reporting components, we subjected eight (2016: ten) to full scope audits for group purposes and six (2016: five) to specified risk-focused audit procedures. This includes specified procedures performed over exceptional items. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 6% (2016: 10%) of total group revenue, 4% (2016: 13%) of absolute group profit before tax and 4% (2016: 10%) of total group assets is represented by 50 (2016: 56) reporting components, none of which individually represented more than 1% (2016: 3%) of any of total group revenue, group profit before tax or total group assets.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.1m to £0.7m (2016: £0.12m to £0.8m), having regard to the mix of size and risk profile of the Group across the components.

The Group team visited seven component locations in the US, UK, the Netherlands and Republic of Ireland (2016: nine components in the US, UK and the Netherlands), to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The work on seven of the 14 components (2016: seven of the 15 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.



- Full scope for group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Full scope for group audit purposes 2016
- Specified risk-focused audit procedures 2016
- Residual components

#### 4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 112 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

#### 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (page 93) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

#### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## 6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

## 7. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 150, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they 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

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of anti-bribery and corruption, employment law and data protection, recognising the broad geographical spread and nature of the group's operations. We identified these areas through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being anti-bribery and corruption, employment law and data protection, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards), and inspected correspondence with regulatory and licensing authorities, as well as legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included discussions with component teams with a request to report on any indications of potential existence of irregularities in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Simon Haydn-Jones (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Arlington Business Park

Reading

RG7 4SD

6 March 2018

# CONSOLIDATED INCOME STATEMENT

## for the Year Ended 31 December 2017

	Notes	2017 Continuing £m	2017 Discontin- ued £m	Total £m	2016 Continuing £m	2016 Discontin- ued £m	Total £m
Sale of goods		26.4	1.6	<b>28.0</b>	23.3	17.1	<b>40.4</b>
Rendering of services		259.3	0.4	<b>259.7</b>	241.4	8.1	<b>249.5</b>
<b>Revenue</b>	3	285.7	2.0	<b>287.7</b>	264.7	25.2	<b>289.9</b>
Cost of sales		(136.7)	(1.9)	<b>(138.6)</b>	(120.7)	(10.8)	<b>(131.5)</b>
<b>Gross profit</b>		149.0	0.1	<b>149.1</b>	144.0	14.4	<b>158.4</b>
Administrative expenses	4	(134.0)	(5.8)	<b>(139.8)</b>	(133.0)	(20.2)	<b>(153.2)</b>
<b>Operating profit / (loss)</b>		15.0	(5.7)	<b>9.3</b>	11.0	(5.8)	<b>5.2</b>
<b>Operating profit / (loss) before tax, amortisation and exceptional items</b>		22.0	(3.0)	<b>19.0</b>	27.0	(3.5)	<b>23.5</b>
Amortisation of intangible assets	4	(4.0)	-	<b>(4.0)</b>	(5.2)	-	<b>(5.2)</b>
Exceptional items	4	(3.0)	(2.7)	<b>(5.7)</b>	(10.8)	(2.3)	<b>(13.1)</b>
<b>Operating profit / (loss)</b>		15.0	(5.7)	<b>9.3</b>	11.0	(5.8)	<b>5.2</b>
Profit / (loss) on disposal of Non-Core business	3	-	20.6	<b>20.6</b>	-	(21.0)	<b>(21.0)</b>
Finance cost	-	-	-	-	-	-	-
<b>Profit/(loss) before tax</b>		15.0	14.9	<b>29.9</b>	11.0	(26.8)	<b>(15.8)</b>
<b>Profit / (loss) before tax, amortisation and exceptional items</b>		22.0	17.6	<b>39.6</b>	27.0	(24.5)	<b>2.5</b>
Amortisation of intangible assets	4	(4.0)	-	<b>(4.0)</b>	(5.2)	-	<b>(5.2)</b>
Exceptional items	4	(3.0)	(2.7)	<b>(5.7)</b>	(10.8)	(2.3)	<b>(13.1)</b>
Profit/(loss) before tax		15.0	14.9	<b>29.9</b>	11.0	(26.8)	<b>(15.8)</b>
Tax (charge) / credit (including exceptional credit of £4.6m relating to Continuing Operations, 2016; £nil)	5	(1.2)	(0.2)	<b>(1.4)</b>	(2.7)	0.4	<b>(2.3)</b>
<b>Profit / (loss) for the year attributable to equity holders of the parent</b>		13.8	14.7	<b>28.5</b>	8.3	(26.4)	<b>(18.1)</b>
Earnings per ordinary share – basic (pence)	7	16.9	17.9	<b>34.8</b>	10.2	(32.5)	<b>(22.3)</b>
Earnings per ordinary share – diluted (pence)	7	16.8	17.9	<b>34.7</b>	10.1	(32.2)	<b>(22.1)</b>

Adjusted earnings per ordinary share (basic and diluted) are shown in note 7.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 December 2017

	Notes	2017 £m	2016 £m
Profit / (Loss) for the period		<b>28.5</b>	(18.1)
Currency translation differences on foreign operations		<b>2.0</b>	21.7
Currency translation differences on foreign currency quasi equity loans to foreign subsidiaries		<b>(7.8)</b>	(0.5)
Income tax credit / (charge) on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	5	<b>1.3</b>	(0.2)
<b>Other comprehensive (Expense) / Income</b>		<b>(4.5)</b>	21.0
<b>Total comprehensive income</b>		<b>24.0</b>	2.9

All the total comprehensive income is attributable to equity holders of the parent Company. Currency translation differences on foreign operations including quasi equity loans and their related tax impacts may all be reclassified to the Income Statement upon disposal of that operation.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 £m	2016 £m
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	8	9.6	5.3
Intangible assets	9	152.9	151.9
Deferred tax asset	5	11.2	8.4
Rent and other deposits		1.9	2.0
		<b>175.6</b>	167.6
<b>Current assets</b>			
Trade and other receivables	12	82.7	81.0
Corporation tax		2.6	0.9
Cash and cash equivalents	13	22.7	21.3
Assets held for sale		-	7.1
		<b>108.0</b>	110.3
<b>Total assets</b>		<b>283.6</b>	277.9
<b>Current liabilities</b>			
Trade and other payables	14	(78.3)	(88.5)
Current tax liabilities		(10.6)	(7.4)
Provisions	17	(1.6)	(1.1)
Liabilities held for sale		-	(7.4)
		<b>(90.5)</b>	(104.4)
<b>Non current liabilities</b>			
Other payables	15	(0.7)	(1.6)
Loans and overdraft	16	-	-
Deferred tax liability	5	(0.4)	(1.1)
Provisions	17	(2.9)	(2.1)
		<b>(4.0)</b>	(4.8)
<b>Total liabilities</b>		<b>(94.5)</b>	(109.2)
<b>Net assets</b>		<b>189.1</b>	168.7
<b>Equity</b>			
Share capital	18	0.8	0.8
Share premium account		100.7	99.2
Retained earnings		63.1	39.7
Foreign exchange differences		24.5	29.0
<b>Total equity</b>		<b>189.1</b>	168.7

Approved by the Board of Directors on 6 March 2018

Adolfo Hernandez  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2017

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Foreign Exchange Differences £m	Total £m
<b>At 1 January 2016</b>	<b>0.8</b>	<b>98.5</b>	<b>59.6</b>	<b>8.0</b>	<b>166.9</b>
Loss for the period	-	-	(18.1)	-	(18.1)
Other comprehensive income	-	-	-	21.0	21.0
Total comprehensive income	-	-	(18.1)	21.0	2.9
Deferred income taxation on share based payments* (Note 5)	-	-	(0.2)	-	(0.2)
Arising on share issues*	-	0.7	-	-	0.7
Dividend paid*	-	-	(2.5)	-	(2.5)
Share based payments*	-	-	0.9	-	0.9
<b>At 31 December 2016</b>	<b>0.8</b>	<b>99.2</b>	<b>39.7</b>	<b>29.0</b>	<b>168.7</b>

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Foreign Exchange Differences £m	Total £m
<b>At 1 January 2017</b>	<b>0.8</b>	<b>99.2</b>	<b>39.7</b>	<b>29.0</b>	<b>168.7</b>
Profit for the period	-	-	28.5	-	28.5
Other comprehensive income	-	-	-	(4.5)	(4.5)
Total comprehensive income	-	-	28.5	(4.5)	24.0
Deferred income taxation on share based payments* (Note 5)	-	-	(0.2)	-	(0.2)
Arising on share issues*	-	1.5	-	-	1.5
Dividend paid*	-	-	(5.1)	-	(5.1)
Share based payments*	-	-	0.2	-	0.2
<b>At 31 December 2017</b>	<b>0.8</b>	<b>100.7</b>	<b>63.1</b>	<b>24.5</b>	<b>189.1</b>

\*These amounts relate to transactions with owners of the Company recognised directly in equity.

The amounts above are all attributable to equity holders of the parent company

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year Ended 31 December 2017

	Notes	2017 £m	2016 £m
<b>Profit / (loss) for the year</b>		<b>28.5</b>	(18.1)
Tax expense		<b>1.4</b>	2.3
<b>Profit / (loss) before tax</b>		<b>29.9</b>	(15.8)
Depreciation of property, plant and equipment	8	<b>2.9</b>	3.5
Amortisation of intangible assets	9	<b>4.0</b>	5.2
(Profit) / loss on disposal of Discontinued Operations		<b>(20.6)</b>	21.0
Share based payments		<b>0.2</b>	0.9
Increase in trade and other receivables		<b>(1.7)</b>	(11.8)
(Decrease) / Increase in trade and other payables		<b>(11.4)</b>	17.4
Foreign exchange loss / (gain)		<b>0.2</b>	(1.8)
Income tax paid		<b>(2.9)</b>	(6.5)
<b>Cash generated from operations</b>		<b>0.6</b>	12.1
Cash generated from Continuing Operations before exceptional items		<b>11.3</b>	27.5
Cash absorbed by Discontinued Operations		<b>(3.7)</b>	(4.4)
Cash outflow from exceptional items		<b>(7.0)</b>	(11.0)
Cash generated from operations		<b>0.6</b>	12.1
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant & equipment		<b>(6.3)</b>	(2.3)
Payments to acquire intangible assets		<b>(9.6)</b>	-
Receipts / (payments) on disposal of Discontinued Operations	3	<b>22.2</b>	(1.6)
<b>Net cash flows from investing activities</b>		<b>6.3</b>	(3.9)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		<b>1.2</b>	0.7
Repayment of borrowings		-	(4.8)
Dividends paid		<b>(5.1)</b>	(2.5)
Interest paid		-	(0.1)
<b>Net cash flows from financing activities</b>		<b>(3.9)</b>	(6.7)
<b>Increase in cash and cash equivalents</b>		<b>3.0</b>	1.5
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at the start of year		<b>21.3</b>	17.2
Increase in cash and cash equivalents		<b>3.0</b>	1.5
Effect of exchange rates on cash and cash equivalents		<b>(1.6)</b>	2.6
<b>Cash and cash equivalents at end of year</b>	20	<b>22.7</b>	21.3



# NOTES TO THE ACCOUNTS

## for the Year Ended 31 December 2017

### 1 | Corporate Information

The consolidated financial statements of SDL plc (the 'Group') for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 6 March 2018. SDL plc is a public limited company incorporated and domiciled in England whose shares are publicly traded on the London Stock Exchange. The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union).

The principal activities of the Group are described in Note 3.

### 2 | Accounting Policies

#### Basis of accounting

The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as relevant to the financial statements of SDL plc. The Company has elected to prepare its parent company financial statements in accordance with FRS 101 and these are presented on pages 207 to 218. The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in UK sterling and all values are rounded to the nearest hundred thousand except where otherwise indicated.

#### Going Concern

In line with UK Corporate Governance Code requirements the Directors have made enquiries concerning the potential of the business to continue as a going concern. Enquiries included a review of performance in 2017, 2018 annual plans, the Group's 3 year long term plan, a review of working capital including the liquidity position, financial covenant compliance and a review of current cash levels. The group continues to be cash generating and is debt free with no concerns over future cash requirements. As a result, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a 12 month period from the date of approval

of these accounts. Given this expectation, they have continued to adopt the going concern basis in preparing the financial statements.

#### Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

#### Basis of preparation of consolidated financial statements

The consolidated financial statements include the results of the Company and all its subsidiaries for the full year or, in the case of disposal, from the date control is transferred from the Group. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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.

#### Business combinations

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of 1 January 2004. As a result, goodwill recognised as an asset at 31 December 2003 is recorded at its carrying amount and is not amortised. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Transaction costs are expensed as incurred. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. If the business combination allows for a provision of deferred or contingent consideration, this will be provided in the accounts at the fair value. Any changes to the fair value of deferred or contingent consideration are recognised in income statement. If the business combination allows for deferred compensation this will be recognised in the income statement over the service period.

