Annual Report 2018

rws.com

Welcome to our 2018 annual report. This has been a remarkable year in which we celebrated our 60th year in business and delivered our 15th year of unbroken growth in revenues, profits and dividends since flotation in November 2003. We have made a very good start to the new financial year and we look forward to 2019 with confidence.

Company Overview

RWS is a world-leading provider of translation and localization, intellectual property (IP) support solutions and life sciences language services.

Over the last 60 years, we have built a reputation for quality, reliability and flexibility with our global team of linguists, searchers and technical experts.

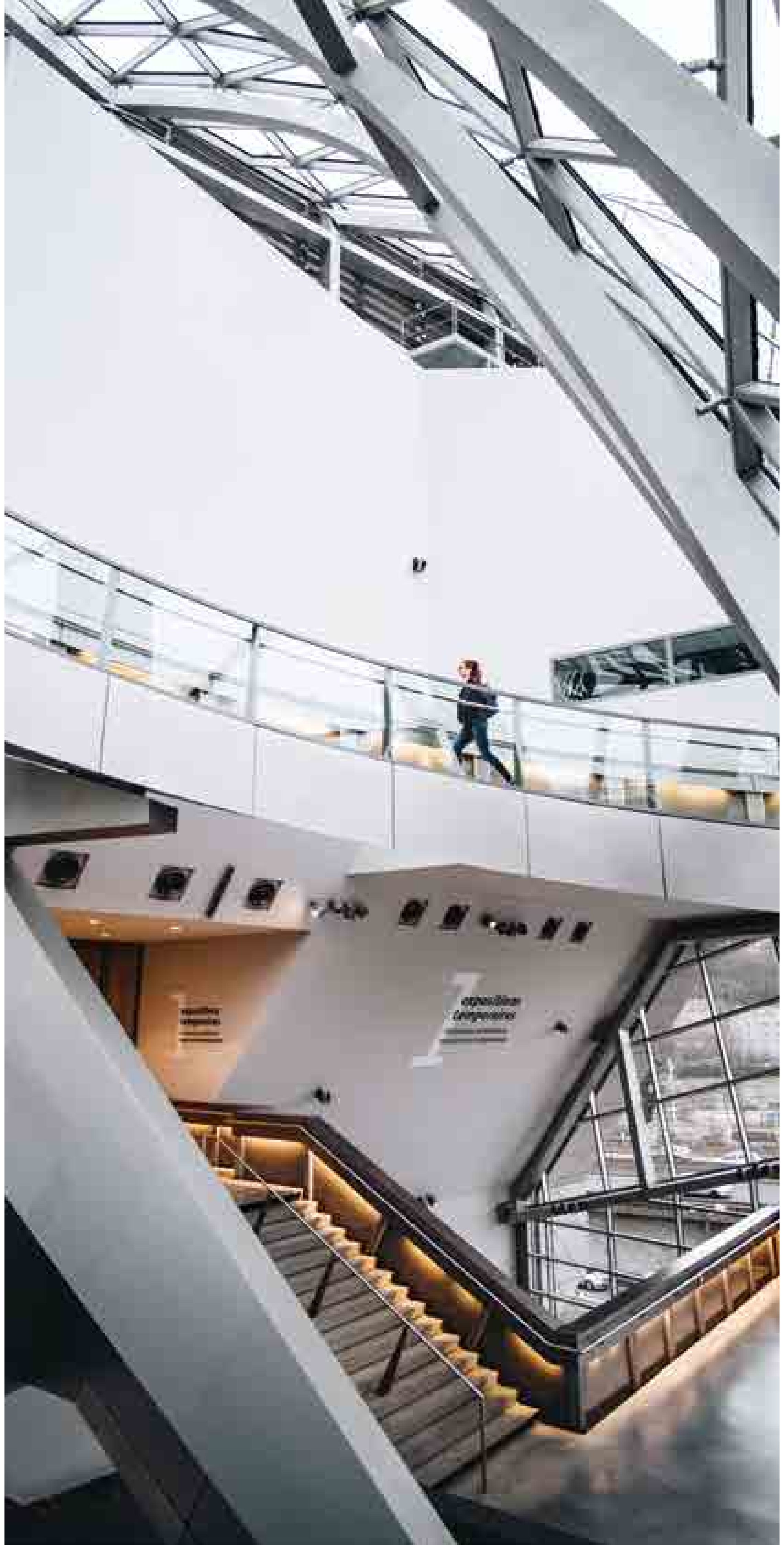
Our specialist divisions combine the latest technology, proven processes and highly-skilled staff to deliver complex services at each stage of the product life cycle to meet the diverse needs of a global, blue-chip client base.

Our services are delivered in accordance with ISO 9001, ISO 17100 and ISO 13485 and are trusted by world-leading companies across a range of sectors including technology, pharmaceutical, medical, chemical, automotive and telecommunications.

With headquarters in the UK, we have 30 offices worldwide and are publicly listed on the Alternative Investment Market (AIM), the London Stock Exchange regulated market.

30 Offices worldwide

12 Clients on Fortune's top 20 most admired companies list



Following the acquisition of Moravia, the Group operated as five divisions:

RWS Patent Translation & Filing

RWS offers the highest-quality patent translations and a seamless global patent filing experience.

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

RWS Patent Information

RWS leads the search service industry with traditional research services combined with crowdsourcing solutions, all powered by proprietary, innovative technology.

We serve a global client base with our in-house search teams and extensive network of over 42,000 researchers, providing powerful solutions to assist with strategic decision-making across the entire IP life cycle.

RWS Life Sciences

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

This includes language solutions for clinical trial management and linguistic validation of Clinical Outcomes Assessments (COAs), with extensive experience in a variety of therapeutic areas, regulatory affairs, medical device documentation, marketing communications and e-learning and training programmes.

Moravia

RWS works primarily with global technology companies to help them provide high-quality, localized products and content to their consumers worldwide.

Our Go Global Model offers a holistic approach to localization that ensures even the most complex products and content succeed in all locations, at scale. Its five-phase system is designed to offer flexibility while powering international expansion.

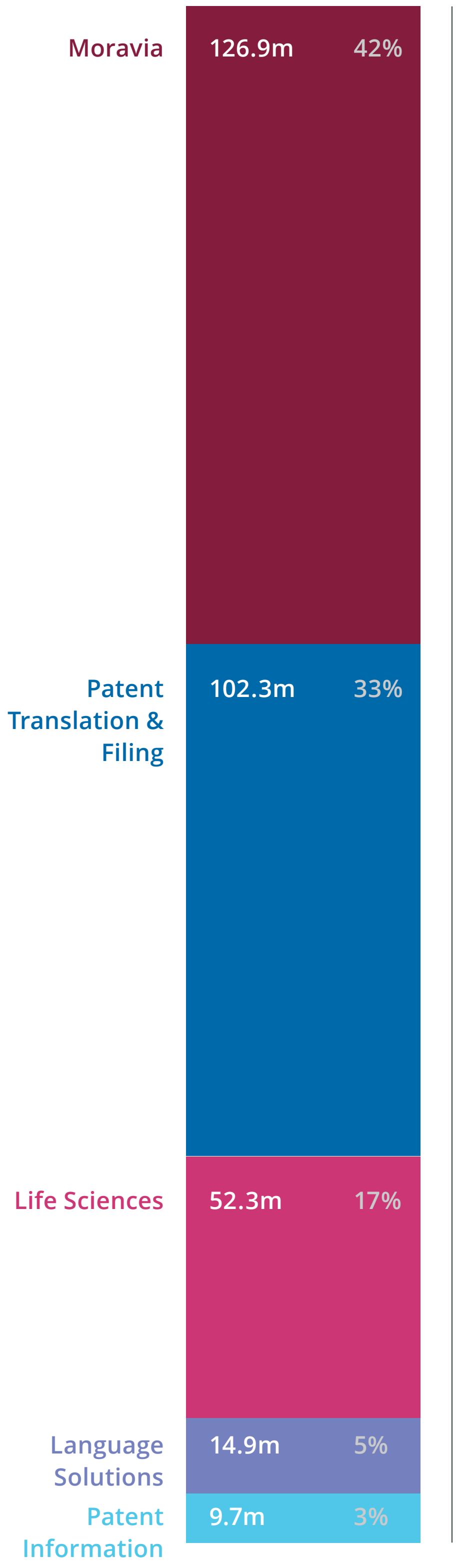
RWS Language Solutions

RWS offers a full range of translation and interpreting services to help businesses communicate globally.

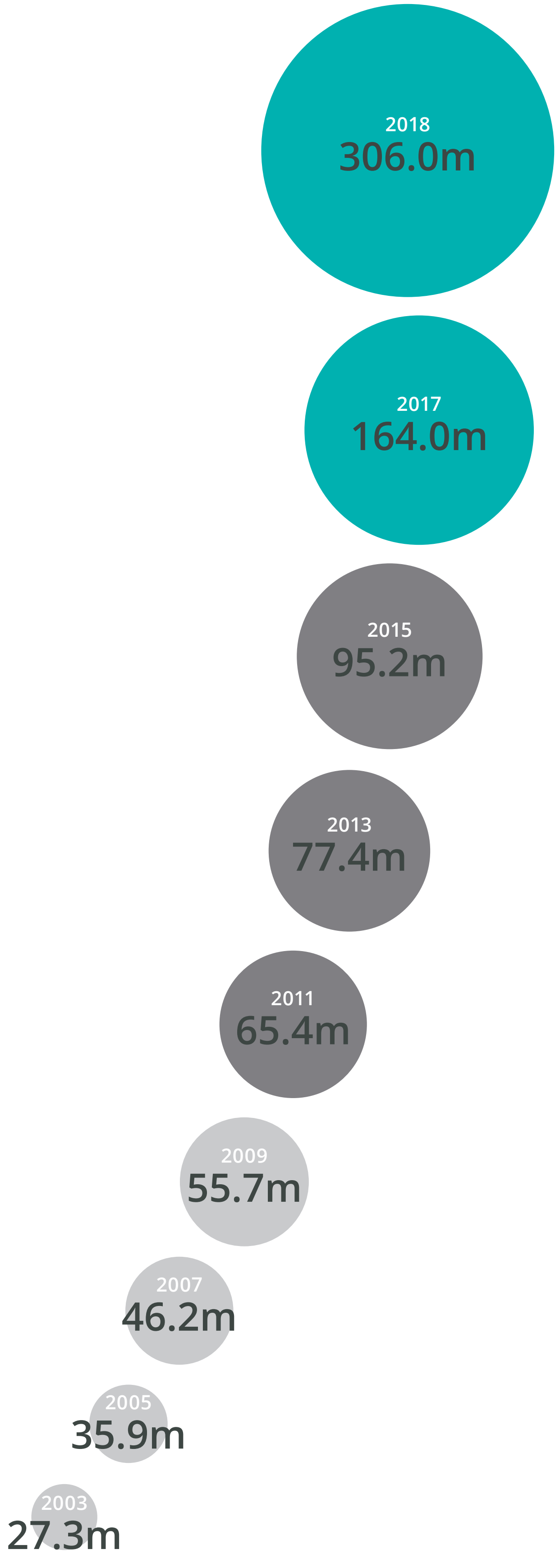
With expertise across a range of different industries, our experienced teams combine the latest technology, proven processes and the best linguists to deliver the right solution to meet the different needs of each organization.

Operating Highlights

Revenue split by division (£m)



Annual revenue (£m)



Note: Unless otherwise indicated, all figures relate to FY 2018 (1 October 2017 – 30 September 2018), including an 11-month contribution from Moravia following acquisition in November 2017.

2,459
FTE employees including 577 specialist translators, revisers, testers and QA staff

150+
Languages supported

4,390
Active clients*

*includes 925 new clients

1.5+ billion
Words translated

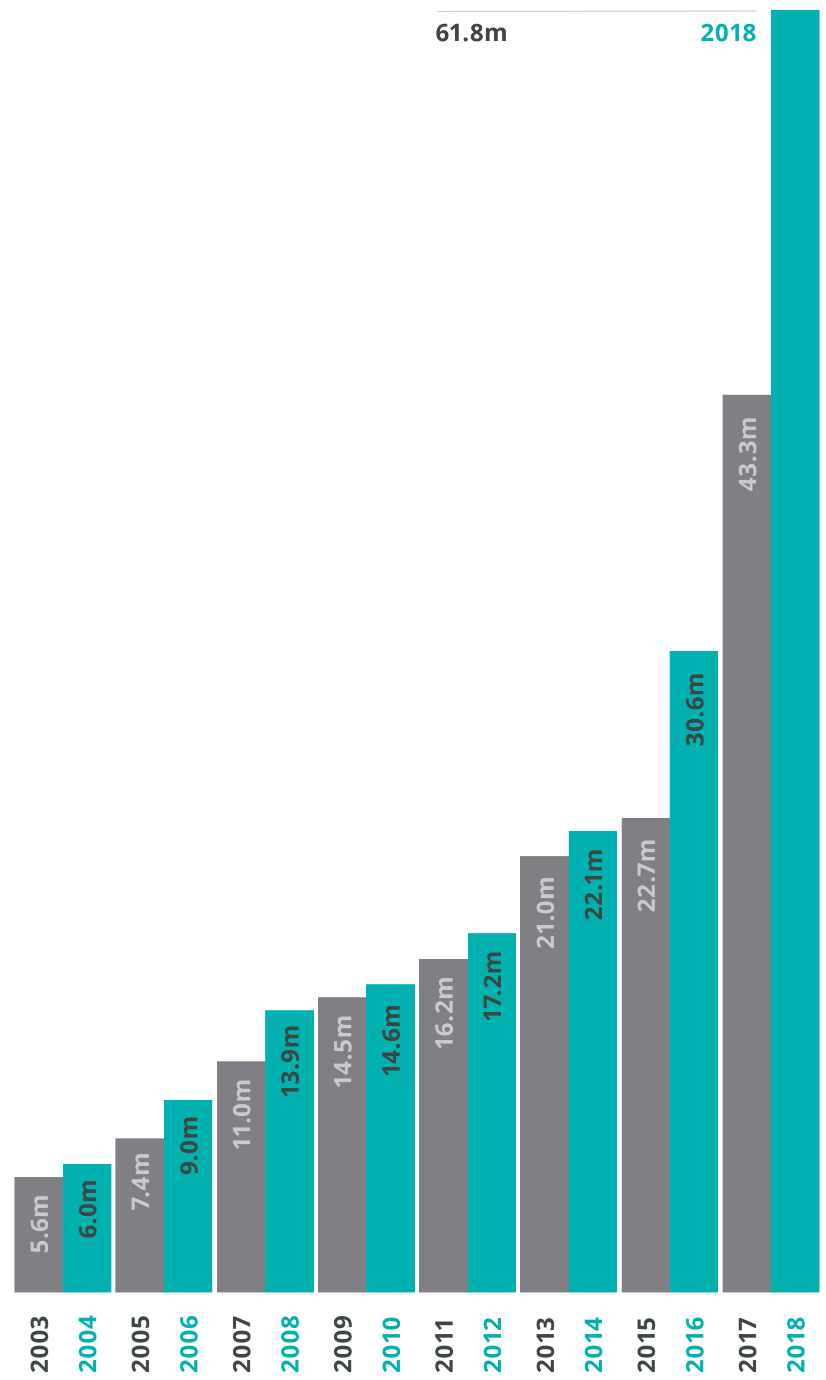
65,900
IP validations/filings

63,671
Life science projects

2,400
Patent searches

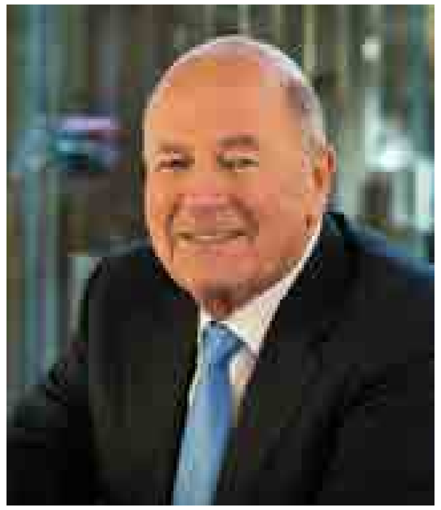
2,891
Interpreting projects

Adj PBT (£m)



Chairman's Statement

Andrew Brode, Chairman
10 December 2018



Transformational acquisition of Moravia in November 2017, which won "Transaction of the Year" at the recent AIM Awards.