**Intangible assets: Goodwill**

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units (CGUs) expected to benefit from the combination’s synergies.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets. For the purpose of impairment testing, CGUs, to which goodwill has been allocated, are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. This is usually the relevant operating segment within the Group.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognised.

Goodwill arising on acquisitions pre 1 January 2004 was capitalised and amortised over its useful economic life, which was presumed to be 8 years. Any goodwill remaining on the balance sheet at 1 January 2004 is not amortised after 1 January 2004, but is also subject to annual impairment reviews.

**Intangible assets: Other**

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are held at cost less accumulated amortisation and provision for impairment. Intangible assets are amortised on a straight-line basis over their useful economic lives, which are reassessed annually together with any assessment of residual value. The useful lives of these intangible assets are assessed over the expected period that benefits accrue to the Group. Amortisation is charged as a separate line item on the income statement.

Customer relationship intangible assets are amortised on a straight-line basis over their estimated useful life of between 5 and 7 years. Intellectual property and Software assets are

amortised on a straight-line basis over their estimated useful life of between 5 and 10 years.

**Intangible assets: Impairment of assets**

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 to sell 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 cash flows (CGUs).

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment in value. Historical cost includes the expenditure that is directly attributable to the acquisition of the assets. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is provided to write off the cost less the estimated residual value based on prices at the balance sheet date of property, plant and equipment over their estimated useful economic lives as follows:

Leasehold improvements	The lower of ten years or the lease term straight line
Computer equipment	4-5 years straight line
Fixtures and fittings	20% reducing balance

Useful economic lives and residual values are assessed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognising the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

**Revenue**

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

- Multi element arrangements**  
 For multiple element arrangements, revenue is allocated to each element based on fair value regardless of any separate prices stated within the contract. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met.

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

Support and maintenance contracts are invoiced in advance and normally run for periods of 12 months with automatic renewal on the anniversary date. Revenue in respect of support and maintenance contracts is recognised evenly over the contract period.

Managed services (hosting) fees are recognised over the term of the hosting contract on a straight-line basis.

Professional services and consulting revenue, where provided on a 'time and expense' basis, is recognised as the service is performed and on a percentage of completion basis where provided on a fixed price basis.

- Sale of goods**  
 Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue on software licenses and upgrades is recognised on delivery, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In circumstances where a considerable future vendor obligation exists as part of a software licence and related services contract, revenue is recognised over the period that the obligation exists per the contract.

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of

the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. The assets and liabilities of overseas subsidiaries and branches are translated at the closing exchange rate. Income statements of such undertakings are translated at the average rate of exchange during the year. Gains and losses arising on these translations are recognised in Other Comprehensive Income and accumulated in a separate component of equity. As permitted by IFRS 1, SDL has elected to deem the cumulative amount of exchange differences arising on translation of the net investments in subsidiaries at 1 January 2004 to be nil.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Intra-company loans for which settlement is neither planned nor likely to occur in the foreseeable future are defined as quasi-equity loans. Currency translation differences on retranslation of these loans at the balance sheet date are recognised in the Statement of Comprehensive Income. On disposal, the associated currency translation differences are reclassified from equity to the income statement on disposal of the net investment in the subsidiary.

### Hedge accounting

Where the Group uses derivative financial instruments such as foreign currency and interest rate contracts to hedge its risks associated with interest rate and foreign currency fluctuations, such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate contracts is determined by reference to market values for similar instruments. Where derivatives do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement for the period.

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they relate to capitalised assets.

### Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly within the Income Statement.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### Incentives received from landlord

The aggregate benefit of incentives is recognised as a credit to the income statement over the life of the lease on a straight-line basis.

### Pension cost

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. SDL Global Solutions (Ireland) Limited operates a separate defined contribution scheme whose assets are held separately from the company. The pension cost charge for both schemes represents contributions payable during the period.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying 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 of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Financial instruments

- Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

- **Trade and other receivables**

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

- **Trade and other payables**

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

- **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

### Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification, it is treated as a derecognition of the original liability and the recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

### Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed, based on tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

In the United Kingdom, the Group is entitled to a tax deduction for amounts treated as remuneration on exercise of certain employee

share options. As explained under 'Share based payments' below, a remuneration expense is recorded in the consolidated income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset may be recorded. The deferred tax asset arising on share option awards is calculated as the estimated amount of tax deduction to be obtained in the future (based on the Group's share price at the balance sheet date) pro-rated to the extent that the services of the employee have been rendered over the vesting period. If this amount exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings. Similarly, current tax relief in excess of the cumulative amount of the remuneration expense at the statutory rate is also recorded in retained earnings.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

### Share based payments

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('Equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). The volatility in the models is calculated by reference to historical share price.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a cumulative straight line basis over the term from the date of grant to the date on which the relevant employees become entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the number of awards that, in the opinion of the Directors of the Group at that date, are expected to vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised over the remainder of the vesting period for any increase in the fair value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested at 1 January 2005.

National Insurance on Share Option Grants: the anticipated National Insurance charge on gains made by employees over the period from date of grant of the option to the end of the performance period is provided.

### **Research and development costs**

Research costs are expensed as incurred. Development expenditure is capitalised when its future recoverability can reasonably be regarded as assured and technical feasibility and commercial viability can be demonstrated. 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 accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future economic benefit from the related project. For capitalised development costs on balance sheet at 31 December 2017 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 year 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.

### **Exceptional Items**

Exceptional items are those items that in management's judgement should be disclosed separately by virtue of their size, nature or incidence to provide a better understanding of the financial performance of the Group. In determining whether an event or transaction is exceptional, management considers qualitative as well as quantitative factors such as frequency or predictability of occurrence. Exceptional items include significant costs of restructuring and other costs that are considered to be exceptional in nature.

### **Segment reporting**

Segment results are those reported to the Chief Operating Decision Maker for the purpose of

making decisions about allocating resources to segments and assessing performance. These results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### **New standards and interpretations not applied**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

#### **IFRS 15 – Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is well progressed in its assessment of the impact of the adoption of IFRS 15 on its consolidated financial statements. The Group will make opening balance sheet adjustments arising from changes to the revenue recognition treatment of term licences and the capitalisation of certain commission costs. Whilst the Group's IFRS 15 transition is not yet complete, the estimated impact of the restatement on its 2017 accounts, when the standard is adopted from 1 January 2018, is approximately

£'m, DR/(CR)	Balance sheet as at 31 December 2016	Income Statement 2017	Balance sheet as at 31 December 2017
Term licences	1.4	(1.7)	3.1
Capitalised commission	2.4	(0.5)	2.9
Total impact	3.8	(2.2)	6.0

The Group's Language Services contracts provide for the Group to be reimbursed for work as it is undertaken. Accordingly the Group will continue to recognise revenue over time, on a percentage of completion basis. The Group's professional services work is carried out either on a time and materials basis, with revenue recognised at a point in time as work is performed or on a fixed price basis where revenue is recognised over time, on a percentage of completion basis.

The Group's software licences are either perpetual, term or Software as a Service (SaaS) in nature.

Under IFRS 15, revenue on perpetual and term licences, where there is no significant future vendor obligation, is recognised on delivery, less an allowance for future performance obligations. SaaS, support and maintenance and hosting contracts have material ongoing future performance obligations associated with them and hence revenue will be recognised over time. These policies are in line with the Group's current accounting policies with the exception of the treatment of term licences.

#### **Term licences**

In circumstances where a considerable future vendor obligation exists as part of a software licence and related services contract, SDL currently recognise revenue over the period that the obligation exists per the contract. Under IFRS 15, the provision of a licence over a period of time is not, in itself, considered an additional obligation on the vendor and therefore revenue for the licence element of such contracts will be recognised in full on delivery to the customer. The support and maintenance element of these contracts will be carved out and recognised over the support and maintenance and hosting (if applicable) service periods. The approximate impact on 2017 as the comparative period in the 2018 accounts will be to create a net accrued income balance sheet position of around £1.4m at 31 December 2016 and around £3.1m at 31 December 2017 and increase 2017 revenues by around £1.7m.

### Commissions

IFRS 15 requires the deferral of direct costs relating to the sale of goods or services to be recognised in line with the revenue for those contracts. The Group has determined that these direct costs will be recognised over the contracted term of the contract, as additional renewal commissions are payable for future contract extensions. The estimated impact on the Group's 2017 reported numbers, as the comparative period in the 2018 accounts, will be to create capitalised contract costs on the balance sheet of approximately £2.4m at 31 December 2016 and approximately £2.9m at 31 December 2017 and decrease 2017 income statement commission costs by approximately £0.5m.

### Transition plan

The Group has advanced the transition project during the year in order to quantify the amounts disclosed above and to develop systems and processes to appropriately recognise 2018 revenues and costs under the new standard. This project has included a cross functional team reviewing existing contracts across the Group.

The Group will use the retrospective adoption approach under which the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust the 2017 comparatives within the 2018 consolidated financial statements

The following new standards are not expected to have a material impact on the Group's financial statements:

- IFRS 9 Financial Instruments, effective for periods beginning on or after 1 January 2018  
The actual impact of adopting IFRS9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. However, given current financial instruments in place it is not expected to have a significant impact on SDL's financial statements.
- IFRS 16 Leases, effective for periods beginning on or after 1 January 2019  
IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a

lease liability representing its obligation to make lease payments.

The group has started an initial assessment to identify the impact which is not expected to be significant on SDL's Profit After Tax. Due to presentational differences internal EBITDA measures will be impacted and the recording of leases will make a significant adjustment to the balance sheet position.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective for periods beginning on or after 1 January 2018.
- Amendments to IAS 40 Investment Property, effective for periods beginning on or after 1 January 2018.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4, effective for periods beginning on or after 1 January 2018.
- Annual Improvements to IFRSs – 2014-2016 Cycle, effective for periods beginning on or after 1 January 2018.
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2, effective for periods beginning on or after 1 January 2018.

### Significant critical accounting judgements, estimates and assumptions

#### Judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 – perpetual licence revenue*

Perpetual licence revenue includes licenced software and related services. Where software is sold as a perpetual licence, revenue is typically recognised on delivery. Support and



maintenance and other services generally form part of the contract and the revenue is recognised as the services are performed. In these cases often significant judgement is required in allocating the consideration receivable to each element of the contract, which requires estimation of the fair value of the delivered and undelivered elements of the contract. This judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Perpetual licence revenue in the year amounted to £15.9m in 2017 (2016: £21.3m).

### 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 amounts of assets and liabilities within the next financial year are discussed below:

#### *Impairment*

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash generating unit or group of cash generating units to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash generating units, management's estimates of discount rates, long-term operating margins and long-term growth rates (note 11). If the results of the cash generating unit in a future period are materially adverse to the estimates used for the impairment testing, an impairment charge may be triggered.

### Other estimates and assumptions

#### *Revenue – rendering of services*

Management makes estimates of the total costs that will be incurred by SDL on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date. All contracts are of short term nature. The majority of services work is invoiced on completion and the amount of year end work in progress amounted to £10.9m (2016: £12.8m).

#### *Capitalised development costs*

Development costs are capitalised from the point when its future recoverability can reasonably be regarded as assured and technical

feasibility and commercial viability can be demonstrated. Significant Judgement is required to determine when, in the development process, these milestones have been met. Capitalised development costs at 31 December 2017 amounted to £2.5m (2016: £nil).

#### *Taxes*

Uncertainties exist with respect to the 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 business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 5.

## 3 | Segment Information

The Group operates in the global content management and language translation industries. For management purposes, the Group is organised into business units based on the nature of their products and services. The Group had four operating segments as follows:

- The Language Services segment is the provision of a translation service for customers' multilingual content in multiple languages.
- The Language Technologies segment is the sale of enterprise, desktop and statistical Machine Translation technologies together with associated consultancy services.
- The Global Content Technologies segment is content management and knowledge management technologies together with associated consultancy services.

- The Non-Core Businesses segment includes the sale of campaign management, social media monitoring and marketing analytic and Fredhopper technologies together with associated consultancy services.

The Chief Operating Decision Maker, being the Group's Chief Executive Officer, monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, amortisation, exceptionals and profits/losses on disposal of business.