All divisions delivered growth, contributing to 5% organic revenue growth across the Group (excluding acquisitions and currency movements).

The balance sheet remains strong with net assets more than doubling to £355.3m (2017: £158.9m).

CELEBRATING 60 YEARS OF EXCELLENCE

RWS, which celebrated its 60th year in business in 2018, has grown to become one of the world's leading providers of language services.

Following the transformational acquisition of Moravia in November 2017, which won "Transaction of the Year" at the recent AIM Awards, the Group now employs almost 2,500 people with operations across five continents.

We announced in June 2015 that our strategy for growth would focus on the United States to 2020, and that beyond 2020 we believed that China would become an important area for growth. Since that announcement, RWS has made four acquisitions with a US focus and built market-leading activities in intellectual property support services, in life sciences and in technology-enabled localization. China shows every sign of fulfilling the strategic growth potential we envisaged in 2015.

Performance

The Group delivered revenues of £306.0m, growing 87% over 2017 (£164.0m). The Moravia acquisition was by far the most significant contributor to this substantial increase, but all divisions delivered growth, contributing to 5% organic revenue growth across the Group (excluding acquisitions and currency movements).

Adjusted profit before tax grew by 43% to £61.8m (2017: £43.3m), reflecting an 11-month contribution from Moravia. Adjusted profit before tax increased by 6% on an organic (excluding acquisitions and related additional borrowing costs) and constant currency basis. Our balance sheet remains strong with net assets more than doubling to £355.3m (2017: £158.9m). Net debt was £65.1m (2017: £20.2m) despite the £66.8m cash outflow for the Moravia acquisition, in addition to the £185m gross placing proceeds raised to fund it, signifying continued strong underlying cash generation from which we have also repaid £17.8m of borrowings during the year. As a result, leverage (net debt: EBITDA[1]) at the year-end was a comfortable 1 times.

I am proud that RWS has delivered increases in revenues, profits and dividends in every year since flotation in November 2003.

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The Group is now a well-balanced business with a more diversified service offering and an enhanced global presence, providing a strong platform for developing sales opportunities across our full suite of services and technology platforms to new and existing clients.

[1] EBITDA – profit before tax adjusted for interest, depreciation and amortization.

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We announced in June 2015 that our strategy for growth would focus on the United States to 2020, and that beyond 2020 we believed that China would become an important area for growth.

REVENUES

£306.0m
Growing 87% over 2017

ADJUSTED PROFIT BEFORE TAX

£61.8m
Grew by 43% (2017: £43.3m)

DIVIDEND

6.0p per share
An increase of 15% compared to 2017

People and Board

The Group's advancement to being one of the top tier global language service providers is testament to the efforts of every single colleague who has helped to make it happen. RWS is a quintessential "people" business, dedicated to providing superior quality of service to a cross section of the world's largest and most demanding clients. The Board is determined to continue investing in the development of our staff and helping them to realize their full potential. I would like to thank the senior management team and all our hard-working employees.

I would also like to thank my fellow Directors for their advice and dedication. The Board was strengthened in early 2018 by the appointment of Tomas Kratochvíl. Tomas was the long serving CEO of Moravia, and upon his retirement from that role, we were delighted that he accepted our invitation to join the RWS Holdings plc Board, enabling us to benefit from his wealth of language industry knowledge. Tomas was succeeded at Moravia by Paul Danter, who has delivered an excellent second-half performance from this milestone acquisition.

Dividend

The Group adopted a progressive dividend policy upon flotation in November 2003 and has delivered on this policy every year. The highly cash generative business model and modest capex requirements have combined to permit servicing of acquisition related debt, continued organic investment in the business and an increasing dividend.

The Board is, therefore, pleased to recommend a final dividend of 6.0p per share which, together with the interim dividend of 1.5p per share, will make a total dividend for the year ended 30 September 2018 of 7.5p per share, an increase of 15% compared to 2017. Subject to approval at the AGM, it will be paid on 22 February 2019 to shareholders on the register as at 25 January 2019.

The highly cash generative business model and modest capex requirements have combined to permit:

1) servicing of acquisition related debt
2) continued organic investment in the business
3) an increasing dividend

Summary and outlook

This has been a remarkable year with our fast expanding Group delivering profitable organic and acquisitive growth and strong cash conversion.

The Group is now a well-balanced business with a more diversified service offering and an enhanced global presence, providing a strong platform for developing sales opportunities across our full suite of services and technology platforms to new and existing clients.

The new financial year has begun in a very promising manner and we look forward to 2019 with confidence. Our leading intellectual property support services, life sciences and technology-enabled localization businesses are well placed to take advantage of the multiple opportunities in their growing markets and, backed by a strong balance sheet, we are positioned to take advantage of further acquisition opportunities as they arise.

It remains a distinct pleasure to chair a fast expanding Group delivering profitable growth and strong cash conversion, in a business sector which is also growing and offering multiple opportunities.

Andrew Brode, Chairman
10 December 2018

Strategic Report

Richard Thompson, Chief Executive Officer
10 December 2018

RWS is one of the world's leading providers of language services, focusing on key market segments where the quality of its services is of critical importance to its clients. The Group has a blue-chip multinational client base spanning Europe, North America and Asia.

Following the acquisition of Moravia, the Group operated as five divisions:

RWS Patent Translation & Filing is the world's premier supplier of patent translations and filing solutions. RWS differentiates itself from the competition through the quality of its translations, its high level of intellectual property expertise, its customer service and the use of its international web-based patent filing platform, inovia. Uniquely the business employs over 130 full-time, highly qualified translators.

RWS Patent Information provides a comprehensive range of patent search, retrieval and monitoring services as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is sold as an annual subscription service.

RWS Life Sciences focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America, Europe and Asia. This division was formed on 1 October 2017 following the integration of CTi and LUZ.

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

RWS Language Solutions operates from the UK, Germany and the US, and provides commercial translation solutions with a particular emphasis on technical translations, as well as operating the Group's interpreting service.

On 1 October 2018, we completed the assimilation and rebranding of Moravia to RWS Moravia.

With effect from 1 October 2018, RWS Patent Translation & Filing and RWS Patent Information were merged to form RWS IP Services. In future, we will report on their performance as one segment.

150+
Languages supported

20,000+
In-country freelance translators

Strategic Report (continued)

Patent Translation & Filing
£102.3m Revenues up 5%

Patent Information
£9.7m Revenues up 26%

Our strategy

To profitably grow the business, we are focused on providing an increasing range of appropriate services to existing and new clients. Organic growth is supplemented by selective acquisitions that are complementary to our existing business and enhance shareholder value.

Organic growth is driven by:

> the growing demand for language services driven by globalization and international trade

> an increase in the worldwide patent filing activities of existing multinational clients

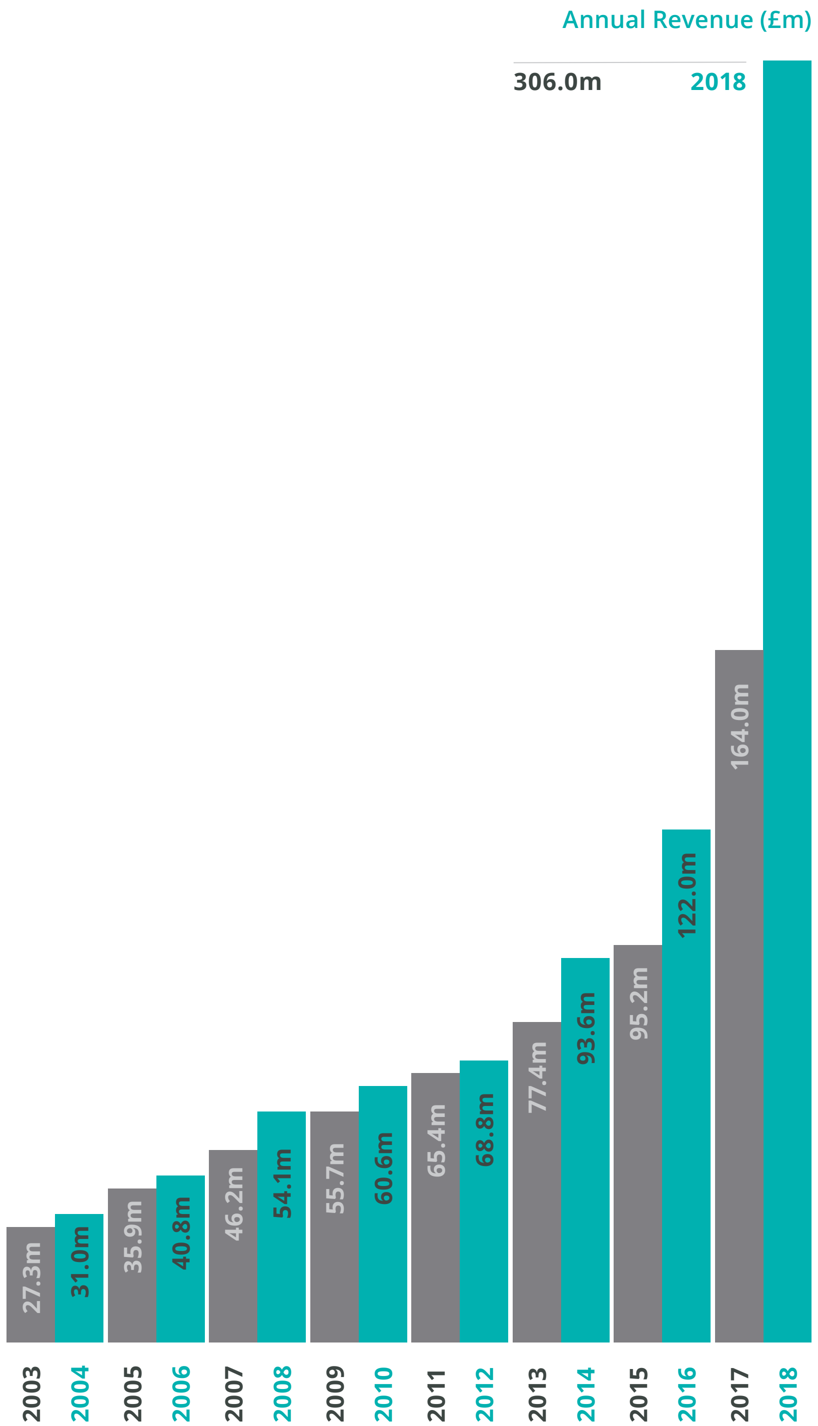
> the development of new drugs by the pharmaceutical industry

> the outsourcing by corporates, clinical research organizations, law firms and attorneys of all or part of their foreign patent search, filing, translation, localization and linguistic validation processes

> the Group's ability to attract new clients by its leading position and reputation in an otherwise highly fragmented sector

> the Group's ability to expand in new or existing but growing geographies

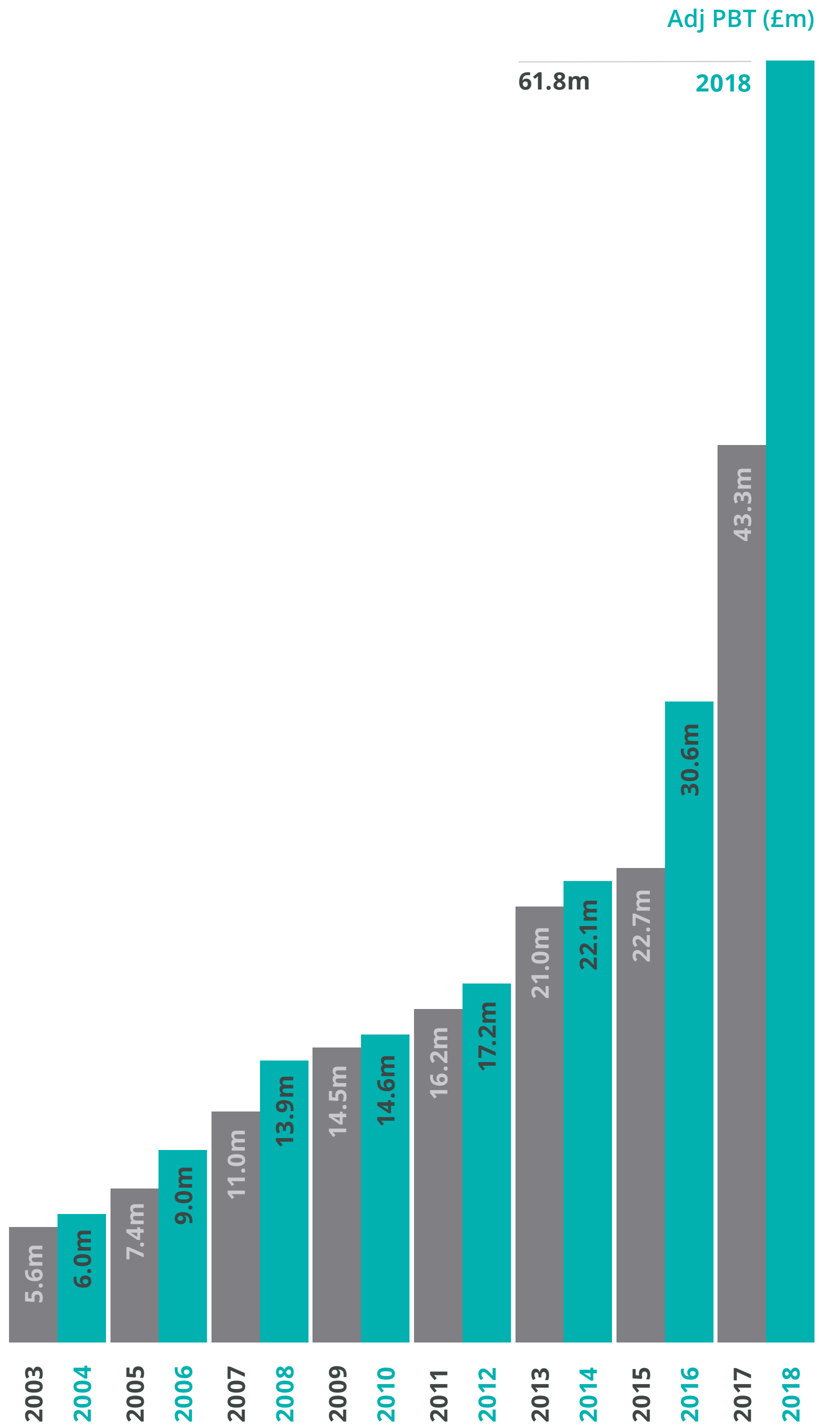
> an increase in cross divisional selling of the Group's suite of services



Life Sciences
£52.3m Revenues up 15%

Moravia
£126.9m 2017: £111.5m[1]

Language Solutions
£14.9m Revenues up 13%



[1] FY 2017 figures are pre-acquisition and have been converted from USD to GBP at the average FY 2018 rate. These figures exclude FX on the pre-acquisition bank debt, bank interest and hedging gains.

Country with largest volume of sales: United States

In terms of acquisitions to further accelerate growth, we look for selective opportunities in the intellectual property services and specialist language services spaces. We seek businesses capable of delivering above industry average levels of profitability, which are highly complementary and are capable of reinforcing the Group's dominant position in intellectual property support and language services.

We are particularly pleased to be able to show our progress against this strategy with 15 consecutive years of growth in revenues and profits since flotation.

Strategic Report (continued)

Market update

Global language services market
In June 2018, Common Sense Advisory published its 14th study of the market for outsourced language services. This year the market is estimated to reach US$46.5bn (2017: US$43.1bn), continuing the unbroken growth record since 2009 (CAGR: 7.9%). Increased demand for content from a growing and increasingly interconnected world is fuelling this demand for high-quality localization.

Global life sciences market
In its 2018 Global Life Sciences Outlook, Deloitte estimates that the life sciences market will reach US$1,060bn by 2022, representing a CAGR of 6.5% since 2017. Growth in the life sciences sector is closely tied to global healthcare expenditures, which continues to grow as a result of ageing and growing populations, developing market expansion and clinical and technological advances. For pharmaceutical/biotechnology, medical device companies and contract research organizations, this means more content that needs to be translated.