Year ended 31 December 2017	Total Revenue £m	Depreciation £m	Segment Adjusted PBTA £m
Language Services	184.5	1.7	9.5
Language Technologies	48.6	0.7	4.9
Global Content Technologies	52.6	0.5	7.6
Non-Core Businesses	2.0	-	(3.0)
<b>Total</b>	<b>287.7</b>	<b>2.9</b>	<b>19.0</b>
Profit on disposal			20.6
Amortisation and exceptional items			(9.7)
Profit before taxation			29.9

Year ended 31 December 2016	Total Revenue £m	Depreciation £m	Segment Adjusted PBTA £m
Language Services	165.3	2.0	18.8
Language Technologies	45.4	0.5	4.4
Global Content Technologies	54.0	0.5	3.8
Non-Core Businesses	25.2	0.5	(3.5)
<b>Total</b>	<b>289.9</b>	<b>3.5</b>	<b>23.5</b>
Loss on disposal			(21.0)
Amortisation and exceptional items			(18.3)
Loss before taxation			(15.8)

Geographical analysis of continuing external revenues by country of domicile	2017 £m	2016 £m
UK	59.6	59.6
USA	99.6	92.9
Republic of Ireland	27.9	26.5
Netherlands	13.4	23.7
Canada	13.2	17.2
Belgium	16.4	16.4
Germany	16.2	15.5
Rest of World	41.4	38.1
	<b>287.7</b>	289.9

Geographical analysis of continuing external revenues by destination	2017 £m	2016 £m
UK	37.1	39.8
USA	109.8	113.9
Netherlands	19.6	19.0
Canada	12.6	13.3
Belgium	4.7	5.4
Germany	19.9	20.3
Rest of World	84.0	78.2
	<b>287.7</b>	289.9

Geographical analysis of non-current assets excluding deferred tax and rent deposits	2017 £m	2016 £m
UK	45.1	40.8
USA	64.8	62.9
Rest of World	52.6	53.5
	<b>162.5</b>	157.2

Goodwill and intangibles recognised on consolidation are included in the country which initially acquired the business giving rise to the recognition of goodwill and intangibles.

## Discontinued Operations

The board announced its decision to sell the Non-Core Businesses, which represents a separate major line of business, in January 2016. The results of the Non-Core Businesses segment continue to be disclosed as Discontinued Operations in this year's financial statements and prior periods show the results of discontinued operation separately from Continuing Operations.

The Group completed the sale of its Fredhopper and Social Intelligence businesses during the period.

Following the impairment charged against the Group's Non-Core segment in 2015, the proceeds of the Non-Core disposals were expected to be in line with the net book value of the related net assets and accordingly no impairment losses were recognised on classification of these operations as held for sale at 31 December 2016. As the disposal of the group's discontinued businesses completed, there was a gain or loss on disposal arising from the difference between the consideration received and the carrying value of assets in each business, including the allocation of goodwill to each business. Goodwill allocated to each business being disposed of is based upon the goodwill arising in the original business combination reduced by specific impairments recorded in prior periods.

The sale of the Fredhopper business resulted in a gain on disposal of £21.3m and the sale of the Social Intelligence business resulted in a £0.7m loss on disposal in the period.

Cash Flows generated from / (used in) Discontinued Operations	2017 £m	2016 £m restated*
Profit / (Loss) for the year	14.7	(26.4)
Tax charge / (credit)	0.2	(0.4)
Profit / (Loss) before tax	14.9	(26.8)
(Profit) / Loss on disposal of Discontinued Operations	(20.6)	21.0
Movements in working capital	2.0	1.4
Net cash generated from operating activities	(3.7)	(4.4)
Net cash generated from / (used in) investing activities	22.2	(1.6)
Net cash flows for the period	18.5	(6.0)

\*Restated to align with working capital methodology in 2017

Net cash used in investing activities includes the cash impact of the sale of businesses as set out below.

Effect of disposal on the financial position of the group	2017 £m
Intangible assets	3.8
Trade and other receivables	2.7
Deferred income and other payables	(4.9)
<b>Net assets</b>	<b>1.6</b>
<b>Net cash inflow</b>	<b>22.2</b>
<b>Profit on disposal of Discontinued Operations</b>	<b>20.6</b>

## 4 | Other Revenue and Expenses

Group operating profit is stated after charging/(crediting)	2017 £m	2016 £m
Included in administrative expenses:		
Research and development expenditure	<b>26.4</b>	25.9
Bad debt charge	<b>0.2</b>	0.2
Depreciation of property, plant and equipment – owned assets	<b>2.9</b>	3.5
Amortisation of intangible assets	<b>4.0</b>	5.2
Operating lease rentals for plant and machinery	<b>0.1</b>	0.2
Operating lease rentals for land and buildings	<b>6.9</b>	7.0
Net foreign exchange losses	<b>0.5</b>	1.8
Share based payment charge	<b>0.2</b>	1.5

The net foreign exchange losses above arose due to movements in foreign currencies between the time of the original transaction and the realisation of the cash collection or spend, and the retranslation of foreign currency denominated intra-group balances.

### Research and development costs

Management continually review research and 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 £2.5m of research and development costs in the year.

The Group has invested significantly in its development processes and governance during the year. The Group now operates the SAFe methodology (an industry standard approach developed by Computer Associates) across its development streams and, as a consequence, development work is now carried out on an agile basis. The strengthening of these processes and governance means that the Group is now able to demonstrate technical and commercial feasibility of certain development activities at an earlier stage of the development cycle and consequently meets the criteria for capitalisation under IAS 38

Auditor's remuneration	2017 £m	2016 £m
Audit of the Group financial statements	<b>0.4</b>	0.4
Other fees to auditors:		
• Local statutory audits for subsidiaries	<b>0.1</b>	0.1
• Taxation compliance services	-	0.4
• Other services	-	0.2

Staff costs		
	2017 £m	2016 £m
Wages and salaries	127.0	133.5
Social security costs	16.9	16.7
Pension costs	5.0	4.8
Expense of share based payments	0.2	1.5
	<b>149.1</b>	156.5

The Company operates a personal pension scheme for qualifying employees. Other Group companies contribute to defined contribution type arrangements for their qualifying members. The pension cost charge for the year represents contributions payable by the group to these schemes and amounted to £5.0m (2016: £4.8m).

The average number of employees during the year, including Executive Directors		
	2017 Number	2016 Number
Administration and sales	1,173	1,234
Production	2,474	2,346
	<b>3,647</b>	3,580

Exceptional Items		
	2017 £m	2016 £m
Continuing Operations		
Redundancy and other staff costs	2.1	4.2
Strategy development	-	2.8
Relaunch of SDL	-	2.1
Other exceptional items	0.9	1.7
	<b>3.0</b>	10.8
Discontinued Operations		
Redundancy and other staff costs	0.8	2.3
Other exceptional items	1.9	-
	<b>2.7</b>	2.3
	<b>5.7</b>	13.1

## 2017

As a consequence of the disappointing financial results during 2017, the Group has commenced a significant restructuring programme to reduce costs. The programme will be completed in 2018 and redundancy costs associated with this programme amounted to £2.1m in 2017. Normal trading redundancy costs are charged to the income statement as incurred.

Other exceptional costs of £0.9m primarily relate to dual running costs associated with relocation of the Group's two principal UK offices. Costs associated with normal property relocations are charged to the income statement as incurred.

Discontinued exceptional relate to redundancy costs associated with employees that did not transfer with the Non-Core businesses (£0.8m) and professional fees and onerous lease charges associated with the disposals of the Non-Core businesses (£1.9m).

These costs, excluding the finalisation of the redundancy programme set out above in 2018, are not expected to recur and have been separately disclosed in the income statement to provide a better guide to underlying business performance.

## 2016

The Group underwent a very significant reorganisation in 2015/6 including the departure of its then Chief Executive Officer in October 2015, the completion of the Group's operational review in January 2016 (including the announcement of the disposal of the Non-Core businesses) and the appointment of a new Chief Executive Officer in April 2016. These events led to significant changes in senior personnel, the development of the new strategy, corporate rebranding and the reorganisation of operational and corporate structures. In addition the Group has incurred exceptional tax charges over the past two years.

In 2016, the Group incurred £13.1m of exceptional costs. These exceptional costs comprised:

- Redundancy and retention costs due to the reorganisation of the Group in 2016 (£6.5m)
- Professional fees and related charges associated with the strategy development (£2.8m)
- Cost of relaunching SDL which included the costs of internal and external conferences to communicate our new strategy and the global relaunch of SDL's brand and associated marketing collateral (£2.1m); and
- Other exceptional costs includes provision for indirect tax liabilities and corporate consolidation exercises (£1.7m).

These significant exceptional costs incurred in 2016 were not expected to recur and therefore were separately disclosed in the income statement to provide a better guide to underlying business performance.

SDL is dedicated to supporting customers using SDL products through the post-sale process

## 5 | Income Tax

(a) Income tax on profit:

Consolidated income statement	2017 £m	2016 £m
Current taxation		
UK Income tax charge		
Current tax on income for the period	-	0.8
Adjustments in respect of prior periods	-	(0.4)
	-	0.4
Foreign tax		
Current tax on income for the period	5.6	5.3
US transition tax charge	2.8	-
Adjustments in respect of prior periods	(0.2)	0.6
	8.2	5.9
Total current taxation	8.2	6.3
Deferred income taxation		
Origination and reversal of temporary differences	(6.8)	(4.0)
Total deferred income tax	(6.8)	(4.0)
Tax expense (see (b) below)	1.4	2.3

An exceptional credit of £4.6m has been recognised in 2017. This credit has arisen from the recognition of previously unrecognised tax losses of £10.1m and tax credit associated with exceptional items charged to operating profit of £0.6m offset by a £2.8m transition tax charge arising from the US tax reform enacted in December 2017 and a £3.3m charge associated with the reduction in the value of the Group's US deferred tax asset following the reduction of the US federal tax rate from 35% to 21%. The recognition of previously unrecognised tax losses in the year has been driven by the completion of s382 tax loss analyses in the US which have confirmed the availability of historic losses. Completion of these s382 analyses in 2017 has removed the uncertainties that existed in the prior year, therefore driving recognition of these losses for the first time.



Consolidated statement of other comprehensive income	2017 £m	2016 £m
Current taxation		
UK income tax charge		
Income tax (credit) / charge on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	<b>(1.3)</b>	0.2
<b>Total current taxation</b>	<b>(1.3)</b>	0.2

A tax debit in respect of share based compensation for deferred taxation of £0.2m (2016: £0.2m debit) has been recognised in the statement of changes in equity in the year.

(b) Factors affecting tax charge:

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of income tax in the UK of 19.25% (2016: 20.0%). The differences are reconciled below:

	Total 2017 £m	Total 2016 £m
Profit/(Loss) on ordinary activities before tax	<b>29.9</b>	(15.8)
Profit/(Loss) on ordinary activities at standard rate of tax in the UK 19.25% (2016: 20.0%)	<b>5.8</b>	(3.2)
Expenses not deductible for tax purposes	<b>0.6</b>	2.1
Adjustments in respect of previous years	<b>(0.4)</b>	0.2
Recognition of tax losses brought forward previously not recognised	<b>(6.2)</b>	(2.9)
Utilisation of tax losses brought forward previously not recognised	<b>(0.5)</b>	-
Current tax losses not available for offset	<b>0.2</b>	1.4
US transition tax	<b>2.8</b>	-
Impact of reduction in US federal tax rate	<b>3.3</b>	-
Effect of overseas tax rates	<b>(2.1)</b>	(1.1)
Impact of disposal of sale of Non-Core businesses	<b>(3.7)</b>	4.3
Other	<b>1.6</b>	1.5
<b>Tax expense (see (a) above)</b>	<b>1.4</b>	2.3

US deferred tax impacts set out in the table above have been calculated based on the US Federal rate of 35% applicable throughout the year. The impact of the US Federal rate reduction to 21% has been calculated by applying the 14% rate reduction to the closing US deferred tax asset.

## (c) Factors that may affect future tax charges:

The US transition tax charge of £2.8m is the Group's current best estimate of the liability arising from the deemed repatriation provisions of the US tax reform. The calculation of foreign earnings under US principles and the availability of foreign tax credits require detailed analysis to finalise the calculation of this liability. The Group's unrecognised tax losses are principally comprised of further US losses whose existence has yet to be confirmed by s382 analyses.

The Group may claim a Schedule 23 tax credit in respect of certain share based compensation benefits. Due to the requirements of IAS 12, in conjunction with IFRS 2, the amount of benefit that can be recognised in the income statement has been restricted in the current year and may also be restricted in future periods. Any surplus tax credit is recorded in equity.

There are temporary differences which arise in relation to unremitted earnings of overseas subsidiaries. Since the Group is able to control dividend distributions from these companies it is unlikely that further UK tax on repatriation of these earnings will be payable in the foreseeable future. Consequently no deferred tax liability has been provided.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted on 26 October 2015. Further reductions to 18% (effective from 1 April 2020) and to 17% (effective 1 April 2021) were enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Company's future current tax charge accordingly.