Patent filing statistics
The World Intellectual Property Organization (WIPO) has published figures showing a 4.5% worldwide increase in patent applications filed under the Patent Cooperation Treaty (PCT) in 2017. This is the eighth consecutive year of growth, with approximately 243,500 applications being received. The largest number of filers continue to be located in the United States, but the number of applications from China continues to grow, driven by Huawei and ZTE, who are the top two filers globally. The European Patent Office (EPO) reports European patent filings remained at record levels with 310,784 applications in 2017 - an increase of 4.4%.

42,000+
Researchers in our AOP Connect™ Crowd

113
Jurisdictions covered by foreign filing platform, inovia

Clients
Include all of the top 10 pharma, 8 of the top 10 CROs and 7 of the top 10 medical device companies

Operating review

RWS Patent Translation & Filing
The Group's patent translation and filing business represented 33% of Group sales in the year and grew revenues by 5% to £102.3m (2017: £97.8m). This performance reflects earlier client wins and good organic growth from the established core client base, especially for our Worldfile offering (+9%), plus further strong growth in China (+18%) and Japan (+9%). The annual growth in the division's other key market, Eurofile, was a more modest 1%. This reflected strong comparatives in H1 (due to a change in procedures in FY 2017 at the European Patent Office) which resulted in a 4% decline in sales in H1 2018 compared to H1 2017. However, H2 was much stronger with a 7% increase compared to H2 2017 and in total the division grew H2 sales by 9%.

During the year, the division achieved several new client wins, including a notable piece of business that resulted from cross-selling, which has recently started to generate revenue. This, combined with the record numbers of new patent applications in 2017 (see Market update), provides firm grounds for confidence in the outlook for FY 2019.

China continues to be our long-term strategic revenue growth market and the region continues to attract North American and European patent filers seeking patent protection there. This in turn has driven our headcount in China to 103 employees (2017: 87), including further investment in the sales team who are successfully developing business with both local companies and patent attorneys. It is worth noting that following the acquisition of Moravia, the Group now has approximately 300 employees in China.

The division's improved margins resulted in an adjusted operating profit up 15% to £30.9m (2017: £26.9m), driven by revenue growth, a very tight control of overheads and a favourable swing in exchange rates.

RWS Patent Information
The patent information business accounted for 3% of Group sales during the year and it reported revenues up 26% to £9.7m (2017: £7.7m), which translated to a 7% increase on an underlying[1] basis. This reflected strong growth in both the search business (up 8% due to a good flow of regular work from existing clients) and the high margin PatBase subscription service (up 6%), in addition to a full year's trading from the Article One Partners (AOP) business acquired on 29 September 2017, which contributed an incremental £1.5m of revenue.

AOP's operations were fully integrated into RWS Patent Information on 1 October 2018, and its underlying technology is now being used as the division's sole client portal, allowing the business to deliver search services in the United States. In addition, through successful cross-selling, it has provided the Patent Translation & Filing division with a major new client. Following its acquisition, AOP's cost base was rationalized in line with our plan and the business exited the year with a profitable run rate.

The division recorded an adjusted operating profit of £3.6m (2017: £4.1m) reflecting 7% growth in search and PatBase profits, offset by an £0.8m loss from AOP, in line with expectations.

RWS Life Sciences
The Group's Life Sciences division accounted for approximately 17% of the Group's sales in the year at £52.3m (2017: £45.3m).

The results of this division include a full 12 months of sales from LUZ (2017: 8 months). Underlying[1] organic revenue growth for the division was 2%, reflecting a strong performance in the first half of the year driven by growth in revenue with key clients, offset by a more challenging second half with slower trade from some of its core clients, in part driven by lower levels of activity in medical devices whilst new regulations come into force. We have reviewed the management structure in Life Sciences and invested in sales staff and training, and the business has started the year in line with expectations.

The financial benefits of the integration of the LUZ and CTi businesses were seen in the 2018 margin improvement with adjusted operating profit increasing by 21% to £14.5m (2017: £12.0m).

During the year, the division expanded its operations into the Asia Pacific region to capitalize on the growth in the pharmaceutical market and to better serve its existing client base. This measured investment in staff in Japan and China will continue in FY 2019.

[1] Calculated excluding acquisitions and at constant currency.

[2] FY 2017 figures are pre-acquisition and have been converted from USD to GBP at the average FY 2018 rate. These figures exclude FX on the pre-acquisition bank debt, bank interest and hedging gains.

Moravia
Moravia was acquired on 3 November 2017 and operates as a standalone division. In the 11 months to 30 September 2018, Moravia achieved revenues of £126.9m (11 months 2017: £111.5m[2]) and adjusted operating profit of £17.0m (11 months 2017: £15.2m[2]).

As reported in the Group's first half results, the business experienced a difficult first five months of trading with foreign exchange headwinds, lower sales from a major client, higher than expected overheads and a lower than expected volume of activity from new business wins. However, the division achieved a much improved second half performance due to good sales growth with many of its top clients, a targeted reduction in the cost base, tighter control of overheads and an improved USD:GBP exchange rate environment. The adjusted operating profit in the five months to 31 March 2018 was £4.7m (2017: £4.3m[2]), improving markedly to £12.3m (2017: £11.8m[2]) in the six months to 30 September 2018.

In addition, the reorganization of the division's management team has improved focus, communication and efficiency. The business has also been pivotal in cross-sell wins across the Group and these gains should accelerate as the divisional sales teams receive further training.

The outlook for the division for FY 2019 is positive, following several new client wins during the year which will gradually build revenue through FY 2019.

On 1 October 2018 the division was rebranded RWS Moravia.

RWS Language Solutions
The RWS Language Solutions division accounted for 5% of Group sales, with a 13% increase in revenues to £14.9m (2017: £13.2m), reflecting growth with existing clients and the addition of several new clients. We were particularly pleased to have won the work for a multinational pharmaceuticals company across both our UK and German operations, in addition to our success in growing our work across the renewable energy, automotive and legal sectors. Language Solutions remains the division most exposed to competition and therefore focuses on clients requiring technical translations, where the required quality and translation expertise is higher.

On 1 October 2017, the division was restructured, rebranded and a new management team put in place. This change helped improve performance and margins with adjusted operating profit having increased by 23% to £1.6m (2017: £1.3m). Further improvements are expected over time through production process efficiencies and enhancements to its sales team and processes. We also look forward to seeing the financial benefit of the establishment of a small operation in the United States and further cross-selling opportunities from Moravia.

Strategic Report (continued)

Risk management

The Group considers a risk management framework as a vital tool to ensure existing and potential risks to the business are identified and mitigating actions are fully considered. The framework covers the extended business, including the Group's supply chain, from key suppliers to end-clients. The CFO is charged with both identifying the broad market related risks to the Group and collating specific potential risks from the divisional Managing Directors for further assessment via the risk management framework.

Opportunities for the Group are assessed by the CFO in terms of potential financial benefit and return on investment, where appropriate.

The risk management framework categorizes potential risks to the business, first by considering the risk area and the specific identified risk, before applying an impact analysis that ranks the significance of the risk with the probability of the risk occurring to produce a gross risk score. This is then filtered against the mitigating controls before identifying any further action that is required to minimize the potential risk to the business. At the end of this process a net risk is assessed, and a risk owner assigned, along with an expected timetable to complete any identified further action.

The deliverable from this process is an official risk register which is reviewed and assessed on an annual basis by the Board. The Group believes that it has fostered an open and proactive culture to risk management throughout its divisional structure and has recently further strengthened this process through the introduction of a half yearly review of the formal risk register by the senior management team, with any updates approved by both the CFO and the CEO.

Currently, the key risks included within the risk register are as follows: errors in the provision of the Group's services, in a mismatch between currencies (especially between the USD and GBP), in regulatory changes to patent translation requirements in Europe, in the emergence of new translation technologies, and in the failure to successfully integrate acquired businesses into RWS. Additionally, as with any people business delivering high-quality services, the Group depends upon its ability to attract and retain well-trained management and staff. The risk of Brexit on our ability to attract staff from the European Union remains unknown.

These risks are mitigated as follows:

> Failings in service provision could arise as a result of human error. RWS was the first language services provider and the first search company to adopt ISO certification. The Group also has extensive ISO certified processes in its Life Sciences and Moravia divisions and invests in exhaustive and regularly updated procedures to minimize the risk of error, leading to consistently high levels of accuracy. In addition, the Group carries substantial professional indemnity insurance.

> Currency risk is partly mitigated via hedging operations and matching US dollar denominated debt to US dollar revenues.

> We have in the past drawn the market's attention to the proposed European Union Patent (the Unitary Patent or UP) and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. It remains unclear whether the UP system will start before the Brexit date of 29 March 2019, with the start date being dependent on ratification of the UP agreement by the German authorities. This ratification is being delayed by a legal appeal to the German courts, claiming the Unitary Patent is unconstitutional under German law. If the agreement is not ratified by the Brexit date, the UK would be outside the UP, further reducing its benefits to RWS's clients. If it is ratified prior to the Brexit date, further discussions would need to take place to agree whether the UK could remain in the UP when it is not part of the European Union. When eventually implemented, the territorial coverage of the proposed Unitary Patent will not be as comprehensive as the current, long-established patent application procedures, and will run in parallel with this system. It will also have a different litigation process and fee structure. As such, we believe our major clients will be cautious in their take-up of this new and unproven system and will decide upon their patenting strategies as they observe the Unitary Patent in action, assessing which of the two systems they prefer for their filings. As a result of the above, we do not expect the UP to have any impact on our FY 2019 financial results and a limited impact in subsequent years.

> The Group has always embraced new translation technologies, such as Translation Memory (TM), and used them to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing the advances in machine translation technology (MT), we continue to monitor, trial its use and introduce MT into the business where it makes commercial sense to do so and where there is significant additional benefit beyond our existing TM. Moravia utilizes a comprehensive range of MT technologies as an integrated part of its services to its technology clients, and its extensive knowledge of these technologies is currently being leveraged across the broader Group. It is clear that the quality of MT will improve over time and as a leader in language services, RWS will continue to differentiate itself by focusing on translation work in critical areas such as intellectual property and life sciences or where the nuances of localization are highly valued by major global brands.

> In recent years, RWS has acquired and successfully integrated several businesses into the Group:

- » In October 2015, RWS acquired Corporate Translations Inc. (CTi) and subsequently integrated RWS's smaller existing life sciences businesses of PharmaQuest and its Medical Translation Division into the newly acquired business. This integration work was successfully completed in September 2016.
- » In February 2017, RWS acquired LUZ, inc, and the integration of this business with the existing life sciences businesses to form the united RWS Life Sciences division was successfully completed in October 2017.
- » In November 2017, RWS acquired Moravia, which included a small life sciences division, with US$6m of revenue. The integration of this business into the RWS Life Sciences division was completed in September 2018.

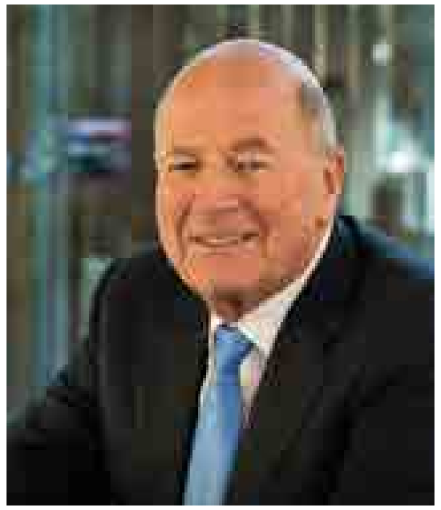
The framework developed for integrating acquired businesses is now well established at RWS and the experience and knowledge gained from the above integrations will be utilized on any future acquisitions.

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

Richard Thompson, Chief Executive Officer
10 December 2018

Chairman’s Governance Overview

Andrew Brode, Chairman
10 December 2018



At RWS, we are strongly committed to upholding the values of good corporate governance and accountability to all of the Group’s stakeholders including shareholders, staff, suppliers and clients.

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The core values instilled by our founders continue to guide the way we work and underpin our success in the industry.

Our belief
Our company values lie at the heart of everything we do. We were established as a small family-run business in the 1950s and have a long tradition of respecting and reinforcing the core values instilled by our founders, which continue to guide the way we work and underpin our success in the industry.

We firmly believe that success should be pursued without detriment to others. We are committed to generating prosperity not only for shareholders and employees, but also for the communities in which we operate, the clients we serve and the suppliers we engage. Our values, which are championed by the Group’s Executive Directors, and closely monitored by the Board, are aligned with good corporate governance to allow for the continued international expansion and growth of the business, while enhancing the interests of all of the Group’s stakeholders. The Board understands that upholding good corporate governance is a significant factor in achieving this growth, while at the same time mitigating risks for the long-term benefit of the business.

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The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group.

As Chairman, I lead and chair the Board and have overall responsibility for corporate governance and promoting the values of the Group, both internally to employees and externally to the broader stakeholder group. I am centrally involved in developing strategy and setting objectives for the Group and overseeing investor relations and communication between the Group and its shareholders. I am also actively involved in the identification and evaluation of potential acquisition targets that fit within prescribed selective criteria, to further grow the Group.

Our team
The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group. The Board is also committed to extending the values that it promotes, to include all stakeholder groups.

The Group’s activities are highly skilled and labour intensive and therefore highly reliant upon the skills, dedication and passion of all of our staff and contractors, who are expected to meet our clients’ demand for excellent quality and timely delivery. The values that we promote include the mutual respect of peers, commitment to outstanding quality of work, trust, integrity and honesty.

We look to employ individuals who reflect the diversity of the Group’s communities and reinforce our ethical values and behaviours. No discrimination is tolerated, and we endeavour to give all employees an excellent working environment, the latest technology, appropriate training and development support, social opportunities and competitive benefits packages.

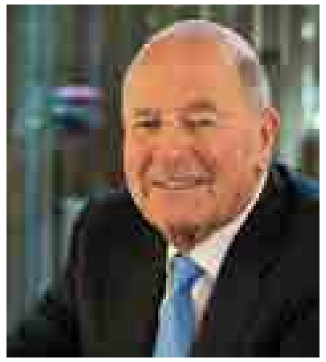
The regular dialogues we hold with staff is important to help us monitor corporate culture, address concerns in a timely manner and explore further initiatives to make RWS a better place to work. Dialogue is encouraged via one-to-one meetings with line managers, departmental team meetings and employee briefings. Working closely with senior management, corporate culture is regularly discussed at Board meetings and provides an opportunity to explore concerns and assess staff feedback, and where appropriate, put actions in place.

Our governance model
As an AIM listed company, RWS has chosen to implement The Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures laid out by the QCA Code provides a framework to ensure we have the appropriate corporate governance arrangements in place. The Board considers that RWS does not depart from any of the principles of the QCA Code and pages 18-29 include details of our compliance, which will be reviewed annually in line with the requirements of the QCA Code.