In common with other multinational organisations, there are a number of transactions that occur between the Group's entities. These transactions include charges for translation and professional services, management and support services and intellectual property fees. The group operates in 38 countries around the world and is subject to ongoing tax audits and reviews and is consequently exposed to potentially material, adverse tax outcomes. The group operates in line with local and global regulations and maintains provisions where any deviations from these regulations are identified. The nature of tax compliance is inherently subject to interpretation and actual outcomes and settlements may differ from the estimates recorded in these consolidated financial statements. The Group currently anticipates that the outcomes of these uncertainties will only be resolved in greater than one year.

## (d) Deferred income tax:

The amounts recognised and unrecognised for deferred income tax are set out below:

	Recognised 2017 £m	Unrecognised 2017 £m	Recognised 2016 £m	Unrecognised 2016 £m
Depreciation in advance of capital allowances	0.6	-	0.4	-
Other short-term temporary differences	(0.2)	-	(0.2)	-
Tax losses	10.4	1.0	7.1	34.7
Net deferred income tax asset	10.8	1.0	7.3	34.7

Deferred tax assets have not been recognised where there is considered to be material uncertainty as to whether these losses will be available for offset against suitable taxable profits in future years. The Group has unrecognised tax losses in net terms of £1.0m (2016: £34.7m). These unrecognised losses principally relate to an uncompleted s382 analysis in the US and exclude the Group's estimate of time barred losses and losses which are not realisable due to changes of trade. These losses, which will not be available for offset in future years, amount to £12.9m (2016: £18.6m).

Included within other short term temporary differences are deferred tax assets in respect of potential Schedule 23 tax benefits of £0.2m (2016: £0.5m) and a deferred tax liability in respect of business combination intangible assets of £1.3m (2016: £2.0m).

The Group has recognised deferred tax assets on losses of £10.4m (2016: £7.1m). The amounts recognised are based on the historical profitability and the forecast future taxable profits of the relevant entities. Recognised deferred tax assets principally relate to UK and US activities.

At 31 December 2017, the net deferred income tax position is represented by a deferred income tax asset of £11.2m (2016: £8.4m) and a deferred income tax liability of £0.4m (2016: £1.1m).

(e) Reconciliation of movement on deferred tax liability:

	2017 £m	2016 £m
At 1 January	1.1	3.1
Retranslation of opening balances	-	0.2
Reversal of temporary differences arising on the amortisation of intangibles	(0.8)	(1.0)
Other temporary differences arising in the period	0.1	(0.2)
Write off of intangibles on disposal	-	(1.0)
<b>Deferred tax liability at 31 December</b>	<b>0.4</b>	<b>1.1</b>

(f) Reconciliation of movement on deferred tax asset:

	2017 £m	2016 £m
At 1 January	8.4	6.0
Retranslation of opening balances	(0.2)	0.6
Recognition of previously unrecognised losses	10.1	4.0
US transition tax charge sheltered by US tax losses	(2.8)	-
US federal rate change	(3.3)	-
Tax loss utilised in the period	(2.5)	(1.7)
Temporary differences arising in the period	1.7	(0.7)
Deferred income tax asset arising on share based payments recorded in statement of changes in equity	(0.2)	0.2
<b>Deferred tax asset at 31 December</b>	<b>11.2</b>	<b>8.4</b>

The deferred tax asset of £11.2m (2016: £8.4m) and liability of £0.4m at 31 December 2017 (2016: £1.1m) have been calculated based on the rate of 19% which was enacted at the balance sheet date or local tax rates as applicable in overseas territories.

## 6 | Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the year: Final dividend for the year ended 31 December 2016 was 6.2 pence per share. (Year ended 31 December 2015: 3.1 pence per share)	5.1	2.5

A final dividend for the year ended 31 December 2017 of 6.2 pence per share will be proposed at the Annual General Meeting and has not been included as a liability in the financial statements.

## 7 | Earnings Per Share

The calculation of basic earnings per ordinary share is based on a profit after tax of £28.5m (2016: loss of £18.1m) and 81,947,503 (2016: 81,373,409) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per ordinary share is calculated by including in the weighted average number of shares the dilutive effect of potential ordinary shares related to committed share options as described in note 19. For 2017, the diluted ordinary shares were based on 81,947,503 ordinary shares and 193,091 additional potential ordinary.

The following reflects the income and share data used in the calculation of adjusted earnings per share computations before exceptional costs:

	Continuing £m	Discontinued £m	2017 £m	Continuing £m	Discontinued £m	2016 £m
Profit / (Loss) for the year	13.8	14.7	28.5	8.3	(26.4)	(18.1)
(Profit) / Loss on disposal of Non-Core business	-	(20.6)	(20.6)	-	21.0	21.0
Exceptional items charged within operating profit	3.0	2.7	5.7	10.8	2.3	13.1
Amortisation of intangible fixed assets	4.0	-	4.0	5.2	-	5.2
Less: tax benefit associated with the amortisation of intangible fixed assets.	(0.8)	-	(0.8)	(1.0)	-	(1.0)
Less: Exceptional tax credit (see Note 5a)	(4.6)	-	(4.6)	(1.6)	(0.3)	(1.9)
Adjusted profit for the year	15.4	(3.2)	12.2	21.7	(3.4)	18.3

Adjusted earnings per share is shown as the Directors believe that earnings before amortisation, exceptional costs and associated tax benefits is reflective of the underlying performance of the business.

	2017 Number	2016 Number
Weighted average number of ordinary shares for basic earnings per share	<b>81,947,503</b>	81,373,409
Effect of dilution resulting from share options	<b>193,091</b>	788,748
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>82,140,594</b>	82,162,157

	Continuing	Discontinued	2017	Continuing	Discontinued	2016
Adjusted earnings per ordinary share – basic (pence)	18.9	(4.0)	<b>14.9</b>	26.6	(4.2)	<b>22.4</b>
Adjusted earnings per ordinary share – diluted (pence)	18.8	(3.9)	<b>14.9</b>	26.3	(4.1)	<b>22.2</b>

There have been no material transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

## 8 | Property, Plant and Equipment

	Leasehold Improvements £m	Computer Equipment £m	Fixtures & Fittings £m	Total £m
Cost				
At 1 January 2016	2.7	26.5	3.2	32.4
Additions	-	1.9	0.1	2.0
Disposals	(0.4)	(0.3)	(0.8)	(1.5)
Disposals of Non-Core business	-	(4.6)	-	(4.6)
Assets classified as held for sale	-	(1.3)	(0.2)	(1.5)
Currency adjustment	0.3	4.5	0.2	5.0
At 1 January 2017	2.6	26.7	2.5	31.8
Additions	3.5	2.4	0.5	6.4
Disposals	(0.7)	(0.2)	(0.2)	(1.1)
Currency adjustment	0.1	1.0	-	1.1
<b>At 31 December 2017</b>	<b>5.5</b>	<b>29.9</b>	<b>2.8</b>	<b>38.2</b>

	Leasehold Improvements £m	Computer Equipment £m	Fixtures & Fittings £m	Total £m
Accumulated depreciation:				
At 1 January 2016	(1.9)	(22.1)	(2.1)	(26.1)
Provided during the year	(0.3)	(3.0)	(0.2)	(3.5)
Disposals	0.4	0.4	0.7	1.5
Disposals of Non-Core business	-	4.2	-	4.2
Assets classified as held for sale	-	1.2	0.2	1.4
Currency adjustment	(0.1)	(3.5)	(0.4)	(4.0)
At 1 January 2017	(1.9)	(22.8)	(1.8)	(26.5)
Provided during the year	(0.5)	(2.2)	(0.2)	(2.9)
Disposals	0.7	0.2	0.2	1.1
Currency adjustment	-	(0.3)	-	(0.3)
<b>At 31 December 2017</b>	<b>(1.7)</b>	<b>(25.1)</b>	<b>(1.8)</b>	<b>(28.6)</b>
New book value:				
<b>At 31 December 2017</b>	<b>3.8</b>	<b>4.8</b>	<b>1.0</b>	<b>9.6</b>
At January 2017	0.7	3.9	0.7	5.3

## 9 | Intangible Assets

	Customer Relationships £m	Intellectual Property £m	Goodwill £m	Capitalised R&D £m	Software Development £m	Total £m
<b>Cost:</b>						
At 1 January 2016	20.3	60.7	214.4	-	-	295.4
Disposal of Non-Core business	(3.7)	(7.6)	(16.9)	-	-	(28.2)
Reclassification to assets held for sale	-	-	(3.8)	-	-	(3.8)
Currency adjustment	2.0	7.5	18.9	-	-	28.4
At 1 January 2017	18.6	60.6	212.6	-	-	291.8
Additions	-	-	-	2.5	7.1	9.6
Disposal of Non-Core business	(1.4)	-	-	-	-	(1.4)
Currency adjustment	(0.6)	(1.4)	(4.6)	-	-	(6.6)
<b>At 31 December 2017</b>	<b>16.6</b>	<b>59.2</b>	<b>208.0</b>	<b>2.5</b>	<b>7.1</b>	<b>293.4</b>
<b>Amortisation and impairment:</b>						
At 1 January 2016	(16.3)	(50.1)	(65.9)	-	-	(132.3)
Provided during the year	(1.1)	(4.1)	-	-	-	(5.2)
Disposal of Non-Core business	2.1	4.2	-	-	-	6.3
Currency adjustment	(2.0)	(6.7)	-	-	-	(8.7)
At 1 January 2017	(17.3)	(56.7)	(65.9)	-	-	(139.9)
Provided during the year	(0.9)	(3.1)	-	-	-	(4.0)
Disposal of Non-Core business	1.4	-	-	-	-	1.4
Currency adjustment	0.6	1.4	-	-	-	2.0
<b>At 31 December 2017</b>	<b>(16.2)</b>	<b>(58.4)</b>	<b>(65.9)</b>	<b>-</b>	<b>-</b>	<b>(140.5)</b>
<b>Net book value:</b>						
<b>At 31 December 2017</b>	<b>0.4</b>	<b>0.8</b>	<b>142.1</b>	<b>2.5</b>	<b>7.1</b>	<b>152.9</b>
At 1 January 2017	1.3	3.9	146.7	-	-	151.9

Customer relationships and intellectual property are amortised on a straight-line basis over their estimated useful lives of between 5 and 10 years. As from 1 January 2004, the date of transition to IFRS, goodwill is no longer amortised but is now subject to annual impairment testing (see note 11).

Management continually review research and development expenditure to assess whether any costs meet the criteria for capitalisation. The Group has capitalised £2.5m of research and development costs in the year.

The Group has invested significantly in its development processes and governance during the year. The Group now operates the SAFe methodology (an industry standard approach developed by Computer Associates) across its development streams and, as a consequence, development work is now carried out on an agile basis. The strengthening of these processes and governance means that the Group is now able to demonstrate technical and commercial feasibility of certain development activities at an earlier stage of the development cycle and consequently meets the criteria for capitalisation under IAS 38.

## 10 | Investments in Subsidiaries

Details of the investments in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Name of Company	Registered Address of business	Country of Incorporation	Holding	Proportion of Voting Rights	Primary nature of Business
<b>Held directly:</b>					
SDL France SARL	36 avenue du Général de Gaulle, Paris 93170, France	France	Ordinary	100%	Language Services
SDL Software Technology (Shenzhen) Co Ltd	Room 309, Floor 3, Resources-Tech-Building, Songping Shan Road, High-Tech Industrial Park, Nanshan District, Shenzhen City, Guandong, PRC	China	Ordinary	100%	Language Services and Technology
SDL Poland Sp zoo	Ul. Fordonska 246, 85 766 Bydgoszcz	Poland	Ordinary	100%	Language Services
SDL do Brazil Global Solutions Ltda	Rua Barao do Trinfo 73, Rooms 63-67, Brooklin Paulista, Sao Paolo	Brazil	Ordinary	100%	Language Services
SDL Nominees Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding Company
SDL Global Holdings Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
SDL Multilingual Solutions Private Ltd	1319, 13th Floor, Bldg A1, Rupa Solitaire, Sector 1, Millenium Business Park, Mahape, Navi Mumbai, 400 710, India	India	Ordinary	100%	Language Services



Name of Company	Registered Address of business	Country of Incorporation	Holding	Proportion of Voting Rights	Primary nature of Business
<b>Held directly:</b>					
SDL Turkey Translation Services & Commerce Ltd	Camlica Street Muhurdar Cikmazi (cul de sac) No:2 Beylerbeyi Uskudar 34676 Istanbul	Turkey	Ordinary	100%	Language Services
SDL Chile SA	Avenida Holanda 00 Oficina 1002 Providencia, Region Metropolitana, Santiago 7510021 Chile	Chile	Ordinary	100%	Language Services
SDL Portugal Unipessoal LDA	Rua Julio Dinis, no. 826, 4o Dt., freguesia Cedofeita, Ildefonso, Se, Nicolau, Vitoria, Porto, Portugal	Portugal	Ordinary	100%	Language Services
SDL Sheffield Limited	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Language Services
Automated Language Processing Services Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
Bemoko Consulting Limi-ted	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Technology
SDL Tridion Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Technology
Interlingua Group Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
XyEnterprise Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Technology
Alterian Holdings Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
Alterian Technology Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Technology
Intrepid Consultants Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
Alpnet UK Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company

Name of Company	Registered Address of business	Country of Incorporation	Holding	Proportion of Voting Rights	Primary nature of Business
<b>Held directly:</b>					
Computype Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
Mediasurface Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
SDL (Poole) Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
SDL (Newbury) Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
SDL Minorities Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	England & Wales	Ordinary	100%	Holding company
SDL Sweden AB	Fatburgsgatan 1, Stockholm, S-118 28 Sweden	Sweden	Ordinary	100%	Language Services
SDL Tridion AB	Fatburgsgatan 1, Stockholm, S-118 28 Sweden	Sweden	Ordinary	100%	Technology
SDL Global Solutions (Ireland) Limited	La Vallee House, Upper Dargle Road, Bray, Co Wicklow	Ireland	Ordinary	100%	Language Services and Technology
SDL Belgium NV	Vital Decosterstraat 44, 3000 Leuven, Belgium	Belgium	Ordinary	100%	Language Services
SDL Inc	201 Edgewater Drive, Wakefield, MA 01880-1296	United States of America	Ordinary	100%	Technology
SDL XyEnterprise LLC	201 Edgewater Drive, Wakefield, MA 01880-1296	United States of America	Ordinary	100%	Language Services and Technology
SDL Japan KK	Nakameguro GT Tower 4f, 2-1-1, Kamimeguro Meguro Tokyo 153-0051 Japan	Japan	Ordinary	100%	Language Services and Technology
SDL Tridion K.K.	Nakameguro GT Tower 4f, 2-1-1, Kamimeguro Meguro Tokyo 153-0051 Japan	Japan	Ordinary	100%	Technology
SDL Hellas MEPE	Philippou 6, Metamorfosi, Athens 144 51, Greece	Greece	Ordinary	100%	Language Services
SDL Holdings BV	Hoogoorddreef 60, 1101 BE Amsterdam, The Netherlands	Netherlands	Ordinary	100%	Holding Company

Name of Company	Registered Address of business	Country of Incorporation	Holding	Proportion of Voting Rights	Primary nature of Business
<b>Held directly:</b>					
SDL Netherlands BV	Hoogoorddreef 60, 1101 BE Amsterdam, The Netherlands	Netherlands	Ordinary	100%	Language Services
SDL Media Manager BV	Hoogoorddreef 60, 1101 BE Amsterdam, The Netherlands	Netherlands	Ordinary	100%	Technology
SDL Passolo GmbH	Waldburgstrasse 21, 70563, Stuttgart	Germany	Ordinary	100%	Technology
SDL Multilingual Services GmbH & Co KG	Waldburgstrasse 21, 70563, Stuttgart	Germany	Ordinary	100%	Language Services
Trados GmbH	Waldburgstrasse 21, 70563, Stuttgart	Germany	Ordinary	100%	Technology
SDL MLS GmbH	Waldburgstrasse 21, 70563, Stuttgart	Germany	Ordinary	100%	Holding Company
SDL Multilingual Services Verwaltungs GmbH	Waldburgstrasse 21, 70563, Stuttgart	Germany	Ordinary	100%	Holding Company
SDL Italia Srl Unipersonale	Via Stradella 165, Roma 00124, Italy	Italy	Ordinary	100%	Language Services
Software Documentation Localization Spain, S.L.	Avenida Constitucion, no 20 Edificio La Piramide, Oficina 206, 18012 Granada	Spain	Ordinary	100%	Language Services
SDL International (Canada) Inc	1155 Metcalfe St, Suite 1200, Montreal, Quebec, Canada, H3B 2V6	Canada	Ordinary	100%	Language Services
SDL Multi-Lingual Solutions (Singapore) PTE Ltd	138, Cecil Street, #15-00 Cecil Court, Singapore 069538	Singapore	Ordinary	100%	Language Services
Alterian Pte Ltd	138, Cecil Street, #15-00 Cecil Court, Singapore 069538	Singapore	Ordinary	100%	Technology
SDL Magyaror szaj szolgaltato Kft	Arboc u. 6 III., Budapest, H-1702	Hungary	Ordinary	100%	Language Services
SDL CZ sro	Nerudova 198 Hradec Kralove 500 02 Czech Republic	Czech Republic	Ordinary	100%	Language Services
SDL Traduceri SRL	Str. Mendeleev nr. 28-30, et. 3, Sector 1, cod postal 010365, Bucharest, Romania J40/5123/2000	Romania	Ordinary	100%	Language Services
SDL Zagreb doo	Bednjanska 14/II, 10 000 Zagreb	Croatia	Ordinary	100%	Language Services

Name of Company	Registered Address of business	Country of Incorporation	Holding	Proportion of Voting Rights	Primary nature of Business
<b>Held directly:</b>					
SDL doo Ljubljana	Stegne 21C, Ljubljana	Slovenia	Ordinary	100%	Language Services
LLC SDL Ukraine	Business center SP Hall Office 604, 28 A (letter G) Stepana Bandery avenue Kiev, Ukraine 04073	Ukraine	Ordinary	100%	Technology
SDL Tridion GmbH	Balanstrasse 49 81669 Munich Germany	Germany	Ordinary	100%	Technology
SDL Tridion Hispania SL	Lopez de Hoyos 35, 1a Planta, 28002 Madrid, Spain	Spain	Ordinary	100%	Technology
LLC SDL Rus	Ul Zastavskaya Street, 22, "A", 196084 St Petersburg, Russia	Russia	Ordinary	100%	Language Services
SDL Xopus BV	Koninginnegracht 12 B-13	Netherlands	Ordinary	100%	Technology
Language Weaver SRL	24 Constanta Street, fl. 2-4, Cluj-Napoca Romania, 400157, Romania	Romania	Ordinary	100%	Technology
SDL Technologies India PVT Ltd	Building 4, Block A, 7th Floor, 77 Town Centre, Yemalur Main Road, Off Old Airport Road, Bangalore – 560 037	India	Ordinary	100%	Technology
SDL Technologies (Australia) Pty Ltd	Nexia Sydney Pty Ltd, Level 16, 1 Market Street, Sydney, NSW 2000	Australia	Ordinary	100%	Technology
Alterian do Brazil Software e Servicos Ltda	Avenida Presidente Wilson No. 231, 23rd andar, Rio de Janeiro, Brasil	Brazil	Ordinary	100%	Technology
SDL Technologies (Vietnam) Co Ltd	14th Floor, REE Tower, No. 9 Doan Van Bo Street, ward 12, district 4, Ho Chi Minh City	Vietnam	Ordinary	100%	Technology
SDL Government Inc	Corporation Trust Center, 1209 Orange Street, City of Wilmington, Country of New Castle	United States of America	Ordinary	100%	Technology
Alterian Holdings Inc	Corporation Trust Center, 1209 Orange Street, City of Wilmington, Country of New Castle	United States of America	Ordinary	100%	Holding company

The proportion of voting rights held is as shown above.

## 11 | Impairment Testing of Goodwill

The Group has goodwill that has been acquired through business combinations and does not hold any intangible assets that have indefinite lives ascribed to them.

The approach of the Group is to test impairment at the cash generating unit level or group of cash generating units where these represent the lowest level at which goodwill is monitored for internal reporting purposes.

The group's CGUs during the year are unchanged from 2016 and are; Language Services, Language Technologies, Global Content Technologies and Non-Core Businesses which are consistent with the Group's operating segments. Following the disposal of the discontinued businesses the group retains only three CGUs at 31 December 2017; Language Services, Language Technologies and Global Content Technologies. The Group's operating segments are disclosed in Note 3.

Goodwill has been allocated for impairment testing purposes to these CGUs and full attribution of overheads and group costs has been made to each of the units in testing impairment. The valuation is performed on a value in-use basis and this is compared against the respective operating segments' expected realisable value.

In order to evaluate the recoverable amounts relating to the operating segments, the following key information should be noted.

The recoverable amounts have been determined using the detailed projections from the 2018 annual plan projected for a further four year period and subsequently into perpetuity, with a discount rate applied.

The discount rate has been calculated as the weighted average cost of capital. Differential post-tax discount rates were used reflecting a different risk weighting based on relative maturity and size of the different cash generating units with 9.5% applied to Language

Services (2016: 10.1%) and 10.5% to Language Technologies and Global Content Technologies (2016: Language Technologies and Global Content Technologies 11.1%, Non-Core businesses 14.0%). These discount rates reflect the relative maturity of the businesses and the risk associated with the respective operating segment forecasts. In aggregate, these discount rates approximate a group cost of capital of 9.9% (2016: 10.8%). Pre-tax discount rates were 12.7% for Language Services, 13.4% for Language Technologies and 13.4% for Global Content Technologies (2016: 13.1% for Language Services, 15.2% for Language Technologies and Global Content Technologies). Budgets have been prepared at the cash generating unit level based on historical trends adjusted for expected future events. These individual budgets have been aggregated as the basis for the 2018 Group annual plan.

This methodology places strong emphasis on early year cash flows and revenue growth assumptions in evaluating impairment. A common 2.0% perpetual growth rate has been used for all operating segments reflecting the relative maturity, penetration and profile of the operating segments (2016: 2.0%). Differential growth rates have been applied to the different operating segments for the budget. For 2019 and 2020 a 5.0% growth rate has been applied in LS and CGU and 6.0% growth rate in LT and GCT.

Thereafter growth rates have reverted to market growth estimates. These are 6.0% for Language Services, 6.5% for Language Technologies and 8.5% for Global Content Technologies (2016: post budget period growth rates – 6.0% for Language Services, 6.5% for Language Technologies and 8.0% for Global Content Technologies).

As a result of this review, no impairment has been identified.

Carrying amount of goodwill allocated to operating segments		
	2017 £m	2016 £m
Language Services	21.1	21.1
Language Technologies	56.0	60.1
Global Content Technologies	65.0	65.5
	142.1	146.7

### Sensitivity to changes in assumptions

Management has identified three key assumptions which could significantly impact the impairment test: post-tax discount rate, perpetuity growth rate and revenue growth applied to each year before perpetuity.

The change in the assumptions above required for the recoverable amount of the Global Content Technologies and Language Technologies operating segments to equal their carrying amounts are shown below:

	Language Technologies	Global Content Technologies
Recoverable amounts exceeds carrying amount	£31.5m	£25.2m
Reduction in revenue growth rate	2.0%	2.1%
Increase in post-tax discount rate	4.2%	2.9%
Reduction in perpetuity rate	n/a*	n/a*

\*removal of the perpetuity rate entirely does not result in an impairment for the segment

Having performed its impairment test on the Language Services cash generating unit and having analysed the various sensitivities to this test, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the Language Services operating segment to exceed its recoverable amount.

### Next impairment test

The next impairment tests will be performed at the 2018 year end. However, management continues to monitor the performance of its cash generating units closely and should it believe a significant event has occurred which deteriorates the forward operating prospects of the business it will bring forward these tests.

## 12 Trade and Other Receivables (Current)

Trade and Other Receivables (Current)	2017 £m	2016 £m
Trade receivables	61.2	59.1
Prepayments	10.7	9.0
Accrued income	10.8	12.9
	<b>82.7</b>	81.0

All amounts are due within one year. Trade receivables are non-interest bearing and on average have thirty to sixty day settlement terms. Accrued income is the value of unbilled work recognised on projects in accordance with the accounting policy outlined in Note 2.

As at 31 December 2017, trade receivables at nominal value of £1.7m (2016: £1.6m) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 1 January 2016	1.5
Charge for the year	0.2
Utilised in the year	(0.1)
Transfer to assets held for sale	(0.2)
Currency adjustment	0.2
At 31 December 2016	1.6
Charge for the year	0.2
Utilised in the year	(0.1)
Currency adjustment	-
At 31 December 2017	1.7

As at 31 December, the ageing analysis of trade receivables, net of impairment, is as follows:

	Total £m	Not past due £m	Past due <30 days £m	Past due 30-60 days £m	Past due >60 days £m
<b>2017</b>	<b>61.2</b>	<b>42.8</b>	<b>11.5</b>	<b>2.7</b>	<b>4.2</b>
2016	59.1	43.2	7.7	2.5	5.7

The Group typically operates with large multi national customers and hence credit risk is generally low. The majority of the impairment provision is recorded against amounts greater than 60 days in 2017 and 2016. The Group's collection history suggests no additional impairment provision is deemed necessary.