Andrew Brode, Chairman
10 December 2018

Board of Directors

Chairman



Andrew Brode (78)

> Appointed as a Director on 11 April 2000

> Member of the Audit Committee and the Remuneration Committee

> Led the management buy-in of RWS Group. A substantial shareholder in the Company

> Non-Executive Chairman of Learning Technologies Group plc and GRC plc, both AIM listed companies. Andrew is also a Non-Executive Director of a number of other private companies

Chief Executive Officer

Richard Thompson (56)

> Appointed as CEO on 31 March 2017 having joined RWS on 28 November 2012 as CFO and Company Secretary. During his time as CFO and CEO, Richard has played a pivotal role in RWS's move into life sciences translations, spearheading the acquisitions of CTi and LUZ, and latterly localization services with the acquisition of Moravia

> Previously worked for Actix International Limited, a global supplier of software and services to the telecommunications market, where he held the position of CFO for six years

Chief Financial Officer and Company Secretary

Desmond Glass (49)

> CFO and Company Secretary

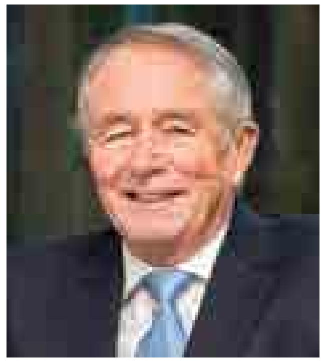
> Appointed as a Director and Company Secretary on 6 November 2017

> Previously worked for GAN plc, the AIM listed internet gaming software company, where he held the role of CFO for nine years. Desmond was instrumental in preparing the company for its successful AIM public listing in November 2013, and subsequently expanding the company's operations and delivery capability across the United States and Europe

> Fellow of the Institute of Chartered Accountants in Ireland

Registered office
Europa House
Chiltern Park
Chiltern Hill
Chalfont St Peter
Buckinghamshire SL9 9FG
Company registration number 03002645

Senior Independent Non-Executive Director and Deputy Chairman



David E Shrimpton (75)

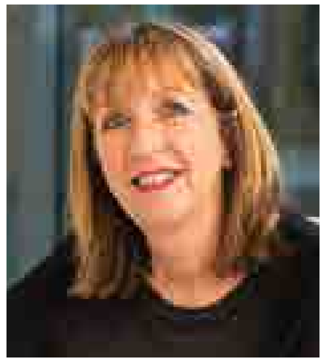
> Appointed as a Director on 1 January 2010

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

> Non-Executive Director of a number of private companies

> During his time with BDO LLP, David played a significant role in establishing BDO as a top-ranking firm through his involvement in both the Management Committee and Partnership Council

Non-Executive Director



Elisabeth A Lucas (62)

> Appointed as a Director on 11 November 2003

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

> Joined RWS in 1977, Managing Director of Translations Division from 1992 and CEO from 1995 to 2011

> In her role as CEO, Elisabeth led the business through its successful initial public offering (IPO) on AIM and successfully managed the business post IPO through eight consecutive years of growth in sales and profits

Non-Executive Director

Lara Boro (51)

> Appointed as a Director on 20 September 2017

> Member of the Audit Committee and the Remuneration Committee

> Currently a Group Managing Director for Informa, the FTSE 100 global B2B media company, where she heads up the life science, TMT and transportation businesses within the Business Intelligence division

New appointment

Tomas Kratochvíl (52)
Non-Executive Director

> Appointed as a Director on 28 March 2018
> Member of the Remuneration Committee
> Former CEO of Moravia, acquired by RWS in November 2017, having held this position for eight years during which time he led the company to become a premier provider of localization services
> Long-term member of the CEO Collaborative Forum

Corporate Governance Report

The Board

The Board recognizes the importance of, and is committed to, ensuring that effective corporate governance procedures are in place that are appropriate for a public company of RWS's size and complexity.

The Board believes that as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities.

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

Board composition

The Board currently comprises the CEO and CFO as Executive Directors, the Chairman and four Non-Executive Directors, following the appointment of Tomas Kratochvíl as Non-Executive Director on 28 March 2018. The Executive Directors have direct responsibility for business operations, whilst the Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions.

The Board considers that all of the Non-Executive Directors are independent in character and that there are no relationships or circumstances which are likely to affect their independent judgement. The Board notes that Elisabeth Lucas and Tomas Kratochvíl have previously held chief executive roles with RWS and Moravia respectively, however they believe that their in-depth knowledge and experience of working within the Group gives a unique insight into the Group's operations and markets, making them valued members of the RWS Board. They also note that Elisabeth Lucas relinquished her CEO role seven years ago.

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

The Board is committed to providing specific training to Directors, be it internally sourced or via external advisers, to ensure their skillset remains relevant for the Group's requirements. A summary of the relevant experience of each of the Directors can be found on pages 20-21.

Executive roles and responsibilities

The Chairman, Andrew Brode, leads and chairs the Board. Further details of the Chairman's role can be found in the Chairman's corporate governance overview on page 19.

The CEO, Richard Thompson, provides leadership and management to the Group and its senior management team. The CEO pushes the development of objectives, strategies and performance standards whilst also overseeing and managing key risks across all divisions of the Group. The CEO also plays a lead role in devising and implementing the Group's corporate development strategy and in investor relations to ensure that communications with the Group's shareholders and financial institutions are maintained.

Board meetings

	Eligible to attend	Attended
Andrew Brode	7	7
Richard Thompson	7	7
Desmond Glass	7	7
David E Shrimpton	7	6
Elisabeth A Lucas	7	7
Lara Boro	7	7
Tomas Kratochvíl	5	5

Committee meetings: Audit

	Eligible to attend	Attended
Andrew Brode	2	2
David E Shrimpton	2	2
Elisabeth A Lucas	2	1
Lara Boro	2	2
Tomas Kratochvíl	–	–

Committee meetings: Remuneration

	Eligible to attend	Attended
Andrew Brode	1	1
David E Shrimpton	1	1
Elisabeth A Lucas	1	1
Lara Boro	1	1
Tomas Kratochvíl	–	–

The CFO, Desmond Glass, is responsible for shaping and executing the financial strategy of the Group. In this role he also supports the Group's investor relations programme and corporate development efforts. Due to the size of the Group, the CFO also serves as the Company Secretary and is charged with ensuring the delivery of clear and accurate management information to the Board to allow for timely deliberation and subsequent communication of agreed actions.

Board commitments

The Board met seven times in the year. The Board is tasked with developing the overall structure and direction of the business, ensuring that appropriate delegations of authority are communicated throughout the Group, monitoring Executive Director performance, reviewing the monthly operational and financial performance of the Group and formally approving the annual budget and audited financial statements of the Group. Various members of the Group's senior management team are invited to certain Board meetings to report on their particular areas of responsibility.

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

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

Key Board actions during the year:

- reviewed and approved acquisition of Moravia
- appointed new Non-Executive Director
- published gender pay gap report
- published modern slavery statement
- implemented the QCA Code
- reviewed risk register

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

Board performance

An effective Board is critical to the success of RWS. In order to ensure that the Board continues to operate as efficiently as possible, the Board has committed to a formal annual performance assessment for the CEO (led by the Chairman) and CFO (led by the CEO) this year, which was introduced with effect from the start of FY 2019. This assessment process will extend to the Non-Executive Directors later in the year. Factors considered in the evaluation process includes, but is not limited to, commitment to the long-term development of the Group; attendance at formal meetings; meaningful and varied contributions at Board meetings; personal interaction and relationship building, with the Executive Directors, other professional advisers to the Group and the senior management team.

Corporate Governance Report (continued)

Appointment and re-election of Directors

The Company's Annual General Meeting (AGM) will be held in London on 13 February 2019.

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

The Company's Articles of Association provide that any new Director appointed by the Board during the year, having not been previously elected by shareholders, may hold office only until the next AGM, when that Director must retire and stand for election as a Director at such meeting.

Tomas Kratochvíl has joined the Board since the 2018 AGM and will accordingly seek election by shareholders at the AGM.

Internal controls and risk management

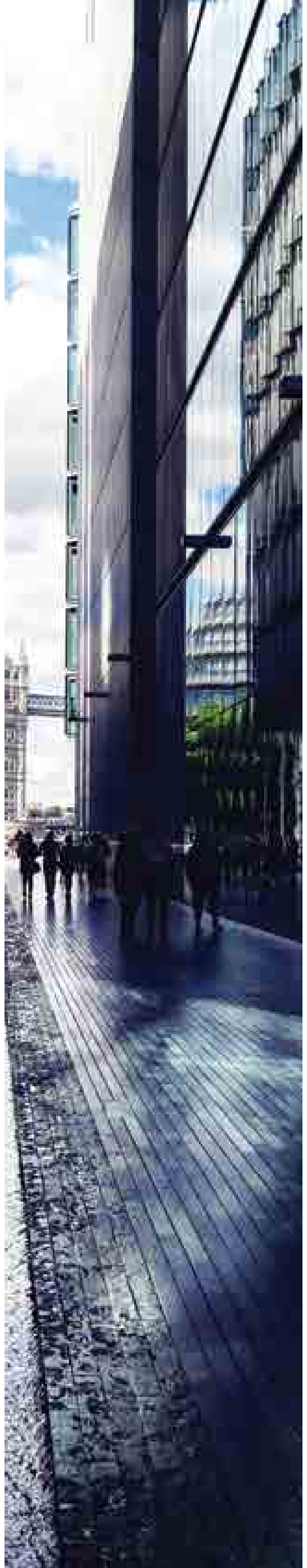
The Board has overall responsibility for the Group's system of internal controls. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

In addition, the Board assesses the risks facing the business and approves the steps and timetable senior management has established to mitigate those risks.

External advisors

During the year, the Board engaged Deloitte to review the long-term incentive programme for senior management, including remuneration and share options, and to facilitate the introduction of a Save as you Earn (SAYE) scheme for staff.



Audit Committee Report

The members of the Audit Committee are David Shrimpton (Committee Chair), Lara Boro, Elisabeth Lucas and Andrew Brode.

The members, with the exception of Andrew Brode, our Chairman, are Non-Executive Directors. The Board is satisfied that the Committee Chair, David Shrimpton, has recent and relevant financial experience. He is a Chartered Accountant and was a member of both the Management Committee and Partnership Council at BDO LLP. The Committee's other members have all played an active role at Committee meetings held throughout the year. Andrew Brode is the Group's Chairman and a substantial shareholder in the ordinary shares of the Company.

Although not a member of the Audit Committee, the CFO is invited to attend meetings. The Committee has engaged PricewaterhouseCoopers LLP (PwC) to act as external auditors and they are also invited to attend Committee meetings, unless they have a conflict of interest. During the year, the Committee met twice and the members attendance record at Committee meetings during the financial year is set out on page 23.

Responsibilities

The Committee reviews and makes recommendations to the Board on:

- any change in accounting policies
- decisions requiring a major element of judgement and risk
- compliance with accounting standards and legal and regulatory requirements
- disclosures in the interim and annual report and financial statements
- reviewing the effectiveness of the Group's financial and internal controls
- any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group
- any matters that may significantly affect the independence of the external auditor

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

Significant financial judgements

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

- The acquisition accounting for Moravia, including the valuation of goodwill and intangible assets. Fair value adjustments associated with the acquisition accounting is a judgemental area and inherently complex.
- Impairment of goodwill and intangibles. There is a significant Group goodwill balance which is required to be assessed for impairment through a value in use calculation. This requires judgement; operating cash flows for each cash generating unit (CGU) are to be estimated and discounted at an appropriate discount rate that reflects both market assessments of the time value of money and the risks specific to the CGU.
- Foreign exchange. The acquisition of Moravia increased the Group's exposure to movements in foreign exchange rates and increased the complexity of the accounting for foreign exchange transactions in terms of the application of hedge accounting, both at subsidiary and Group level.

External audit

The external auditors, PwC, were first appointed in the financial year to 30 September 2014. The fee to PwC for the financial year to 30 September 2018 is £335,000. The Audit Committee undertakes a comprehensive review of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the wider Board, together with relevant members of the Executive Committee.

On behalf of the Board

David Shrimpton
10 December 2018

Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration Committee are Elisabeth Lucas (Committee Chair), David Shrimpton, Lara Boro, Tomas Kratochvíl and Andrew Brode.

With the exception of Andrew Brode, the members are Non-Executive Directors. The Board believes that Andrew Brode's interests are closely aligned with those of all shareholders and therefore feel that he plays an important role as member of the Remuneration Committee.

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

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and, if required by the Board, the Senior Executives of the Group. The remuneration of Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors. The remuneration of the Chairman is a matter for the Remuneration Committee, excluding Andrew Brode. No Director or Senior Executive is involved in any discussion or decision about his or her own remuneration. During the year, the Committee met once, and the members attendance is set out on page 23.

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

Individual elements of remuneration

For Executive Directors and Senior Executives, the components contained in the total remuneration package are base salary, performance related annual bonus and other customary benefits such as holidays and health benefits, sickness benefit and pension contributions. The performance related annual bonus does not apply to the Chairman. For Non-Executive Directors there is only one component, a base fee.

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

Executive Directors' September 2018 annual bonus

The maximum bonus opportunity during the 12 months ended 30 September 2018 was capped at 71% of base salary for the CEO and 32% for the CFO. The metrics and weighting for the year ended 30 September 2018 are as follows:

	Maximum		Achieved	
	CEO	CFO	CEO	CFO
Adjusted profit before tax	50%	16%	39%	14%
Personal objectives	21%	16%	16%	14%
Total as a % of base salary	71%	32%	55%	28%

No profit related bonus would be payable if adjusted profit before tax was below a profit threshold.

Share options

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

Service contracts

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

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

The date of the Chairman's service contract is 30 October 2003, and the service contracts of Richard Thompson and Desmond Glass are dated 1 November 2012 and 6 November 2017 respectively. In the event of early termination, the Chairman's and the Executive Directors' service contracts provide for compensation up to a maximum of the total benefits which he or she would have received during the notice period.

Directors' emoluments and pension contributions

The aggregate remuneration, excluding pension contributions - paid or accrued - for the Directors of the Company for service in all capacities during the year ended 30 September 2018 was £1,187,000 (2017: £1,153,000). The remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

Remuneration and pension contributions of individual Directors	Salary or fees £'000	Bonus £'000	Taxable benefits £'000	2018 Total £'000	2018 Pension contributions £'000	2017 Total £'000	2017 Pension contributions £'000
Andrew Brode	263	–	3	266	–	266	–
Desmond Glass (appointed 6 November 2017)	172	53	–	225	5	–	–
Reinhard Ottway (resigned 31 March 2017)	–	–	–	–	–	233	3
Richard Thompson	350	191	–	541	11	523	10
Elisabeth Lucas	50	–	–	50	–	50	–
David Shrimpton	40	–	–	40	–	40	–
Peter Mountford (resigned 30 September 2017)	–	–	–	–	–	40	–
Lara Boro (appointed 20 September 2017)	40	–	–	40	–	1	–
Tomas Kratochvíl (appointed 28 March 2018)	25	–	–	25	–	–	–
	940	244	3	1,187	16	1,153	13

Directors' Remuneration Report (continued)

Directors' interests in shares

The interests of the Directors as at 30 September 2018 (including the interests of their families and related trusts), all of which were beneficial, in the ordinary shares were:

The interests of the Directors in the ordinary shares	Ordinary shares of 1 pence
Andrew Brode	90,174,060
Elisabeth Lucas	50,000
Richard Thompson	13,000
Lara Boro	2,600
	90,239,660

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

	Number of shares under option						
Approved share option scheme	At 1 October 2017	Issued in the year	Exercised in the year	At 30 September 2018	Exercise price pence	First date exercisable	Last date exercisable
Richard Thompson	23,215	–	–	23,215	129.20	03.04.16	03.04.21

	Number of shares under option						
Unapproved share option scheme	At 1 October 2017	Issued in the year	Exercised in the year	At 30 September 2018	Exercise price pence	First date exercisable	Last date exercisable
Richard Thompson	1,246,265	–	–	1,246,265	129.20	03.04.15	03.04.21

During the year, no Directors exercised any options.

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

The market price of the Company's share as at 30 September 2018 and the highest and lowest market prices during the year were as follows:

30 September 2018	495.0 pence
Highest Market Price	569.0 pence
Lowest Market Price	335.5 pence

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

Transactions with Directors

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

On behalf of the Board

Elisabeth Lucas
10 December 2018

Directors’ Report

The Directors present their annual report together with the audited consolidated financial statements for the year ended 30 September 2018.

The key performance indicators of the Group are revenues and adjusted pre-tax profit before amortization of acquired intangibles, share option costs, acquisition costs and any other significant one-off or non-cash items.

87%
Advance in Group revenues to £306.0m

£61.8 million
Adj PBT
(2017: £43.3m)

7.50 pence
Total dividend for the year
(2017: 6.50 pence)

Business performance and risks

The review of the business, operations, principal risks and outlook is dealt with in the Strategic Review on pages 11 to 17. The key performance indicators of the Group are revenues and adjusted pre-tax profit before amortization of acquired intangibles, share option costs, acquisition costs and any other significant one-off or non-cash items.

Financial results

The financial statements set out the results of the Group for the year ended 30 September 2018 which are shown on page 42.

Group revenues advanced by 87% to £306.0m (2017: £164.0m) and pre-tax profit before amortization of intangibles, share option costs and acquisition costs was £61.8 million (2017: £43.3m), a rise of 43%. Profit before tax is £39.7m (2017: £33.9m). The total tax expense was £11.4m (2017: £9.3m), an effective tax rate of 28.7% (2017: 27.5%).