## 13 | Cash and Cash Equivalents

	2017 £m	2016 £m
Cash at bank and in hand	<b>22.7</b>	21.3

Where cash at bank and in hand earns interest, interest accrues at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £22.7m (2016: £21.3m).

At 31 December 2017, the Group had available £25m (2016: £25m) of undrawn committed borrowing facilities and £25m (2016: £25m) of undrawn uncommitted borrowing facilities.

For the purposes of the cash flow statement, cash & cash equivalents comprise the amounts shown above.

## 14 | Trade and Other Payables (Current)

Trade and Other Payables (Current)		
	2017 £m	2016 £m
Trade payables	<b>8.1</b>	7.2
Other taxes and social security costs	<b>1.7</b>	2.5
Other payables	<b>9.9</b>	7.8
Accruals	<b>21.0</b>	34.5
Deferred income	<b>37.6</b>	36.5
	<b>78.3</b>	88.5

The terms and conditions of the above financial liabilities are as follows:

Trade payables are non-interest bearing and are normally settled within 45 days;

Other taxes and social security costs are non-interest bearing and have an average term of 1 month;

Other payables, generally, are non-interest bearing and have an average term of 2 months. There are no longer any amounts payable under finance leases included within this balance (2016: £ nil).

## 15 | Trade and Other Payables (Non-Current)

Trade and Other Payables (Non-Current)		
	2017 £m	2016 £m
Deferred income	<b>0.7</b>	1.6
	<b>0.7</b>	1.6



## 16 | Loans and Overdraft

On 3 August 2015, the Group signed a 5 year £25m revolving credit facility with HSBC plc, expiring on 2 August 2020. The agreement includes the provision of a £25m Accordian (uncommitted) facility. At 31st December 2017 no amounts were drawn on the facility (2016: £Nil).

Draw downs under the £25m revolving credit facility are repayable in one, three and six month instalments and amounts can be redrawn at any time as long as covenant and other conditions are met. Accordingly drawdowns under this facility have been categorised as non-current. The loan bears interest at LIBOR+ margin, the margin varying between 1.15% and 1.9% depending on the ratio of the Group's total net debt to its adjusted earnings before interest, tax, depreciation and amortisation. The Company and a number of subsidiaries have entered into cross guarantee arrangements to secure the drawings under this facility.

## 17 | Provisions

	Property Leases £m	Tax related £m	Other £m	Total £m
At 1 January 2017	0.6	2.5	0.1	3.2
Arising during the year	1.6	0.2	0.2	2.0
Release during the year	-	(0.4)	-	(0.4)
Utilised during the year	(0.2)	-	(0.1)	(0.3)
<b>At 31 December 2017</b>	<b>2.0</b>	<b>2.3</b>	<b>0.2</b>	<b>4.5</b>
<b>Current 2017</b>	<b>0.8</b>	<b>0.6</b>	<b>0.2</b>	<b>1.6</b>
<b>Non-current 2017</b>	<b>1.2</b>	<b>1.7</b>	<b>-</b>	<b>2.9</b>
	<b>2.0</b>	<b>2.3</b>	<b>0.2</b>	<b>4.5</b>
Current 2016	0.3	0.7	0.1	1.1
Non-current 2016	0.3	1.8	-	2.1
	0.6	2.5	0.1	3.2

### Property leases

The provision for property leases is in respect of leasehold premises, from which the Group no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry date and provision for dilapidation costs associated with the Group's new UK property leases. Non current obligations are payable within a range of one to five years (£0.4m, 2016: £0.3m) and over 5 years (£0.8m, 2016: £nil). Amounts provided are management's best estimate of the likely future cash outflows.

**Tax related**

Tax provisions relate to indirect and payroll tax disputes in a number of locations around the world. The Group is appealing a number of assessments raised by local authorities and amounts will be paid following the completion of these appeals processes. It is expected that these amounts will be payable within a range of 1 to 5 years. Amounts provided are management's best estimate of the likely future cash outflows.

**Other**

Other provisions relate to employee and legal claims lodged against the Group. These amounts are expected to be resolved in the next twelve months.

Current obligations are expected to be payable within 1 year and non current liabilities are expected to be paid out after more than one year.

**18 | Share Capital**

Allotted, called up and fully paid	2017 Millions	2016 Millions	2017 £m	2016 £m
Ordinary shares of 1p each				
At 1 January	81.5	81.3	0.8	0.8
• Issued on exercise of share options	0.4	0.2	-	-
• Issued on exercise of LTIPS	0.3	-	-	-
• Issued as payment of contingent consideration	0.1	-	-	-
• At 31 December	<b>82.3</b>	<b>81.5</b>	<b>0.8</b>	<b>0.8</b>

The following movements in the ordinary share capital of the company occurred during the year:

- 120,287 ordinary shares of 1p each were allotted under the SDL Share Option Scheme (1999), SDL Share Option Scheme (2010) and earlier Unapproved Option Schemes at a price range of 278.92 pence to 333.5 pence per share for an aggregate consideration of £380,555.
- 303,515 ordinary shares of 1p each were allotted under the SDL Save As You Earn Schemes for an aggregate consideration of £773,343.
- In March 2017 and December 2017 a total of 81,244 ordinary shares of 1p each were allotted to Gype BV as the second and final payment of the contingent consideration due as a result of the acquisition of Gype BV in 2015.
- 283,500 ordinary shares of 1p each were allotted under the SDL LTIP 2011 Scheme.

The following movements in the ordinary share capital of the company occurred during 2016:

- 12,492 ordinary shares of 1p each were allotted under the SDL Share Option Scheme (1999), SDL Share Option Scheme (2010) and earlier Unapproved Option Schemes at a price range of 278.92 pence to 290.5 pence per share for an aggregate consideration of £35,182
- 157,145 ordinary shares of 1p each were allotted under the SDL Save As You Earn Schemes for an aggregate consideration of £480,780.
- In March 2016, 40,622 ordinary shares of 1p each were allotted to Gype BV as the first payment of the contingent consideration due as a result of the acquisition of Gype BV in 2015.

## 19 | Share-Based Payment Plans

Included within administrative expenses is a charge of £0.2m relating to the Group's employee share schemes (2016: charge of £1.5m). Details of the Group's employee share schemes are set out below.

### SDL Share Option Scheme

On 23 April 2010, following shareholder approval, the "SDL Share Option Scheme (2010)" was adopted. This replaced the "SDL Share Option Scheme (1999)" for which options are still exercisable. The SDL Share Option Scheme (2010) permits the granting of both options approved by HM Revenue and Customs within the statutory £30,000 limit and unapproved options, subject to performance conditions. From 2010 onwards, all options have been granted in accordance with these rules.

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Share Options Scheme during the year:

	2017 Number	2017 WAEP	2016 No.	2016 WAEP
Outstanding at the beginning of the year	<b>1,095,351</b>	<b>£3.99</b>	769,085	£3.87
Granted during the year	-	<b>n/a</b>	457,500	£4.19
Forfeited during the year	<b>(143,758)</b>	<b>£4.19</b>	(114,242)	£4.23
Exercised during the year	<b>(120,287)</b>	<b>£3.17</b>	(16,992)	£2.81
Outstanding at the end of the year	<b>831,306</b>	<b>£4.07</b>	1,095,351	£3.99
Exercisable at 31 December	<b>158,306</b>	<b>£3.08</b>	128,593	£2.84

The weighted average share price at the date of exercise for the options exercised is £4.07 (2016: £3.99).

For the share options outstanding as at 31 December 2017, the weighted average remaining contractual life is 6.64 years (2016: 7.75 years).

The fair value of equity settled share options granted under the SDL Share Option Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs and key output to the model (there were no grants made in 2017):

	2017	2016
Weighted average share price (pence)	<b>n/a</b>	399
Expected volatility	<b>n/a</b>	36%
Expected option life	<b>n/a</b>	3 years
Expected dividends	<b>n/a</b>	0.75%
Risk-free interest rate	<b>n/a</b>	0.45%

The weighted average fair value at grant date was £0.95 in 2016.

The range of exercise prices for options outstanding at the end of the year was £2.79-£4.45 (2015: £2.79-£4.45).

Exercise Price	Date of Grant	Exercise Period	2017 Number	2016 Number
£2.51 – £3.00	28/02/08-02/03/09	10 years after grant date	<b>81,306</b>	128,593
£3.01 – £3.50	07/04/14	10 years after grant date	<b>77,000</b>	168,758
£4.01 – £4.50	17/04/15-08/06/16	10 years after grant date	<b>673,000</b>	798,000
<b>Total</b>			<b>831,306</b>	1,095,351

### SDL Long Term Incentive Plans

The SDL Long Term Share Incentive Plan, which was approved by shareholders in April 2011 (“the 2011 plan”), expired for the purposes of new awards in April 2016. No further awards could be made after the expiry date but existing awards will remain protected although they will only vest to the extent that the related performance conditions are met.

The 2011 plan has been replaced with the SDL Long Term Share Incentive Plan (2016) (“the 2016 Plan”) which received approval from shareholders in April 2016. The 2016 Plan is broadly similar in construction. It has been updated to reflect current law and market practice and the proposed performance conditions are designed to be more closely aligned to the company’s current business strategy and objectives. The shares granted under the 2016 plan are dependent on either EPS or TSR performance conditions.

On 18 April 2017, 1,035,706 shares were granted under the 2016 Plan based on a market price of £5.63, with a performance period of three years from date of grant.

The fair value of equity-settled shares granted under the SDL Long Term Incentive Plan is estimated as at the date of grant dependent on the performance criteria within the plan. The 2011 Plan uses a Monte-Carlo model whereas the 2016 plan uses a different valuation methodology for each performance criteria as is considered most appropriate. This results in a Monte Carlo model being used for the grants issued with a TSR performance criteria and a Black Scholes model for the grants issued with an EPS performance criteria, taking into account the terms and conditions upon which the options were granted. The following table lists the key inputs to the model used in the year of grant:

Allotted, called up and fully paid	2017 Monte Carlo	2017 Black Scholes	2016 Monte Carlo	2016 Black Scholes
Expected volatility	26%	26%	36%	36%
Weighted average fair value at grant date (pence)	397	545	266	403
Expected life	3 years	3 years	3 years	3 years
Expected dividends	1.10%	1.10%	0.75%	0.75%
Risk-free interest rate	0.11%	0.11%	0.37%	0.45%

	2017 Number	2017 WAEP	2016 No.	2016 WAEP
Outstanding at the beginning of the year	1,397,104	£0.01	906,043	£0.01
Granted during the year	1,035,706	£0.01	764,081	£0.01
Exercised during the year	(283,500)	£0.01	-	£0.01
Forfeited during the year	(164,023)	£0.01	(273,020)	£0.01
Outstanding at the end of the year	1,985,287	£0.01	1,397,104	£0.01
Exercisable at 31 December	288,411		Nil	

All LTIPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded).

### Retention Share Plan

In recognition of the fact that there would be three consecutive years in which the LTIP and Option awards are unlikely to meet the performance criteria required to vest, the Board approved, in 2013, a share-based discretionary award which was made to a small targeted group of executives (excluding Executive Directors). Awards are based on a percentage of salary and vest in equal tranches, any unvested portion of a tranche lapses. The Board believes that this Retention Share Plan (RSP) provided benefit to the Group by creating appropriate performance incentives and facilitated the long-term retention of employees who added significant value. The Remuneration Committee has the discretion to settle any awards that vest in cash or via shares.

The RSP was not approved by shareholders and therefore any shares required to satisfy vesting are either purchased by the Employee Benefit Trust or cash settled. The funding of the trust is by way of a loan to the trustees.

No grants were made during 2017 (2016: nil).

	2017 Number	2016 Number
Outstanding at the beginning of the year	63,712	275,714
Exercised during the year	(37,180)	(160,368)
Forfeited during the year	(11,000)	(51,634)
Outstanding at the end of the year	15,532	63,712
Exercisable at 31 December	15,532	31,003

All RSPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded).

## 20 | Additional Cash Flow Information

Analysis of Group net debt				
	1 January 2017 £m	Cash flow £m	Exchange differences £m	31 December 2017 £m
Cash and cash equivalents	21.3	3.0	(1.6)	22.7
	1 January 2016 £m	Cash flow £m	Exchange differences £m	31 December 2016 £m
Cash and cash equivalents	17.2	1.5	2.6	21.3
Loans and overdrafts*	(4.8)	4.8	-	-
	12.4	6.3	2.6	21.3

\*Loans and overdrafts are stated gross i.e. before the impact of a £0.2m arrangement fee prepayment

## 21 | Commitments and Contingencies

The Group has entered into commercial leases on certain properties used as offices. The future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Land and buildings		Other		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	4.1	4.2	0.5	0.4	4.6	4.6
After one year but not more than five years	9.9	7.3	1.1	0.3	11.0	7.6
More than five years	10.6	-	-	-	10.6	-
	24.6	11.5	1.6	0.7	26.2	12.2

The future minimum rentals receivable under non-cancellable operating leases as at 31 December 2017 were £0.2m (2016: £0.2m).

As detailed in note 5, the nature of global tax compliance is inherently subject to interpretation and hence additional liabilities or exposures could arise.

## 22 | Related Party Disclosures

Compensation of key management personnel of the Group		
	2017 £m	2016 £m
Short term employee benefits	1.3	1.5
Post employment benefits	0.1	0.1
<b>Total compensation paid to key management personnel</b>	<b>1.4</b>	<b>1.6</b>

£0.2m has been paid to XWFD Limited for CFO services, a company beneficially owned by Xenia Walters, the Group's Interim CFO (2016: £nil).

Full details of the Directors' remuneration is included in the Directors' Remuneration Report on pages 128 to 149.

Transactions between group companies, which are related parties, have been eliminated on consolidation and have not been included in this note. The key management personnel are the Executive Directors who have responsibility planning, directing and controlling the activities of the Group.

## 23 | Financial Risk Management Objectives and Policies

An explanation of the Group's financial risk management objectives, policies and strategies are set out in the Strategic Report on pages 91 to 93.

**Interest Rate Risk:** Net cash has increased from £21.3m in 2016 to £22.7m in 2017. Borrowings were £nil at December 2017 (see note 16). The Group has access to a committed facility of £25m which bears interest at LIBOR+ margin when drawn, the margin varying between 1.15% and 1.9% depending on the ratio of the Group's total net debt to its adjusted earnings before interest, tax, depreciation and amortisation. The Board remains of the opinion that operating with low levels of debt is appropriate in the current economic environment, whilst maintaining sufficient debt facility headroom to finance normal investment activities.

To ensure adequate working capital the Group maintains cash deposits and these deposits are affected by any movements in rates of interest generally. These cash deposits are generally

receiving interest income at LIBOR (or USD, EURO equivalent) plus a margin. The Group seeks to place all cash surplus to operational requirements in secure money market funds. To enhance the interest earning capacity of the Group, processes have been put in place to ensure that cash balances held by subsidiary companies are kept as low as operationally possible. With regard to relative interest rates, adequate cash is retained in key operating currencies to fund the operational needs of the Group.

Due to the lack of debt within the group and the limited amount of cash surplus to operational requirements, there is no material sensitivity to a change in interest rates.

**Liquidity Risk:** The Group's objective is to optimise the funds currently available to it in order to maintain the lowest operational borrowing profile necessary. At the end of 2017, the Group had net cash of £22.7m with no loan balances. Underpinning this philosophy are processes to manage operating cash flow, with a focus on approvals policies for significant cash outlays and credit control. The Group's existing loan facility expires on 2 August 2020.

**Foreign Currency Risk:** A significant amount of business is done with customers in both the USA and Continental Europe with approximately 50% of total invoicing done in US Dollar and 25% in Euro. The most significant sensitivity is to the US Dollar as illustrated below. This overseas client base gives rise to short-term debtors and cash balances in both US Dollars and Euros. Consequently, the movements in the US Dollar/ Sterling and Euro/Sterling exchange rates affect the Group Balance Sheet, as well as the Consolidated Income Statement. The Group seeks to manage this risk in the first instance by looking to a natural hedge between the Group non sterling revenues and costs and ensuring where possible currency needs in the USA are funded

from the settlement of US Dollar denominated debtors. After a review of effectiveness the Group has not entered into any new US Dollar hedges since 2008. At the end of 2017, the Group has no hedges outstanding.

In addition, the subsidiaries of the Group have exposure on the Balance Sheet to the movements in US Dollar/Sterling and Euro/Sterling exchange rates as a result of intangible assets held in non-functional currency. The Group has exposure on the balance sheet from the retranslation of the net assets of any non-sterling functional currency subsidiaries into UK Sterling for consolidation purposes. The subsidiaries within the Group that have intercompany loan and trading relationships held in non-functional currency can have an impact on net profitability where the intercompany relationships are not treated for accounting purposes as equity loans.

The Income Statement for subsidiaries are also affected by movements in the US Dollar/Sterling and Euro/Sterling exchange rates when sales to customers in non functional currencies are converted to functional currencies at the date of the sales transaction, as this will vary from month to month. This is partially offset by the effect of retranslating US Dollar and Euro denominated costs into functional currency from month to month.

The following table demonstrates the trading and translation sensitivity to a 1 percent change in the US Dollar exchange rate.

Trading and translation sensitivity to a 1 percent change in the Euro exchange rate		
	2017 £m	2016 £m
Profit before tax gain/(loss)		
+ 1%	(0.6)	(0.7)
- 1%	0.6	0.7
Statement of Financial Position* increase/(decrease) in net assets		
+ 1%	(0.4)	(0.5)
- 1%	0.4	0.5

The following table demonstrates the trading and translation sensitivity to a 1 percent change in the Euro exchange rate

Trading and translation sensitivity to a 1 percent change in the Euro exchange rate		
	2017 £m	2016 £m
Profit before tax gain/(loss)		
+ 1%	(0.3)	(0.3)
- 1%	0.3	0.3
Statement of Financial Position* increase/(decrease) in net assets		
+ 1%	(0.8)	(0.7)
- 1%	0.8	0.7

\*Based on the Statement of Financial Position at 31 December



**Economic Conditions – Credit Control Risk:** SDL continues to benefit from a diverse list of major clients of which no client contributes more than 5% of sales. The Group is however continuing to place emphasis on sound application of credit control processes given the continuing difficult macro-economic conditions. The Group has made provision against trade receivables to reflect specific collection risks identified.

**Capital Management:** The Board monitors the total equity, cash and cash equivalents and borrowing balances in considering its retained capital and when and how a return of capital to shareholders is appropriate. The Group maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business and to ensure that it continues to operate as a going concern. The Board operates a progressive dividend policy whereby dividends are set based on the evolution of the Group’s profits. The Board is recommending a final dividend in respect of the year ended 31 December 2017 of 6.2 pence per share. Neither the Company nor the Group is subject to externally imposed capital requirements.

## 24 | Financial Instruments

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the financial assets and liabilities of the Group as at 31 December is as follows:

Floating rate	2017 £m	2016 £m
Cash	0.8	0.9

### Maturity of financial liabilities

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2017:

The maturity profile of the Group’s financial liabilities at 31 December 2017			
	Less than 12 months	Over 12 months	Total
Trade and other payables	40.7	-	40.7
	40.7	-	40.7

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2016:

The maturity profile of the Group’s financial liabilities at 31 December 2016			
	Less than 12 months	Over 12 months	Total
Trade and other payables	52.0	-	52.0
	52.0	-	52.0

The above tables exclude provisions and deferred income.

The future contractual cash outflows related to the Group’s financial liabilities is not materially different from its carrying amount.

### **Borrowing facilities**

The Group maintains a £25m facility with HSBC Bank PLC which expires on 2nd August 2020. The amount drawn at 31 December 2017 was £Nil (2016: £Nil). This facility includes an uncommitted accordion facility of £25m.

Draw downs under the £25m revolving credit facility are repayable in one, three and six month instalments and amounts can be redrawn at any time as long as covenant and other conditions are met. Accordingly drawdowns under this facility have been categorised as non-current. The loan bears interest at LIBOR+ margin, the margin varying between 1.15% and 1.9% depending on the ratio of the Group's total net debt to its adjusted earnings before interest, tax, depreciation and amortisation. The Company and a number of subsidiaries have entered into cross guarantee arrangements to secure the drawings under this facility.

### **Credit risk**

The maximum credit risk exposure related to financial assets is £69.9m (2016: £78.6m) represented by the carrying value of trade debtors and other receivables excluding prepayments and cash.

### **Fair values of financial assets and liabilities**

The carrying value of financial assets and liabilities approximate their fair value. Fair values of assets and liabilities are based on their carrying values. The Directors consider that there were no material differences between the book values and fair values of all the Group's financial assets and liabilities at each year-end. The fair values have been calculated using the market interest rates where applicable.

There are no hedging arrangements in place as at 31 December 2017 (2016: None).

The interest rate risk on the borrowings at 31 December 2017 is directly linked to the 1, 3 month and 6 month LIBOR and is set out in note 16. The interest rates that the Group would pay under the facilities are linked directly to these LIBOR rates.

## **25 | Events After the Statement of Financial Position Date**

There are no known events occurring after the statement of financial position date that require disclosure.

# COMPANY BALANCE SHEET

At 31 December 2017

	Notes	2017 £m	2016 £m
<b>Fixed assets</b>			
Tangible assets	2	4.3	1.0
Intangible assets	3	7.1	-
Investment in subsidiaries	4	222.6	222.6
		<b>234.0</b>	223.6
<b>Current assets</b>			
Debtors	5	117.6	124.2
Cash at bank and in hand		8.2	4.0
		<b>125.8</b>	128.2
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	6	(186.9)	(154.2)
		<b>(186.9)</b>	(154.2)
<b>Net current liabilities</b>		<b>(61.1)</b>	(26.0)
<b>Total assets less current liabilities</b>		<b>172.9</b>	197.6
<b>Creditors: amounts falling due after more than one year</b>			
Other payables	8	(0.1)	(0.1)
<b>Provisions for liabilities and charges</b>	9	<b>(0.9)</b>	(0.3)
		<b>171.9</b>	197.2
<b>Capital and reserves</b>			
Called up share capital	10	0.8	0.8
Share premium account		100.7	99.2
Profit and loss account		70.4	97.2
<b>Total equity</b>		<b>171.9</b>	197.2

Approved by the Board of Directors on 6 March 2018

Adolfo Hernandez  
Director

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2017

	Share Capital £m	Share Premium Account £m	Income Statement £m	Total £m
<b>At 1 January 2016</b>	<b>0.8</b>	<b>98.5</b>	<b>29.8</b>	<b>129.1</b>
Profit for the period	-	-	67.9	67.9
Dividend Paid	-	-	(2.5)	(2.5)
Currency translation differences on net investments	-	-	1.0	1.0
Arising on share issues	-	0.7	-	0.7
Share based payments	-	-	1.0	1.0
<b>At 1 January 2017</b>	<b>0.8</b>	<b>99.2</b>	<b>97.2</b>	<b>197.2</b>
Loss for the period	-	-	(22.3)	(22.3)
Dividend paid	-	-	(5.1)	(5.1)
Currency translation differences on net investments	-	-	0.4	0.4
Arising on share issues	-	1.5	-	1.5
Share based payments	-	-	0.2	0.2
<b>At 31 December 2017</b>	<b>0.8</b>	<b>100.7</b>	<b>70.4</b>	<b>171.9</b>

At 31 December 2017 the company had distributable reserves of £63.6m (2016: £90.4m)

# NOTES TO THE ACCOUNTS

For the Year Ended 31 December 2017

## 1 | Accounting Policies

The principal accounting policies that have been consistently applied in arriving at the financial information set out in this report are:

### Basis of preparation

The financial statements are prepared under the historical cost convention as modified for certain items which have been measured at fair value, namely financial instruments. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investments in subsidiaries;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period for the reclassification of items in the financial statements; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- The Company proposes to continue to use the reduced disclosure framework of FRS 101 in its next financial statements.

### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold improvements	The lower of ten years or the lease term straight line
Computer equipment	4-5 years straight line
Fixtures & fittings	20% reducing balance
Motor vehicles	20% reducing balance

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

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The currency translation differences on retranslation of the foreign branches at the balance sheet date are recognised directly in equity.

### **Financial instruments**

The Company considers the use of forward foreign currency contracts and interest rate swaps to reduce exposure to foreign exchange and interest rates. Where such instruments are taken out, they are stated at fair value. Gains and losses arising from changes in fair value are taken to the profit and loss account in the period.

Non derivative financial instruments comprise debtors, cash at bank and in hand, interest bearing loans and borrowings and creditors.

#### *Debtors*

Debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Interest bearing loans and borrowings*

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Cash*

Cash in bank represents cash in hand and deposits repayable with any qualifying institution.

### **Leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Operating lease income is credited to the profit and loss account on a straight-line basis over the period of the lease.

### **Incentives received from landlord**

The aggregate benefit of incentives is recognised as a credit to the profit and loss account. The benefits of the incentives are allocated over the life of the lease on a straight line basis.

### **Pension cost**

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.

### **Research and development**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised when its future recoverability can reasonably be regarded as assured and technical feasibility and commercial viability can be demonstrated. Where these criteria are not met the expenditure is expensed to the income statement.

### **Revenue**

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

- **Rendering of services**

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

Support and maintenance contracts are invoiced in advance and normally run for periods of 12 months with automatic renewal on the anniversary date. Revenue in respect of support and maintenance contracts is recognised evenly over the contract period.