Basic earnings per share was 10.4 pence (2017: 11.0 pence). After taking account of the amortization of intangibles, acquisition costs and the related tax effects of these adjustments, the adjusted earnings per share for the Group was 17.4 pence (2017: 14.3 pence).

Dividends

The Directors recommend a final dividend of 6.00 pence per ordinary share (see note 8) to be paid on the 22 February 2019 to shareholders on the register at 25 January 2019, which, together with the dividend of 1.50 pence paid in July 2018, makes a total dividend for the year of 7.50 pence (2017: 6.50 pence).

The final dividend will be reflected in the financial statements for the year ending 30 September 2019. The proposed total dividend per share is 1.4 times (2017: 1.7 times) covered by basic earnings per share.

Going concern accounting basis

The Group had cash resources of £38.2m at 30 September 2018 and an overall net debt of £65.1m following the funding of the Moravia acquisition. The Group was able to generate free cash flow of £35.0m in the year. The Directors have considered the recent operating results, as well as its compliance with all debt covenants, and have a reasonable expectation that the Group has adequate resources to continue in operation as a going concern for the next 12 months from the date these financial statements were approved.

Financial instruments

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

Directors

Details of members of the Board at 30 September 2018 are set out on pages 20-21.

Further information on Board composition, responsibilities, commitments and re-election/election can be found on pages 22-24 in the Corporate Governance Report.

The interests of the Directors in shares during the year are set out on page 28 in the Directors’ Remuneration Report.

Directors’ indemnities

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

Corporate governance

Remuneration Committee

Further information about the Committee and the Company’s remuneration policy is set out on pages 26 to 29 in the Directors’ Remuneration Report.

Employment of disabled persons

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

Employee involvement

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

Directors' Report (continued)

Substantial shareholdings

At 23 November 2018, the following were substantial shareholders:

Substantial shareholders

	% holding
Andrew Brode (Director)	33.0
Liontrust Asset Management	11.8
Aberdeen Standard Investments	7.8
Octopus Investment	6.4
Canaccord Genuity	5.5
Investec Wealth and Investment	3.1

Authority to allot

Under section 549 of the Companies Act 2006, the Directors are prevented, subject to certain exceptions, from allotting shares in the Company or from granting rights to subscribe for or to convert any security into shares in the Company without the authority of the shareholders in General Meeting. An ordinary resolution will be proposed at the 13 February 2019 AGM which renews, for the period ending 13 May 2020, or, if earlier, the date of the 2020 AGM, the authority previously granted to the Directors to allot shares, and to grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £911,811, representing approximately one third of the share capital of the Company in issue at 10 December 2018.

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

Statutory pre-emption rights

Under section 561 of the Companies Act 2006, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. A special resolution will be proposed at the 13 February 2019 AGM which renews, for the period ending on 13 May 2020 or, if earlier, the date of the 2020 Annual General Meeting, the authorities previously granted to the Directors to: (a) allot shares of the Company in connection with a rights issue, or other pre-emptive offer; and

(b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £136,772 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 10 December 2018). The second resolution will request a further authority for the Directors to allot shares up to an aggregate nominal value of £136,772, in respect of an acquisition or capital investment. Both resolutions will ask for approval, as if the pre-emption rights of section 561 of the Act did not apply.

Rule 9 of the city code

Under rule 9 of the city code, where any person acquires an interest in shares which carry 30% or more of the voting rights, that person is normally required to make a general offer to all the remaining shareholders of the Company to acquire their shares. An ordinary resolution was approved at the 14 February 2017 AGM which approved, for a three-year period until the date of the 2020 AGM, the waiver granted by the Panel on Takeovers and Mergers of any requirement under rule 9 for Andrew Brode (Chairman) and related parties to make a general offer to the shareholders of the Company as a result of any market purchase by the Company of its own shares.

Statement of disclosure of information to auditors

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

PwC has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the 13 February 2019 AGM.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company, and of the profit or loss of the Group and Parent Company for that period.

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

> select suitable accounting policies and then apply them consistently;

> state whether applicable IFRSs, as adopted by the European Union, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;

> make judgements and accounting estimates that are reasonable and prudent; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

On behalf of the Board

Richard Thompson, Chief Executive Officer
10 December 2018

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

Report on the audit of the financial statements

Opinion

In our opinion:

> RWS Holdings plc's Group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's profit and cash flows for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union;
> the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and Parent Company statement of financial position as at 30 September 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the Parent Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Materiality

> overall group materiality: £3.1m (2017: £2.15m), based on 5% of adjusted profit before tax
> overall Parent Company materiality: £3.2m (2017: £1.13m), based on 1% of total assets

Audit scope

> we performed audit work over the complete financial information for reporting units which accounted for approximately 90% (2017: 89%) of the Group's revenue and 93% (2017: 92%) of the Group's profit before taxation. These reporting units comprised certain operating businesses and centralized functions
> in addition, we conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units
> we also performed work on Group-wide estimates, judgements and transactions centrally

Key audit matters

> revenue recognition
> acquisition accounting for Moravia

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates, that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to note 1, accounting policies, for further information. RWS provides language, IP and localization services across a number of divisions. The value of these services depends on the volume, timing and complexity of the work required. Revenue is recognized based on the realizable value of work performed at a point in time and is recorded as unbilled revenue within accrued income until such a time that it is performed. We have considered the risk relating to revenue in two separate elements; for short, more frequent projects and for longer, more complex projects. For the shorter, more frequent projects, revenue is recognized on the delivery of work. As the timescale of these projects is shorter, limited judgement is applied to the proportion of a service delivered. For these projects, we consider the risk to relate to the existence of revenue. For longer projects, which are typically larger and less frequent in nature – for example linguistic validation - recognition of revenue is based on the realizable value of work performed at a point in time, which requires judgement to be applied regarding the stage of completion. Revenue is recorded as unbilled revenue within accrued income until it is invoiced. The carrying value of accrued income at the year-end date drives revenue recognition and is judgemental as to the stage of completion. In addition to the existence risk described above, we also consider whether the value of revenue recognized has been accurately recorded in the period.	We assessed the recognition of revenue by performing a number of tests across all revenue: > Considered the revenue recognition policy and determined its appropriateness; > Reviewed significant invoices and credit notes raised during the year and post year-end; > Performed substantive testing of revenue transactions for Moravia, tracing revenue to cash; > For all other in-scope reporting units, traced revenue transactions to cash through the use of Computer Assisted Audit Techniques (CAATs) and investigated unusual transactions identified; > Confirmed that the bank reconciliation controls are operating effectively; > Tested revenue journals using a combination of data analysis techniques, inquiry of management and detailed substantive testing to identify any significant items that could be indicative of fraud; and > Tested after date cash collection on accounts receivable. In addition, for the longer projects where there is an additional risk that revenue is not recognized in line with the stage of completion, we performed the following: > Reviewed evidence of the stage of completion of the project; > Recalculated the revenue that should have been recognized based on the stage of the completion; and > Reviewed the outcome of previous estimations to determine whether they were accurate.

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

Key audit matter	How our audit addressed the key audit matter
Acquisition accounting for Moravia	**To address this risk, we:**
> Refer to page 25 (Audit Committee Report), note 22 of the financial statements and note 2 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information. > The Group acquired Moravia in November 2017 for a consideration of US$320m. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets, with the residual balance recognized as goodwill. The valuation of identified intangibles can be a subjective process and as such was an area of focus for us.	> Examined the acquisition agreement and other documents including due diligence reports; > Ensured accounting is in accordance with IFRS 3 Business Combinations; > Performed testing procedures on the acquired opening balance sheet including management adjustments; > Tested the fair value adjustments, working with both management and management's expert to verify and challenge key assumptions; > Utilized our own expert to support the audit of fair value adjustments; > Assessed the existence and disclosure in relation to any potential assets or contingent assets; > Agreed cash consideration to bank; > Agreed refinancing and associated issuance to loan documentation; and > Agreed equity raise and associated issuance costs to bank and supporting documentation.
> Management identified US$172m of intangible assets in respect of Moravia's client relationships and brand name. The fair value of these intangible assets was judgemental as it used valuation techniques that require management assumptions including client attrition rates, growth rates for existing client revenues, forecast profitability levels and an appropriate discount rate.	In relation to the intangible assets identified in respect of Moravia's client relationships and the brand name, we performed the following: > Assessed the completeness and quantum of intangible assets identified by management against our own expectations, formed from review of the due diligence reports prepared by management's professional advisors during the acquisition, and disclosures surrounding the rationale for the transactions. > Assessed the work performed on the purchase price allocation by utilizing our in-house specialists to evaluate management's valuation of the identified assets. Specifically, we reviewed the methodology adopted, compared the assumptions made on attrition and recoverability with historical patterns in the business to verify that assumptions were reasonable, considered the discount rate used and verified the mathematical accuracy of the calculations; and > Corroborated the value of intangibles by performing an overall sense-check of the level of residual goodwill arising on the transaction, by considering the level of resulting goodwill as a proportion of the total consideration paid, as compared to similar transactions in the market.

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

How we tailored the audit scope

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

The Group's operations and reporting process is structured around five divisions represented by Patent Translation & Filing, Patent Information, Life Sciences, Language Solutions and Moravia. The Group financial statements are a consolidation of multiple reporting components including both operating businesses and central functions.

We identified three components that, in our view, required an audit of their complete financial information due to their size, being RWS Translations Limited, Life Sciences and Moravia. Work was performed by the Group engagement team in respect of RWS Translations Limited and Life Sciences. Work was performed by component auditors in respect of the Moravia division for which we issued formal, written instructions to the component auditor setting out the work to be performed and maintained regular communication throughout the audit cycle. The Group engagement leader and senior member of the Group team undertook a visit of the component and attended the component's clearance meeting in person. During the site visit, findings reported were discussed and the Group team evaluated the sufficiency of the audit evidence obtained through discussions with, and review of the work performed by the component auditor.

This, together with additional procedures performed at the Group level (including audit procedures over material head office entities, impairment assessments, acquisition accounting, intangible assets, financial statement disclosures, tax, treasury and consolidation adjustments), gave us the evidence we needed for our opinion on the financial statements as a whole. Taken together, our audit work accounted for 90% of the Group's revenues and 93% of the Group's profit before tax.

Materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality	£3.1m (2017: £2.15m).	£3.2m (2017: £1.13m).
How we determined it	5% of adjusted profit before tax.	1% of total assets.
Rationale for benchmark applied	We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the Parent Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £2.1m to £2.8m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £150,000 (Group audit) (2017: £75,000) and £160,000 (Parent Company audit) (2017: £56,300), as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

Conclusions relating to going concern

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

> The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or,

> The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorized for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us to also report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

> we have not received all the information and explanations we require for our audit; or

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

10 December 2018

Consolidated Statement of

COMPREHENSIVE INCOME

for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Revenue	3	306,044	164,040
Cost of sales		(187,211)	(92,269)
Gross profit		118,833	71,771
Administrative expenses		(74,702)	(37,790)
Operating profit	4	44,131	33,981
Analysed as:			
Operating profit before charging:		66,310	43,405
Amortization of acquired intangibles	11	(14,591)	(6,574)
Acquisition costs	22	(7,588)	(2,850)
Operating profit		44,131	33,981
Finance income	6	69	973
Finance costs	6	(4,541)	(1,088)
Profit before tax		39,659	33,866
Taxation	7	(11,402)	(9,306)
Profit for the year		28,257	24,560
Other comprehensive income/(expense)[1]			
Gain/(loss) on retranslation of foreign operations		3,526	(4,702)
Gain on cash flow hedges		408	-
Total other comprehensive income/(expense)		3,934	(4,702)
Total comprehensive income attributable to:			
Owners of the Parent		32,191	19,858
Basic earnings per ordinary share (pence per share)	9	10.4	11.0
Diluted earnings per ordinary share (pence per share)	9	10.4	10.9

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

The notes on pages 46 to 75 form part of these financial statements.

Consolidated Statement of

FINANCIAL POSITION

at 30 September 2018

Registered company 03002645	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Goodwill	10	233,236	101,108
Intangible assets	11	172,517	48,787
Property, plant and equipment	12	21,961	18,147
Deferred tax assets	13	2,081	1,475
		429,795	169,517
Current assets			
Trade and other receivables	14	72,656	41,682
Foreign exchange derivatives	18	1,014	281
Cash and cash equivalents	21	38,155	20,064
		111,825	62,027
Total assets	3	541,620	231,544
Liabilities			
Current liabilities			
Loan	15	24,311	8,955
Trade and other payables	16	48,251	27,689
Income tax payable		4,074	2,748
Provisions	17	85	82
		76,721	39,474
Non-current liabilities			
Loan	15	78,958	31,343
Other payables	16	-	30
Provisions	17	645	297
Deferred tax liabilities	13	30,017	1,515
		109,620	33,185
Total liabilities	3	186,341	72,659
Total net assets		355,279	158,885
Equity			
Capital and reserves attributable to owners of the Parent			
Share capital	19	2,735	2,293
Share premium		51,549	50,718
Share-based payment reserve		384	526
Reverse acquisition reserve		(8,483)	(8,483)
Foreign currency reserve		8,941	5,415
Hedge reserve		408	-
Retained earnings		299,745	108,416
Total equity		355,279	158,885

The notes on pages 46 to 75 form part of these financial statements.

The financial statements on pages 42 to 75 were approved by the Board of Directors and authorized for issue on 10 December 2018 and were signed on its behalf by:

Andrew Brode
Director

Consolidated Statement of

CHANGES IN EQUITY

for the year ended 30 September 2018

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total attributable to owners of Parent £'000
At 1 October 2016	2,157	8,947	2,509	95,087	108,700
Profit for the year	-	-	-	24,560	24,560
Currency translation differences	-	-	(4,702)	-	(4,702)
Total comprehensive income for the year	-	-	(4,702)	24,560	19,858
Issues of shares	136	41,771	-	-	41,907
Deferred tax on unexercised share options	-	-	-	394	394
Income tax on unexercised share options	-	-	-	598	598
Dividends	-	-	-	(12,572)	(12,572)
Exercise of share options	-	-	(349)	349	-
At 30 September 2017	2,293	50,718	(2,542)	108,416	158,885
Profit for the year	-	-	-	28,257	28,257
Gain on cash flow hedges	-	-	408	-	408
Gain on retranslation of foreign operations	-	-	3,526	-	3,526
Total comprehensive income for the year	-	-	3,934	28,257	32,191
Issue of shares	442	831	-	184,565	185,838
Share issue costs	-	-	-	(3,631)	(3,631)
Deferred tax on unexercised share options	-	-	-	150	150
Income tax on unexercised share options	-	-	-	153	153
Dividends	-	-	-	(18,307)	(18,307)
Exercise of share options	-	-	(142)	142	-
At 30 September 2018	**2,735**	**51,549**	**1,250**	**299,745**	**355,279**

Other reserves

	Share-based payment reserve £'000	Reverse acquisition reserve £'000	Hedge reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2016	875	(8,483)		10,117	2,509
Other comprehensive loss for the year	-	-	-	(4,702)	(4,702)
Exercise of share options	(349)	-	-	-	(349)
At 30 September 2017	526	(8,483)	-	5,415	(2,542)
Other comprehensive income for the year	-	-	408	3,526	3,934
Exercise of share options	(142)	-	-	-	(142)
At 30 September 2018	**384**	**(8,483)**	**408**	**8,941**	**1,250**

The notes on pages 46 to 75 form part of these financial statements.