Managed services (hosting) fees are recognised over the term of the hosting contract on a straight-line basis.

Professional services and consulting revenue, which is provided on a 'time and expense' basis, is recognised as the service is performed.

For multiple element arrangements revenue is allocated to each element on fair value regardless of any separate prices stated within the contract. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met.

- **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue on software licenses and upgrades is recognised on delivery, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In circumstances where a considerable future vendor obligation exists as part of a software licence and related services contract, revenue is recognised over the period that the obligation exists per the contract.

### Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed, based on tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

In the United Kingdom, the Company is entitled to a tax deduction for amounts treated as remuneration on exercise of certain employee share options. As explained under 'Share based payments' below, a remuneration expense is recorded in the income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset may be recorded. The deferred tax asset arising on share option awards is calculated as the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) pro-rated to the extent that the services of the employee have been rendered over the vesting period. If this amount exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings. Similarly, current tax relief in excess of the cumulative amount of the remuneration expense at the statutory rate is also recorded in profit and loss account.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

### **Investments in subsidiaries**

Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition.

Investments in subsidiaries and associates 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 to sell 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 (cash generating units).

### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and management believe it to be probable

that the Company will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to net present value where this is deemed to be material.

### **Share based payments**

Employees (including Directors) of the company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

### **Equity-settled transactions**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by transition date.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its



subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary.

### Significant critical accounting judgements, estimates and assumptions

#### Revenue – perpetual licence technology revenue

Technology revenue includes licenced software and related services. Where software is sold as a perpetual licence, revenue is typically recognised on delivery. Support and maintenance and other services generally form part of the contract and the revenue is recognised as the services are performed. In these cases often significant judgement is required in allocating the consideration receivable to each element of the contract, which requires estimation of the fair value of the delivered and undelivered elements of the contract. This judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Perpetual licence revenue in the year amounted to £1.1m in 2017 (2016: £1.8m).

#### 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.

## 2 | Tangible Fixed Assets

	Leasehold Improvements £m	Computer Equipment £m	Fixtures & Fittings £m	Total £m
Cost				
At 1 January 2017	0.6	2.7	0.2	3.5
Additions	1.9	1.9	-	3.8
Disposal	(0.5)	-	-	(0.5)
<b>At 31 December 2017</b>	<b>2.0</b>	<b>4.6</b>	<b>0.2</b>	<b>6.8</b>
Depreciation				
At 1 January 2017	(0.5)	(1.9)	(0.1)	(2.5)
Provided during the year	(0.1)	(0.4)	-	(0.5)
Disposal	0.5	-	-	0.5
<b>At 31 December 2017</b>	<b>(0.1)</b>	<b>(2.3)</b>	<b>(0.1)</b>	<b>(2.5)</b>
Net book value				
<b>At 31 December 2017</b>	<b>1.9</b>	<b>2.3</b>	<b>0.1</b>	<b>4.3</b>
At 31 December 2016	0.1	0.8	0.1	1.0

### 3 | Intangible Fixed Assets

	Software development £m	Total £m
Cost		
At 1 January 2017	-	-
Additions	7.1	7.1
<b>At 31 December 2017</b>	<b>7.1</b>	<b>7.1</b>
Amortisation		
At 1 January 2017	-	-
Provided during the year	-	-
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>
Net book value		
<b>At 31 December 2017</b>	<b>7.1</b>	<b>7.1</b>
At 31 December 2016	-	-

### 4 | Investment in Subsidiaries

Details of the investments in which the Company holds more than 20% of the nominal value of ordinary share capital are given in note 10 of the Group financial statements.

Cost	£m
At 1 January 2017	222.6
<b>At 31 December 2017</b>	<b>222.6</b>

### 5 | Debtors

Debtors: Amounts falling due within one year	2017 £m	2016 £m
Trade debtors	8.2	7.2
Amounts owed by Group undertakings	60.2	93.8
Corporation Tax	1.5	1.3
Deferred tax asset	5.5	2.3
Prepayments	4.0	3.3
Accrued income	1.5	1.4
Rent and other deposits	0.4	0.4
	<b>81.3</b>	109.7

Debtors: Amounts falling due after more than one year	2017 £m	2016 £m
Amounts owed by Group undertakings	36.3	14.5
<b>Total Debtors</b>	<b>117.6</b>	124.2

Accrued income is the value of unbilled work recognised on projects per the accounting policy outlined in note 1.

The amounts recognised and unrecognised for deferred income tax are set out below:

	Recognised 2017 £m	Unrecognised 2017 £m	Recognised 2016 £m	Unrecognised 2016 £m
Depreciation in advance of capital allowances	0.6	-	0.6	-
Other short-term temporary differences	0.1	-	0.1	-
Share based payments	0.5	-	0.5	-
Tax losses	4.3	-	1.1	-
Net deferred income tax asset	5.5	-	2.3	-

Reconciliation of movement on deferred tax asset	2017 £m	2016 £m
At 1 January	2.3	1.2
Temporary differences arising in the period	3.2	1.1
<b>Deferred tax asset at 31 December</b>	<b>5.5</b>	2.3

## 6 | Creditors

Creditors: amounts falling due within one year

Creditors: amounts falling due within one year	2017 £m	2016 £m
Trade creditors	3.9	2.9
Amounts owed to Group undertakings	171.6	137.4
Other taxes and social security costs	0.6	0.4
Other creditors	0.3	0.4
Accruals	5.4	9.0
Deferred income	5.1	4.1
	186.9	154.2

## 7 | Interest Bearing Loans and Borrowings

On 3 August 2015, the Group signed a 5 year £25m revolving credit facility with HSBC plc, expiring on 2 August 2020. The agreement includes the provision of a £25m Accordion (uncommitted) facility. At 31st December 2017 no amounts had been drawn under the facility (2016: £Nil).

Draw downs under the £25m revolving credit facility are repayable in one, three and six month instalments and amounts can be redrawn at any time as long as covenant and other conditions are met. Accordingly drawdowns under this facility would be categorised as non-current. The loan bears interest at LIBOR+ margin, the margin varying between 1.15% and 1.9% depending on the ratio of the Group's total net debt to its adjusted earnings before interest, tax, depreciation and amortisation. The Company and a number of subsidiaries have entered into cross guarantee arrangements to secure the drawings under this facility.

## 8 | Creditors

Creditors: amounts falling due after more than one year	2017 £m	2016 £m
Other payables	0.1	0.1
<b>Other creditors</b>	<b>0.1</b>	<b>0.1</b>

## 9 | Provisions for Liabilities and Charges

	2017 £m	2016 £m
Property leases	0.9	0.3
	<b>0.9</b>	<b>0.3</b>

Movement in provisions:					
	Provision 1 January 2017 £m	Arising during the year £m	Released during the year £m	Utilised during the year £m	Provision 31 December 2017 £m
Property leases	0.3	0.6	-	-	0.9
	0.3	0.6	-	-	0.9

### Property leases

The provision for property leases is in respect of leasehold premises, from which the Company no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry dates and provision for dilapidation costs associated with the Company's new UK property lease. Obligations are payable within a range of one to five years (£0.3m, 2016: £0.3m) and greater than 5 years (£0.6m, 2016: £nil). Amounts provided are management's best estimate of the likely future cash outflows. The provision has been discounted using market interest rates.

## 10 | Share Capital

Allotted, called up and fully paid	2017 millions	2016 millions	2017 £m	2016 £m
Ordinary shares of 1p each				
At 1 January	<b>81.5</b>	81.3	<b>0.8</b>	0.8
Issued on exercise of share options	<b>0.4</b>	0.2	-	-
Issued on exercise of LTIPS	<b>0.3</b>	-	-	-
Issued as payment of contingent consideration	<b>0.1</b>	-	-	-
At 31 December	<b>82.3</b>	81.5	<b>0.8</b>	0.8

The following movements in the ordinary share capital of the company occurred during the year:

- 120,287 ordinary shares of 1p each were allotted under the SDL Share Option Scheme (1999), SDL Share Option Scheme (2010) and earlier Unapproved Option Schemes at a price range of 278.92 pence to 333.5 pence per share for an aggregate consideration of £380,555.
- 303,515 ordinary shares of 1p each were allotted under the SDL Save As You Earn Schemes for an aggregate consideration of £773,343.
- In March 2017 and December 2017 a total of 81,244 ordinary shares of 1p each were allotted to Gype BV as the second and final payment of the contingent consideration due as a result of the acquisition of Gype BV in 2015.
- 283,500 ordinary shares of 1p each were allocated under the SDL LTIP 2011 Scheme.

## 11 | Commitments and Contingencies

The future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Land and buildings	2017 £m	2016 £m
Within one year	<b>0.9</b>	1.0
After one year but not more than five years	<b>3.5</b>	3.3
More than five years	<b>8.6</b>	-
	<b>13.0</b>	4.3

## 12 | Share Based Payment Plans

During 2017, the total share based payment charge amounted to £0.2m (2016: £1.3m). Of this amount, £nil (2016: £0.2m) has increased the cost of investment in subsidiaries as the relevant share based payments were granted to the employees of the subsidiaries. As the consolidated financial statements of SDL plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of disclosures relating to IFRS 2 Share Based Payments in respect of group settled share based payments

## 13 | Profit Attributable to Members of the Parent Company

The loss dealt with in the financial statements of the parent Company is £29.6m (2016: profit of £67.9m). No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

## 14 | Post Balance Sheet Events

There are no known events occurring after the statement of financial position date that require disclosure.

## FIVE YEAR GROUP SUMMARY

For the Year Ended 31 December 2017

	IFRS 2017 £m	IFRS 2016 £m	IFRS 2015 £m	IFRS 2014 £m	IFRS 2013 £m
Turnover	<b>287.7</b>	289.9	266.9	260.4	266.1
Continuing turnover	<b>285.7</b>	264.7	240.5	n/a	n/a
Growth in Continuing revenue	<b>8%</b>	10%	n/a	n/a	n/a
Operating profit before tax, exceptional items and amortisation	<b>19.0</b>	23.5	20.7	21.5	13.3
Continuing operating profit before tax, exceptional items and amortisation	<b>22.0</b>	27.0	24.3	n/a	n/a
Operating profit / (loss)	<b>9.3</b>	5.2	(25.1)	9.7	(24.0)
Profit / (loss) before tax	<b>29.9</b>	(15.8)	(25.2)	9.4	(24.4)
Profit / (loss) after tax	<b>28.5</b>	(18.1)	(30.7)	6.6	(27.9)
Non current assets	<b>175.6</b>	167.6	177.0	210.0	218.6
Cash and cash equivalents	<b>22.7</b>	21.3	17.2	22.1	18.2
Current assets less current liabilities	<b>17.5</b>	5.9	(0.6)	(8.7)	(17.9)
Total assets less current liabilities	<b>193.1</b>	173.5	176.4	208.3	206.0
Equity interests	<b>189.1</b>	168.7	166.9	202.1	196.5
Average number of employees (thousand)	<b>3.6</b>	3.6	3.5	3.2	3.2
Earnings per share – basic	<b>34.8p</b>	(22.3)p	(37.9)p	8.0p	(34.8)p

n/a – not available

## COMPANY INFORMATION

### Directors

David Clayton (Chairman)  
Adolfo Hernandez (Chief Executive Officer)  
Dominic Lavelle (Chief Financial Officer)  
Glenn Collinson  
Amanda Gradden  
Christopher Humphrey  
Alan McWalter

### Secretary

Pamela Pickering

### Auditor

KPMG LLP  
Arlington Business Park  
Reading  
RG7 4SD

### Bankers

HSBC Bank PLC  
Apex Plaza  
Reading  
RG1 1AX

### Solicitors

DLA Piper  
3 Noble Street  
London  
EC2V 7EE

### Registrars

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Stockbrokers

Investec Henderson Crosthwaite Corporate  
Finance (a division of Investec Bank (UK) Limited)  
2 Gresham Street  
London  
EC2V 7QP  
N+1 Singer Capital Markets Ltd  
One Hanover Street  
London  
W1S 1YZ

### Registered Office

New Globe House  
Vanwall Business Park  
Vanwall Road  
Maidenhead  
Berkshire  
SL6 4UB

### Company Number

2675207

## SDL\*

SDL (LSE:SDL) is the global innovator in language translation technology, services and content management. With more than 25 years of experience, SDL delivers transformative business results by enabling powerfully nuanced digital experiences with customers around the world.

Are you in the know? Find out why the top global brands use SDL at [sdl.com](https://www.sdl.com) and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

Copyright © 2018 SDL plc. All Rights Reserved. The SDL name and logo, and SDL product and service names are trademarks of SDL plc and/or its subsidiaries, some of which may be registered. Other company, product or service names are the property of their respective holders.