Consolidated Statement of

CASH FLOWS

for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit before tax		**39,659**	33,866
Adjustments for:			
Depreciation of property, plant and equipment	12	**2,786**	1,171
Amortization of intangible assets	11	**16,617**	6,709
Finance income	6	**(69)**	(973)
Finance expense	6	**4,541**	1,088
Operating cash flow before movements in working capital and provisions		**63,534**	41,861
Increase in trade and other receivables		**(6,488)**	(8,019)
(Decrease)/increase in trade and other payables and provisions		**(570)**	4,244
Cash generated from operations		**56,476**	38,086
Income tax paid		**(12,848)**	(9,687)
Net cash inflow from operating activities		**43,628**	28,399
Cash flows from investing activities			
Interest paid		**(3,521)**	(1,009)
Interest received		**69**	11
Acquisition of subsidiary, net of cash acquired	22	**(242,311)**	(74,834)
Purchases of property, plant and equipment	12	**(1,872)**	(1,495)
Purchases of intangibles (computer software)	11	**(3,320)**	(728)
Net cash outflow from investing activities		**(250,955)**	(78,055)
Cash flows from financing activities			
Proceeds from borrowing		**118,591**	21,000
Repayment of borrowing		**(58,140)**	(8,159)
Proceeds from the issue of share capital		**182,207**	41,907
Dividends paid	8	**(18,307)**	(12,572)
Net cash inflow from financing activities		**224,351**	42,176
Net increase/(decrease) in cash and cash equivalents		**17,024**	(7,480)
Cash and cash equivalents at beginning of the year		**20,064**	27,910
Exchange gains/(losses) on cash and cash equivalents		**1,067**	(366)
Cash and cash equivalents at end of the year	21	**38,155**	20,064
Free cash flow			
Analysis of free cash flow			
Net cash generated from operations		**56,476**	38,086
Net interest paid		**(3,452)**	(998)
Income tax paid		**(12,848)**	(9,687)
Purchases of property, plant and equipment		**(1,872)**	(1,495)
Purchases of intangibles (computer software)		**(3,320)**	(728)
Free cash flow		**34,984**	25,178

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

The notes on pages 46 to 75 form part of these financial statements.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting and preparation of financial statements

RWS Holdings plc (the Company) is a public limited company incorporated and domiciled in England and Wales whose shares are publicly traded on AIM, the London Stock Exchange regulated market.

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

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

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

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

The Company has elected to prepare the Company financial statements in accordance with FRS 101. These are presented on pages 76 to 85 and the accounting policies in respect of the Company are set out on page 78 to 79.

Impact of forthcoming changes in accounting policies

The impact on the Group's financial statements of the future adoption of new standard interpretations and amendments is still under review.

The relevant amendments to the Group are:

> IFRS 15 "Revenue from contracts with customers" – This standard is first applicable to the Group's 30 September 2019 financial statements. Based on initial analysis performed, it is not anticipated that this new accounting standard will have a material impact on the way the Group recognizes revenue in its Statement of Comprehensive Income.

> IFRS 9 "Financial Instruments" – This standard is first applicable to the Group's 30 September 2019 financial statements. Based on initial analysis performed, it is not anticipated that this new accounting standard will have a material impact on the Group's approach to recognizing its financial assets using the expected credit loss method.

> IFRS 16 "Leases" – This standard is first applicable to the Group's 30 September 2020 financial statements. The Group leases a number of its office locations and accounts for these as operating leases. Under this new standard, this will no longer be permitted, and therefore these office leases will be required to be accounted for as finance leases, resulting in the recognition of a lease asset and lease liability. See Note 25 for the Group's operating lease commitments as at 30 September 2018.

The Group is continuing its assessment of the impact of these new accounting standards. There were no other new IFRSs or IFRIC interpretations that are not yet effective that are anticipated to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company, drawn up to 30 September 2018. Control is regarded as the power to govern the financial and operating policies of the entity, so as to benefit from its activities. The financial results of subsidiaries are consolidated from the date control is obtained, until the date that control ceases. All intra-group transactions are eliminated as part of the consolidation process.

Business combinations

Under the requirements of IFRS 3 (revised), all business combinations are accounted for using the acquisition method (acquisition accounting). The cost of a business acquisition is the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer. Costs directly attributable to business combinations are expensed. The cost of a business combination is allocated at the acquisition date by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The excess of the cost of the acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill.

Goodwill and other intangible assets

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

Goodwill arising on acquisitions is capitalized and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. At the date of acquisition, goodwill is allocated at the lowest levels for which there are separate identifiable cash flows, for the purpose of impairment testing. Assets, excluding goodwill, which have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets, separately identified from goodwill acquired as part of a business combination, are initially stated at fair value, subject to meeting the definition under IAS 38 "Intangible assets". The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital appropriate to that intangible asset.

The assets are amortized over their estimated useful lives which range as follows:

Trade names	Five to eight years
Clinician database	10 years
Technology	Five years
Non-compete clauses	Five years
Trademarks	Five years
Client relationships	Seven to 20 years
Order book	One year

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These assets are amortized using the straight line method over their estimated useful lives which range from one to three years.

The Group has chosen to capitalize some internally generated software projects. These capitalized development costs are being recorded as intangible assets, subject to the conditions of IAS 38 being met, and amortized from the point at which they are available for use. These projects are being amortized using the straight line method over their estimated useful lives of up to three years.

Revenue recognition

Group revenue represents the fair value of the consideration received or receivable for the rendering of services, net of value added tax and other similar sales-based taxes, rebates, discounts and third-party licences and after eliminating inter-company sales. Revenue, other than subscription, commission and linguistic validation project income, is recognized as a translation, filing, search or localization project and is fulfilled in accordance with agreed client instructions.

Where contracts are partially completed, the revenue recognized is based on the work performed to date.

Subscription revenue is recognized on a straight line basis over the term during which the service is provided. Commission income is credited to revenue upon securing the related sale. Revenue from linguistic validation projects is recognized over the life of the project.

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

Foreign currencies

The functional currency of the Group is Pounds Sterling and overseas operations are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as Other Comprehensive Income and recognized in the Foreign Currency Reserve in the Consolidated Statement of Financial Position.

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

Segment information

Segment information reflects how management controls the business. This is primarily by the type of service. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation, where cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for intended use. The Group depreciates the cost of each item of property, plant and equipment (less its estimated residual value) using the straight line method over their estimated useful lives as follows:

Freehold land	Nil
Buildings	2%
Leasehold land, buildings and improvements	the lease term
Furniture and equipment	10% to 33%
Motor vehicles	16.67%

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

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

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

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in fair value of the derivative is recognized in Other Comprehensive Income and accumulated in the hedge reserve in equity. Any ineffective portion of the changes in fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in Other Comprehensive Income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss, or the hedged items affect profit or loss.

If the forecast transaction is no longer expected to occur; the hedge no longer meets the criteria for hedge accounting; the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued. If the forecast transaction is no longer expected to occur, then the amount accumulated in the hedge reserve is reclassified to profit or loss.

The Group hedges the net investment in certain foreign operations by borrowing in the currency of the operations' net assets. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other Comprehensive Income. Gains and losses accumulated in equity are included in the Consolidated Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

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

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

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

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

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

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

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

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

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

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

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

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

Loans
Loans are recognized initially at fair value, less directly attributable transaction costs. Subsequent to initial recognition, loans are stated at amortized cost using the effective interest method.

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

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

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

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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

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

These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements
One critical judgement was required to be made by the Directors in these financial statements.

Application of hedge accounting
Judgement is required prior to entering into a hedging transaction to determine whether this hedging transaction should be hedge accounted for under IFRS as adopted for use by the EU.

B. Key sources of estimation uncertainty
The following estimates and assumptions are considered to have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year ending 30 September 2019.

Impairment of goodwill and intangible assets
Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

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

Acquisition accounting
The Group acquired Moravia on 3 November 2017 for US$320m. Accounting for acquisitions requires a fair value exercise to assess the assets and liabilities acquired, including any separately identifiable intangible assets, and associated deferred taxes.

Useful economic lives of intangible assets
The useful economic lives of intangible assets, and in particular the useful economic lives of client relationships, are inherently uncertain, which would change should the client relationship end.

3. SEGMENT INFORMATION
The chief decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Following the acquisition of Moravia, the Board divided the Group into five reportable segments. The Board assesses the performance of the segments based on revenue and profit/(loss) from operations. These are measured on a basis consistent with the Statement of Comprehensive Income.

The five segments are:

> RWS Patent Translation & Filing: provides the highest-quality patent translations and a seamless global patent filing experience.
> RWS Patent Information: provides both traditional patent search services and crowdsourcing solutions, all powered by proprietary, innovative technology.
> RWS Life Sciences: provides a full suite of language services, including technical translations and linguistic validation, exclusively for the life sciences industry.
> Moravia: provides localization services including the adaptation of content, software, websites, applications, marketing material and audio/video to ensure brand consistency.
> RWS Language Solutions: provides a full range of translation and interpreting services to help businesses communicate globally.

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

Segment results for the year ended 30 September 2018	Patent Translation & Filing £'000	Patent Information £'000	Life Sciences £'000	Language Solutions £'000	Moravia £'000	Unallocated £'000	Group £'000
Revenue	102,256	9,693	52,303	14,922	126,870	-	306,044
Operating profit/(loss) before charging:	30,851	3,553	14,548	1,566	16,980	(1,188)	66,310
Amortization of acquired intangibles	(976)	(143)	(5,898)	(159)	(7,415)	-	(14,591)
Acquisition costs	-	-	-	-	(966)	(6,622)	(7,588)
Profit/(loss) from operations	**29,875**	**3,410**	**8,650**	**1,407**	**8,599**	**(7,810)**	**44,131**
Finance income							69
Finance expense							(4,541)
Profit before taxation							**39,659**
Taxation							(11,402)
Profit for the year							**28,257**

Segment results for the year ended 30 September 2017	Patent Translation & Filing £'000	Patent Information £'000	Life Sciences £'000	Language Solutions £'000	Moravia £'000	Unallocated £'000	Group £'000
Revenue	97,766	7,700	45,347	13,227	-	-	164,040
Operating profit/(loss) before charging:	26,949	4,100	11,986	1,280	-	(910)	43,405
Amortization of acquired intangibles	(1,066)	(143)	(4,994)	(371)	-	-	(6,574)
Acquisition costs	-	-	-	-	-	(2,850)	(2,850)
Profit/(loss) from operations	**25,883**	**3,957**	**6,992**	**909**	-	**(3,760)**	**33,981**
Finance income							973
Finance expense							(1,088)
Profit before taxation							**33,866**
Taxation							(9,306)
Profit for the year							**24,560**

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Segment assets and liabilities at 30 September 2018

	Patent Translation & Filing £'000	Patent Information £'000	Life Sciences £'000	Language Solutions £'000	Moravia £'000	Unallocated £'000	Group £'000
Total assets	**75,066**	**12,486**	**130,779**	**13,519**	**300,376**	**9,394**	**541,620**
Total liabilities	**14,632**	**3,999**	**49,366**	**2,200**	**113,979**	**2,165**	**186,341**
Capital expenditure	189	10	205	117	12,828	301	13,650
Depreciation	463	176	211	118	1,690	128	2,786
Amortization	980	211	5,902	181	9,298	45	16,617

Segment assets and liabilities at 30 September 2017

	Patent Translation & Filing £'000	Patent Information £'000	Life Sciences £'000	Language Solutions £'000	Moravia £'000	Unallocated £'000	Group £'000
Total assets	67,926	12,557	131,274	14,132	-	5,655	231,544
Total liabilities	14,229	4,350	50,344	3,003	-	733	72,659
Capital expenditure	148	914	1,196	149	-	83	2,490
Depreciation	462	282	150	93	-	184	1,171
Amortization	1,072	194	4,997	401	-	45	6,709

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

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

	Assets 2018 £'000	Liabilities 2018 £'000	Assets 2017 £'000	Liabilities 2017 £'000
Segment assets and liabilities	**532,226**	**184,176**	225,889	71,926
Unallocated:				
Deferred tax	**880**	**37**	695	42
Property, plant and equipment	**321**	**-**	148	-
Non-financial assets	**732**	**1,833**	767	313
Other financial assets and liabilities	**-**	**295**	-	378
Cash and cash equivalents	**7,461**	**-**	4,045	-
Total unallocated	**9,394**	**2,165**	5,655	733
	541,620	**186,341**	231,544	72,659

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

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

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

Turnover by client location

	2018 £'000	2017 £'000
UK	**24,298**	19,924
Continental Europe	**101,708**	75,428
United States	**163,941**	52,950
Rest of the world	**16,097**	15,738
	306,044	164,040

No client accounted for more than 12% of Group turnover in the current year (2017: 7%).

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

	Revenue		Segment assets		Capital expenditure	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	**112,650**	107,071	**72,326**	65,299	**406**	1,107
Continental Europe	**79,209**	5,959	**287,816**	7,034	**7,443**	97
United States	**109,385**	46,238	**174,723**	155,294	**5,729**	1,207
Rest of the world	**4,800**	4,772	**6,755**	3,917	**72**	79
	306,044	164,040	**541,620**	231,544	**13,650**	2,490

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CONSOLIDATED FINANCIAL STATEMENTS
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4. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):	2018 £'000	2017 £'000
Staff costs (note 5)	**94,191**	45,153
Depreciation of property, plant and equipment (note 12)	**2,786**	1,171
Amortization of intangible assets (note 11)	**16,617**	6,709
Foreign exchange (gains)/losses	**(861)**	1,461
Gain on changes in fair values on derivative contracts	**(272)**	-
Operating lease rentals:		
- Property	**4,058**	1,497
- Plant and equipment	**178**	131
Auditor's remuneration		
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	**115**	54
- The audit of subsidiaries of the Company	**220**	213
- Taxation compliance services	**-**	29
- Financial due diligence	**800**	99
- Taxation advisory services	**61**	28
- Audit related assurance services	**-**	46
Total fees	**1,196**	469

5. STAFF COSTS

	2018 £'000	2017 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	**80,422**	39,127
Social security costs	**14,300**	4,681
Other pension costs	**1,493**	1,345
	96,215	45,153

The Group operates a defined contribution pension scheme, making payments on behalf of employees to their personal pension plans. Payments of £1,493,000 (2017: £1,345,000) were made in the year and charged to the Statement of Comprehensive Income in the period they fell due. At the year-end, there were unpaid amounts included within other payables totalling £96,000 (2017: £53,000).

During the year, staff costs amounting to £2,024,000 (2017: £nil) were capitalized in respect of internally generated software projects at Moravia.

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 26 to 29.

Key management compensation	2018 £'000	2017 £'000
Short-term employee benefits	**3,567**	3,469
Post-employment benefits	**39**	54
	3,606	3,523

The key management compensation includes the seven (2017: seven) Directors of RWS Holdings plc and the six (2017: six) members of the Senior Executive Team who are not Directors of RWS Holdings plc.

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

	2018	2017
Production staff	**2,017**	704
Administrative staff	**354**	192
	2,371	896

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6. FINANCE INCOME AND COSTS

	2018 £'000	2017 £'000
Finance income		
- Returns on short-term deposits	**69**	11
- Movement in the fair value of foreign currency contracts	**-**	962
	69	973
Finance cost		
- Bank interest payable	**(3,947)**	(1,088)
- Amortized borrowing costs	**(313)**	-
- Movement in the fair value of foreign currency contracts	**(281)**	-
	(4,541)	(1,088)
Net finance cost	**(4,472)**	(115)

7. TAXATION

	2018 £'000	2017 £'000
Taxation recognized in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	**6,641**	5,825
- Overseas	**6,275**	2,708
Adjustments in respect of prior years	**(261)**	(208)
	12,655	8,325
Deferred tax		
Current year movement	**(1,464)**	721
Adjustments in respect of prior years	**211**	260
Total tax expense for the year	**11,402**	9,306

The table below reconciles the UK statutory tax charge to the Group's total tax charge.	2018 £'000	2017 £'000
Profit before taxation	**39,659**	33,866
Notional tax charge at UK corporation tax rate of 19.0% (2017: 19.5%)	**7,535**	6,604
Effects of:		
Items not deductible or not chargeable for tax purposes	**1,716**	1,131
Differences in overseas tax rates	**2,201**	1,519
Adjustments in respect of prior years	**(50)**	52
Total tax expense for the year	**11,402**	9,306

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. The reduction of the UK Corporation tax rate from 19% to 17% will be effective from 1 April 2020. As a result, the relevant deferred tax balances have been remeasured.

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8. DIVIDENDS TO SHAREHOLDERS

	2018 pence per share	2018 £'000	2017 pence per share	2017 £'000
Final, paid 23 February 2018 (2017: paid 24 February 2017)	**5.20**	**14,209**	4.45	9,602
Interim, paid 20 July 2018 (2017: paid 21 July 2017)	**1.50**	**4,098**	1.30	2,970
	6.70	**18,307**	5.75	12,572

The Directors recommend a final dividend in respect of the financial year ended 30 September 2018 of 6.00 pence per ordinary share, to be paid on 22 February 2019 to shareholders who are on the register at 25 January 2019. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2018. The final proposed dividend will reduce shareholders' funds by an estimated £16.4m.

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated using the Group's profit after tax and the weighted average number of ordinary shares in issue during the year, as follows:

	2018	2017
Weighted average number of ordinary shares in issue for basic earnings	**271,216,566**	223,735,513
Dilutive impact of share options	**1,265,706**	1,539,927
Weighted average number of ordinary shares for diluted earnings	**272,482,272**	225,275,440

Adjusted earnings per ordinary share is also presented to eliminate the effects of acquired intangibles, share option costs and acquisition costs. This presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the Group.

The reconciliation between the basic and adjusted figures is as follows:

	2018 £'000	2017 £'000	2018 Basic earnings per share pence	2017 Basic earnings per share pence	2018 Diluted earnings per share pence	2017 Diluted earnings per share pence
Profit for the year	**28,257**	24,560	**10.4**	11.0	**10.4**	10.9
Adjustments:						
Amortization of acquired intangibles	**14,591**	6,574	**5.4**	2.9	**5.3**	2.9
Acquisition costs	**7,588**	2,850	**2.8**	1.3	**2.8**	1.3
Tax effect of adjustments	**(3,285)**	(1,972)	**(1.2)**	(0.9)	**(1.2)**	(0.9)
Adjusted earnings	**47,151**	32,012	**17.4**	14.3	**17.3**	14.2

RWS uses adjusted results as key performance indicators, as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit is therefore stated before amortization of acquired intangibles, acquisition costs and share option costs.

10. GOODWILL

	2018 £'000	2017 £'000
Cost and net book value		
Opening	**101,108**	61,518
Additions	**128,505**	43,401
Exchange adjustments	**3,623**	(3,811)
At 30 September	**233,236**	101,108

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

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

Key assumptions for the value in use calculations are as follows:	Long-term growth rate	Discount rate	Revenue growth
Patent Translation & Filing	2%	9%	4%
Patent Information	2%	9%	5%
Life Sciences	2%	11%	5%
Moravia	2%	10%	5%
Language Solutions	2%	9%	4%

Long-term growth rate is the rate applied to determine the terminal value on year five cash flows. The discount rate is the pre-tax discount rate. Revenue growth is the average annual increase in revenue over the five-year projection period.

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

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

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

The allocation of goodwill to each CGU is as follows:	2018 £'000	2017 £'000
Patent Translation & Filing	**25,120**	24,551
Patent Information	**8,150**	7,840
Life Sciences	**65,891**	64,021
Moravia	**129,336**	–
Language Solutions	**4,739**	4,696
At 30 September	**233,236**	101,108

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CONSOLIDATED FINANCIAL STATEMENTS
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11. INTANGIBLE ASSETS

	Trade names £'000	Clinician database £'000	Technology £'000	Non-compete & trademark £'000	Client relationships & order book £'000	Software £'000	Total £'000
Cost							
At 1 October 2016	1,124	5,244	2,459	258	31,153	611	40,849
Additions	-	-	-	-	-	728	728
Acquisitions	-	-	3,071	1,946	23,737	-	28,754
Disposals	-	-	-	-	-	(9)	(9)
Currency translation	(34)	(157)	(279)	(126)	(2,243)	7	(2,832)
At 30 September 2017	1,090	5,087	5,251	2,078	52,647	1,337	67,490
Additions	-	-	-	-	-	3,320	3,320
Acquisitions	8,254	-	-	-	123,281	12,064	143,599
Disposals	-	-	-	-	-	(611)	(611)
Currency translation	87	156	162	58	2,203	(24)	2,642
At 30 September 2018	**9,431**	**5,243**	**5,413**	**2,136**	**178,131**	**16,086**	**216,440**
Accumulated amortization and impairment							
At 1 October 2016	129	481	1,476	258	9,636	448	12,428
Amortization charge	143	536	854	223	4,818	135	6,709
Disposals	-	-	-	-	-	(9)	(9)
Currency translation	(11)	(42)	(87)	(6)	(283)	4	(425)
At 30 September 2017	261	975	2,243	475	14,171	578	18,703
Acquisitions	-	-	-	-	-	8,333	8,333
Amortization charge	1,606	506	1,045	361	11,073	2,026	16,617
Disposals	-	-	-	-	-	(611)	(611)
Currency translation	66	48	107	22	659	(21)	881
At 30 September 2018	**1,933**	**1,529**	**3,395**	**858**	**25,903**	**10,305**	**43,923**
Net book value							
At 1 October 2016	995	4,763	983	-	21,517	163	28,421
At 30 September 2017	829	4,112	3,008	1,603	38,476	759	48,787
At 30 September 2018	**7,498**	**3,714**	**2,018**	**1,278**	**152,228**	**5,781**	**172,517**

Technology, trademarks, trade names, non-compete, clinician database and client relationships are amortized over periods ranging from five to 20 years. Software is amortized over not more than three years. The order book intangible identified in valuing the CTi and LUZ acquisitions was amortized over one year. See note 1, accounting policies, for further details.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Leasehold land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2016	17,010	583	3,923	93	21,609
Currency translation	-	(4)	(88)	1	(91)
Additions	-	3	1,470	22	1,495
Acquisitions	-	61	545	57	663
Disposals	-	-	(400)	(56)	(456)
At 30 September 2017	17,010	643	5,450	117	23,220
Currency translation	-	(4)	18	2	16
Additions	24	109	1,694	45	1,872
Acquisitions	-	2,068	10,048	43	12,159
Disposals	-	(155)	(574)	(2)	(731)
At 30 September 2018	**17,034**	**2,661**	**16,636**	**205**	**36,536**
Accumulated depreciation					
At 1 October 2016	1,161	407	2,345	66	3,979
Currency translation	-	(2)	(16)	1	(17)
Acquisitions	-	24	324	48	396
Depreciation charge	229	39	894	9	1,171
Disposals	-	-	(400)	(56)	(456)
At 30 September 2017	1,390	468	3,147	68	5,073
Currency translation	-	(2)	16	1	15
Acquisitions	-	952	6,445	35	7,432
Depreciation charge	229	532	2,011	14	2,786
Disposals	-	(155)	(574)	(2)	(731)
At 30 September 2018	**1,619**	**1,795**	**11,045**	**116**	**14,575**
Net book value					
At 1 October 2016	15,849	176	1,578	27	17,630
At 30 September 2017	15,620	175	2,303	49	18,147
At 30 September 2018	**15,415**	**866**	**5,591**	**89**	**21,961**

Included in freehold land and buildings at 30 September 2018 was freehold land of £5.6m (2017: £5.6m).

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CONSOLIDATED FINANCIAL STATEMENTS
(continued)

13. DEFERRED TAX

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

	Share options £'000	Depreciation in excess of capital allowances £'000	Other temporary differences £'000	Total £'000
Deferred tax assets				
At 1 October 2016	1,044	54	777	1,875
Credited to income	-	49	(843)	(794)
Credited to equity	394	-	-	394
At 30 September 2017	1,438	103	(66)	1,475
Acquisitions	-	-	71	71
Charged to income	(470)	(18)	873	385
Credited to equity	150	-	-	150
At 30 September 2018	**1,118**	**85**	**878**	**2,081**

	Accelerated capital allowances £'000	Intangibles £'000	Other temporary differences £'000	Total £'000
Deferred tax liabilities				
At 1 October 2016	365	961	-	1,326
Credited to income	48	139	-	187
Credited to equity	-	2	-	2
At 30 September 2017	413	1,102	-	1,515
Acquisitions	-	28,938	770	29,708
Charged to income	143	(1,496)	485	(868)
Credited to equity	-	132	(470)	(338)
At 30 September 2018	**556**	**28,676**	**785**	**30,017**

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

14. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	**61,332**	35,851
Less: allowance for doubtful debts	**(230)**	(52)
	61,102	35,799
Other receivables	**1,706**	649
Prepayments and accrued income	**9,848**	5,234
At 30 September	**72,656**	41,682

Trade receivables are non-interest bearing and generally on terms ranging from 30 to 120 days. Due to their short maturities, the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables, net of allowances, are held in the following currencies at the reporting date:	2018 £'000	2017 £'000
Sterling	**3,822**	3,016
Euros	**13,435**	11,766
Japanese Yen	**562**	520
US Dollars	**42,475**	19,533
Swiss Francs	**519**	744
Other	**289**	220
	61,102	35,799

The ageing of trade receivables, net of allowances, at the reporting date was:	2018 £'000	2017 £'000
Not past due	**48,113**	22,237
Past due 1-30 days	**7,326**	7,731
Past due 31-60 days	**3,240**	3,027
Past due 61-90 days	**1,408**	1,666
Past due > 90 days	**1,015**	1,138
	61,102	35,799

Movement in allowance for doubtful debts:	2018 £'000	2017 £'000
At 1 October	**52**	101
Utilized	**(20)**	(21)
Provided/(released)	**198**	(28)
At 30 September	**230**	52

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

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CONSOLIDATED FINANCIAL STATEMENTS
(continued)

15. LOANS

	2018 £'000	2017 £'000
Due in less than one year		
Loan	**24,653**	8,955
Issue costs	**(342)**	-
At 30 September	**24,311**	8,955
Due in more than one year		
Loan	**80,012**	31,343
Issue costs	**(1,054)**	-
At 30 September	**78,958**	31,343

Analysis of net debt	At 1 October 2017 £'000	Cash flows £'000	Non-cash charges £'000	At 30 September 2018 £'000
Cash and cash equivalents	20,064	18,091	-	**38,155**
Issue costs	-	-	1,396	**1,396**
Loans due in less than one year	(8,955)	(15,194)	(504)	**(24,653)**
Loans due in more than one year	(31,343)	(46,653)	(2,016)	**(80,012)**
Total net debt	(20,234)	(43,756)	(1,124)	**(65,114)**

On 18 October 2017, the Group entered into a new US$160m debt facility to part fund the acquisition of Moravia US Holding Co. Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services, for a cash consideration of US$320m, plus working capital and certain other adjustments and transaction costs. This loan is repayable over five years on a straight line basis, quarterly.

Transaction costs of £1,709,000, directly related to the debt facility, have been capitalized into the loan which will be amortized over the remaining term of the loan. Amortization of these borrowing costs of £313,000 was recorded during the year.

Interest is payable quarterly in arrears at a varying rate of interest, being three-month USD LIBOR plus a margin of between 130 basis points and 250 basis points, based on the Group's ratio of net debt to adjusted EBITDA (as determined by bi-annual covenant compliance reporting). During 2018, this margin was 190 basis points.

16. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Due in less than one year		
Trade payables	**18,906**	9,459
Other tax and social security payable	**1,897**	1,343
Other payables	**1,567**	2,834
Accruals and deferred income	**25,881**	14,053
At 30 September	**48,251**	27,689

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

	2018 £'000	2017 £'000
Due in more than one year		
Rental deposits	**-**	30

In 2017, the long-term creditor related to rental deposits received in relation to the leasing of a portion of Randall House.

17. PROVISIONS

	2018 £'000	2017 £'000
Due in less than one year		
At 1 October	**82**	79
Utilized	**(82)**	(79)
Transferred from provisions due in more than one year	**85**	82
At 30 September	**85**	82

	2018 £'000	2017 £'000
Due in more than one year		
At 1 October	**297**	379
Acquired	**358**	-
Charged to the Statement of Comprehensive Income	**75**	-
Transferred to provisions due in less than one year	**(85)**	(82)
At 30 September	**645**	297

This includes a long-term dilapidations provision of £434k and monthly ongoing future pension payments to a third-party of £211k, which will continue for the remainder of the recipient's life.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS
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18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

The principal financial assets and liabilities on which financial risks arise are as follows:	2018 £'000	2017 £'000
Financial assets		
Trade and other receivables and accrued revenue	**69,549**	39,947
Foreign exchange derivatives	**1,014**	281
Cash and cash equivalents	**38,155**	20,064
At 30 September	**108,718**	60,292
Financial liabilities		
Trade and other payables and provisions	**48,981**	28,098
Loan	**103,269**	40,298
At 30 September	**152,250**	68,396

An analysis of the Group's loan maturity is as follows:	2018 £'000	2017 £'000
Less than one year	**24,311**	8,955
One year to five years	**78,958**	31,343
	103,269	40,298

Trade and other receivables and accrued revenue includes accrued revenue of £6,741,000 (30 September 2017: £3,499,000). Trade and other payables and provisions includes trade and other payables, tax and social security balances payable and provisions.

Financial risk management objectives and policies

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

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

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

Liquidity risk

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

Interest rate risk

The majority of the Group's cash balances are held with its principal bankers, earning interest at variable rates of interest. To the extent the Sterling overdraft is utilized, it attracts an interest rate of base rate plus a margin of 2%.

The Group's US$160m debt facility is repayable over a period of five years on a straight line basis. Interest is charged at a rate of three-month USD LIBOR, plus a margin of between 130 basis points and 250 basis points, based on the Group's ratio of net debt to adjusted EBITDA (as determined by the bi-annual covenant compliance reporting). During 2018, this margin was 190 basis points.

In the prior year, the Group's initial loan facility of US$45m was repayable over five years and attracted an interest rate of 1% above three-month USD LIBOR. Following the acquisition of LUZ, inc on 17 February 2017, the loan was increased to US$60m with interest payable at a rate of three-month USD LIBOR plus a margin of 200 basis points.

The currency profiles of the Group's cash and cash equivalents at 30 September 2018 are set out below.

	Floating rate 2018 £'000	Floating rate 2017 £'000
Assets - Cash and cash equivalents		
Sterling	**2,430**	3,795
US Dollars	**25,871**	7,438
Euros	**4,171**	6,375
Yen	**1,934**	1,264
Swiss Francs	**1,452**	607
Other	**2,297**	585
	38,155	20,064
Financial liabilities - Loan		
US Dollars	**103,269**	40,298

If interest rates changed by 1%, the impact would not be material to the Group's results in either the current or prior year. The Directors believe that a change of 1% represents a reasonable sensitivity of the Group's interest rate risk. The analysis assumes that all other variables remain constant.

Credit risk

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

Cash balances, predominantly held in the UK, are placed with the Group's principal bankers who are rated A-1 by Standard & Poor's, and with a further institution carrying an A+ rating.

Trade receivable exposures are managed locally in the operating units where they arise. The client base tends to be major blue-chip organizations or self-regulated bodies such as patent agents and legal firms. As a result, the Group rarely considers a credit check is appropriate but, and where management have doubt, they will use their judgement and may impose a credit limit or require payment in advance. No client accounts for more than 12% (2017: 7%) of Group revenues and there were no significant concentrations of credit risk at the balance sheet date.

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

The Group does not consider that the value of financial assets, neither past due nor impaired, poses a material risk to the business, based on the Group's track record of recovering such debts and its relatively low level of debt write-offs.

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Foreign currency risk
Approximately 66% (2017: 43%) of Group external sales in the reporting period were denominated in USD, while a further 24% were denominated in Euros (2017: 39%). Similarly, the Group's cost base was 43% in USD (2017: 39%) and 28% in Euros (2017: 28%).

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in the functional currency, with cash generated in that currency from their own operations. Transaction exposures arise from non-local currency sales and purchases with gains and losses on transactions arising from fluctuations in exchange rates being recognized in the Statement of Comprehensive Income. Where we have a material exposure, the policy is to seek to mitigate the risk using forward foreign exchange contracts.

Following the acquisition of Moravia during the period, the Group now applies cash flow hedge accounting on foreign exchange forward contracts taken out by Moravia (since acquisition) to hedge its Czech Koruna operating costs. Any changes in the fair value of these cash flow hedges have been recognized in a separate hedge reserve in equity and recycled to the Statement of Comprehensive Income as these costs are settled.

In respect of the cash flow hedges that Moravia had in place pre-acquisition, hedge accounting has not been continued in the Group and hence all changes in the fair value of these USD to Euro and USD to Czech Koruna foreign exchange forward contracts are recognized in the Statement of Comprehensive Income.

The Group applies net investment hedge accounting in respect of borrowings associated with the acquisition of foreign operations, reducing the effect of currency fluctuations in the income statement, by recognizing gains or losses through Other Comprehensive Income.

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

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

	Liabilities 2018 £'000	Liabilities 2017 £'000	Assets 2018 £'000	Assets 2017 £'000
Euros	**7,954**	3,287	**15,531**	16,274
US Dollars	**61,207**	41,291	**20,057**	7,007
Swiss Francs	**39**	2	**1,644**	1,041
Yen	**65**	96	**1**	54
Other	**754**	125	**402**	165
	70,019	44,801	**37,635**	24,541

Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in Sterling against the major currencies listed in the table on page 68. The sensitivity analysis includes only the outstanding denominated monetary items and adjusts their translation at the end of the period for a 10% change in the Sterling exchange rate. A positive number below indicates an increase in profit and other equity where Sterling weakens against the relevant currency. For a 10% strengthening of Sterling against the relevant currency, there would be an equal and opposite impact on profit, and the balances would be negative. The sensitivities below are based on the exchange rates at the reporting date used to convert the assets or liabilities to Sterling.

	Profit and loss impact 2018 £'000	Profit and loss impact 2017 £'000
Euros	**689**	1,181
US Dollars	**1,821**	913
Swiss Francs	**146**	94
Yen	**(6)**	(4)
	2,650	2,184

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

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

	2018 £'000	2017 £'000
Forward foreign currency exchange contracts	**1,014**	281

Analysis of the Group's forward contracts' maturity	2018 £'000	2017 £'000
Up to three months	**643**	88
Three to six months	**163**	74
Six to 12 months	**208**	119
	1,014	281

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

Following dividend payments of £18,307,000, closing reserves are £355,279,000. At 30 September 2018, there was £103,269,000 of external debt finance on the balance sheet, being the balance of the increased US$160m loan taken out to part fund the acquisition of Moravia. The Group is not subject to externally imposed capital requirements.

In addition, the Group held its own cash and cash equivalents at the year-end of £38,155,000.

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19. SHARE CAPITAL AND RESERVES

	2018 Number	2018 £'000	2017 Number	2017 £'000
Authorized				
Ordinary shares of 1 pence each (2017: 1 pence)	**500,000,000**	**5,000**	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	**229,361,225**	**2,293**	215,764,650	2,157
Issue of shares	**44,182,047**	**442**	13,596,575	136
At end of year	**273,543,272**	**2,735**	229,361,225	2,293

The increase in share capital was as a result of a placing of 43,529,412 shares on 20 October 2017, sold at 425 pence per share, as part of the funding of the Moravia acquisition, and also as a result of the exercise of share options (652,635) by senior management.

Reserves

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

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

20. SHARE-BASED PAYMENT COSTS

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

	Number of approved options	Number of unapproved options	Exercise price (£)	Grant date	Vesting date approved options	Vesting date unapproved options	Lapse date
Balance at 1 October 2017	23,215	2,427,275	1.292	3 April 2013	3 April 2016	3 April 2015	3 April 2021
Exercised	-	(652,635)					
Balance at 30 September 2018	23,215	1,774,640					

There was no charge made in the financial statements (2017: £nil) relating to share options.

652,635 options were exercised during the year (2017: 1,475,265). The weighted average share price at the date of exercise was 424.6 pence per share.

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

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

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

Note that a 5 for 1 share split took effect from 11 February 2015. This would have the effect of reducing the option value price in the above table for the approved option scheme and the unapproved scheme to 26.2 pence and 22.2 pence respectively.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS
(continued)

21. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash at bank and in hand	**35,799**	19,227
Short-term deposits	**2,356**	837
	38,155	20,064

Short-term deposits have original maturity of three months or less. The fair value of these assets supports their carrying value. There are no restrictions regarding the utilization of the Group's cash resources.

22. ACQUISITION

Moravia

On 3 November 2017, the Group acquired the entire issued share capital of Moravia US Holding Co. Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services, for a cash consideration of US$320m, plus working capital and certain other adjustments and transaction costs. These were funded by a £185m (before expenses) cash placing of new ordinary shares and a new US$160m loan, which refinanced the Group's existing facility.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:	Book values £'000	Fair value adjustments £'000	Fair values £'000
Net assets acquired:			
Property, plant and equipment	4,727	-	4,727
Software	3,731	-	3,731
Client relationships	-	123,281	123,281
Trade name	-	8,254	8,254
Deferred tax liability	(770)	(28,938)	(29,708)
Trade and other receivables	25,155	-	25,155
Deferred tax asset	71	-	71
Cash and cash equivalents	8,326	-	8,326
Trade and other payables	(21,347)	-	(21,347)
Provisions	(358)	-	(358)
Total identifiable net assets	122,132	-	122,132
Goodwill	-	128,505	128,505
Total consideration	250,637	-	250,637
Satisfied by:			
Cash			250,637
Cash flow:			
Total consideration			250,637
Cash included in undertaking acquired			(8,326)
Net cash consideration in cash flow statement			242,311

Moravia contributed £126.9m revenue and £13.6m to the Group's profit after tax for the year between the date of acquisition and the balance sheet date, excluding the impact of amortization on acquired intangibles. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £317.5m and profit after tax for the year £29.5m.

The acquisition brings to the Group a highly successful business with a strong track record of profitable and cash generative growth, and long-term relationships with some of the largest publicly traded technology companies in the world. It also creates a further division for the Group and introduces complementary cross-selling opportunities.

Acquisition costs of £7.6m have been charged through the consolidated Statement of Comprehensive Income. Of these, £966,000 was attributable to Moravia's internal restructuring costs.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS
(continued)

23. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, the Group provided translation services worth £389,000 (2017: £269,000) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode has a notifiable interest. An amount of £63,000 due from LTG at 30 September 2018 was paid in full in October 2018 (2017: £37,000).

In addition, IT Governance Limited, a company in which Andrew Brode has a notifiable interest, performed consultancy services to the Group during the year. The total cost for these services was £15,000 and were fully paid for in the year.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments contracted for, but not provided for, in the financial statements (2017: £nil).

In respect of overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year, liabilities covered by these guarantees amounted to £nil (2017: £nil).

The loan of US$160m, taken out with a syndicate of banks to part fund the acquisition of Moravia, has been guaranteed against the assets of Moravia and other fellow subsidiary undertakings.

25. OPERATING LEASE COMMITMENTS

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

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

	2018 £'000	2017 £'000
Within one year	**3,916**	1,935
In the second to fifth years inclusive	**9,378**	3,421
After five years	**9,376**	554
	22,670	5,910

26. EVENTS SINCE THE REPORTING DATE

There were no other significant events that occurred between the balance sheet date and the date of authorization of these financial statements.

PARENT COMPANY FINANCIAL STATEMENTS

The following Parent Company financial statements are prepared under FRS 101 and relate to the Company and not to the Group.

Company Statement of Financial Position at 30 September 2018
Registered Company 03002645

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	7	**83,315**	83,315
		83,315	83,315
Current assets			
Debtors	8	**228,657**	14,163
Foreign exchange derivatives	12	**-**	281
Cash at bank and in hand		**12,410**	13,629
		241,067	28,073
Total assets		**324,382**	111,388
Current liabilities			
Loan	9	**14,371**	8,955
Trade and other payables	10	**2,051**	361
		16,422	9,316
Net current assets		**224,645**	18,757
Total assets less current liabilities		**307,960**	102,072
Creditors: amounts falling due after more than one year			
Loan	9	**46,812**	31,343
Provisions	11	**37**	42
		46,849	31,385
Net assets		**261,111**	70,687
Capital and reserves			
Share capital	13	**2,735**	2,293
Share premium account		**51,549**	50,718
Share-based payment reserve		**384**	1,807
Capital reserve		**2,030**	2,030
Profit and loss account		**204,413**	13,839
Total shareholders' funds		**261,111**	70,687
Statement of Comprehensive Income: profit after taxation		**26,524**	18,998

The financial statements on pages 76 to 85 were approved by the Board of Directors and authorized for issue on 10 December 2018 and were signed on its behalf by:

Andrew Brode
Director

Company Statement of Changes in Equity for the year ended 30 September 2018

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2016	2,157	8,947	1,807	2,030	7,413	22,354
Profit for the financial year	-	-	-	-	18,998	18,998
Total comprehensive income for the year	-	-	-	-	18,998	18,998
Dividends	-	-	-	-	(12,572)	(12,572)
Issue of shares (net of share issue costs)	136	41,771	-	-	-	41,907
Balance at 30 September 2017	2,293	50,718	1,807	2,030	13,839	70,687
Profit for the financial year	-	-	-	-	26,524	26,524
Total comprehensive income for the year	-	-	-	-	26,524	26,524
Dividends	-	-	-	-	(18,307)	(18,307)
Issue of shares	442	831	-	-	184,565	185,838
Share issue costs	-	-	-	-	(3,631)	(3,631)
Exercise of share options	-	-	(1,423)	-	1,423	-
Balance at 30 September 2018	**2,735**	**51,549**	**384**	**2,030**	**204,413**	**261,111**

Notes to the
PARENT COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation
The financial statements of RWS Holdings plc have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

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

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

> paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-based payment" (details of the number and weighted-average exercise prices of share options and how the fair value of goods or services received was determined)
> IFRS 7, "Financial Instruments: Disclosures"
> paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
> paragraph 38 of IAS 1, "Presentation of financial statements" comparative information requirements in respect of:

i. Paragraph 79(a) (iv) of IAS 1;
ii. Paragraph 73(e) of IAS 16 "Property, plant and equipment"; and
iii. Paragraph 118(e) of IAS 38 "Intangible assets" (reconciliations between the carrying amount at the beginning and end of the period).

> the following paragraphs of IAS 1, "Presentation of financial statements": 10(d), (statement of cash flows), 16 (statement of compliance with all IFRS), 38A (requirement for minimum of two primary statements, including cash flow statements), 38B-D (additional comparative information), 111 (cash flow statement information), and 134-136 (capital management disclosures)
> IAS 7, "Statement of cash flows"
> paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
> paragraph 17 of IAS 24, "Related party disclosures" (key management compensation)
> the requirements in IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a Group

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

Derivative financial instruments and hedging activities
The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

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

Pensions
Contributions to personal pension plans are charged to the Income Statement in the period in which they fall due.

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

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

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

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

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

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

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

These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis, but the future actual experience may vary materially from management's expectation.

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

Key sources of estimation uncertainty
No estimates and assumptions are considered to have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the Parent Company financial statements.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 30 September 2018, there were no outstanding contracts (2017: 12 months) at the year-end.

5. OPERATING PROFIT

The Company has taken advantage of Section 408 of the Companies Act 2006, and has not included its own income statement in these financial statements. The Company profit after tax for the year ended 30 September 2018 under FRS 101 was £26,524,000 (2017: £18,998,000).

Audit fees payable in relation to the audit of the financial statements of the Company are £15k (2017: £15k). Fees paid to PwC and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of RWS Holdings plc, because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

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6. DIRECTORS AND EMPLOYEES

There were no employees (2017: nil) of the Company other than the Directors.

The remuneration of the Directors of RWS Holdings plc for services in all capacities is set out below:	2018 £'000	2017 £'000
Directors' emoluments	**1,187**	1,153
Pension costs - paid to the Directors' personal pension schemes	**16**	13
	1,203	1,166

During the year, the Company had seven (2017: seven) Directors, including four Non-Executive Directors, providing services to the Group. During the year, two Directors (2017: two) received contributions to their personal pension schemes.

Emoluments of the highest paid Director:	2018 £'000	2017 £'000
Emoluments	**541**	523
Pension costs - paid to the Director's personal pension scheme	**11**	10
	552	533

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 26 to 29.

7. INVESTMENTS

	2018 £'000	2017 £'000
Cost and net book value at beginning of year	**83,315**	44,817
Purchase of shares in a subsidiary undertaking	**-**	38,498
Cost and net book value at end of year	**83,315**	83,315

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

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

	Registered address	Nature of business
RWS Information US LLC (formerly Article One Partners LLC)	90 Broad Street, Suite 402, New York, NY 10004, USA	IP searches
Corporate Translations Inc.	101 East River Drive, East Hartford, Connecticut, CT 06108, USA	Translation and linguistic validation
inovia LLC Lawyers' and Merchants' Translation Bureau Inc RWS US Holding Co. Inc	90 Broad Street, Suite 402, New York, NY 10004, USA	Patent translation and filing Patent translation Holding company
LUZ, Inc RWS Life Sciences Inc	555 Montgomery Street, Suite 720, San Francisco, CA 94111, USA	Translation and linguistic validation Translation and linguistic validation
inovia Europe GmbH	Munchner Freiheit 20, 80802 Munich, Germany	Patent translation and filing
RWS Group Deutschland GmbH	Joachimsthaler Str. 15, 10719 Berlin, Germany	Technical and legal translation
KK RWS Group	Sumitomo Hamamatsu-cho, Bldg. 3Fl 1-18-16 Hamamatsu-cho, Minato-ku, Tokyo 105-0013, Japan	Patent translation
LUZ SarL	Avenue Mon-Repos 14, 1005 Lausanne, Switzerland	Translation and linguistic validation
RWS Schweiz GmbH	Barfusserplatz 3, Postfach, 4001 Basel, Switzerland	Technical and legal translation
inovia Pty Holdings Limited	Suite 4, Level 12, 45 Clarence Street, Sydney, NSW 2000, Australia	Patent translation and filing
Beijing RWS Science & Technology Information Consultancy Co. Ltd	4th Floor, Zhouji Building B, No.9 Dixingju, Ande Road, Doncheng District, Beijing 100011, China	Patent translation and filing

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

	Registered address	Nature of business
Communicare Limited	Europa House, Chiltern Park, Chiltern Hill, Chalfont St Peter,	Technical and legal translation
Corporate Translations UK Limited	Buckinghamshire, SL9 9FG, England	Translation and linguistic validation
Eclipse Translations Limited		Technical and legal translation
Japanese Language Services Limited		Technical and legal translation
Pharmaquest Limited		Technical and linguistic validation
RWS Group Limited		Holding company
RWS Information Limited		IP searches
RWS (Overseas) Limited		Holding company
RWS Translations Limited		Patent translation
RWS UK Holding Co. Limited		Holding company
Moravia US Holding Company Inc	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks, CA 91360, USA	Holding Company
Moravia US Intermediate Holding Company LLC	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks, CA 91360, USA	Holding Company
Moravia IT, LLC	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks, CA 91360, USA	Localization
Moravia LUX Holding Company Sarl	14 rue Edward Steichen, L – 2540,	Holding Company
Moravia LUX Intermediate Holding Co. SARL	Luxembourg	Holding Company
Moravia IT s.r.o.	Prikop 262/15, Zabrdovice, 602 00 Brno, Czech Republic	Localization
Moravia IT (Nanjing) Co. Ltd	3F Hongxin Mansion, 98 Jianye Road, Qinhuai District, Nanjing, 210004 Jiangsu, China	Localization
Moravia IT Hungary	Visegradi utca, H-1132 Budapest, Hungary	Localization

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

8. DEBTORS

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	**228,317**	14,106
Other debtors	**76**	15
Prepayments	**264**	42
Amounts due within one year	**228,657**	14,163

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9. LOAN

	2018 £'000	2017 £'000
Due in less than one year		
Loan	**14,371**	8,955
Due in more than one year		
Loan	**46,812**	31,343

On 3 November 2017, the Group acquired the entire issued share capital of Moravia US Holding Co. Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services for a cash consideration of US$320m, plus working capital and certain other adjustments and transaction costs. These were funded by a £185m (before expenses) cash placing of new ordinary shares and a new US$160m loan, which refinanced the Group's existing facility. During the year, US$64.3m of this facility was novated to Moravia, with effect from the acquisition date, with each entity repaying their share of the loan and interest.

10. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade creditors	**100**	12
Amounts owed to Group undertakings	**673**	-
Accruals	**1,278**	349
	2,051	361

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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11. DEFERRED TAX

	2018 £'000	2017 £'000
Deferred tax liabilities	**37**	42

12. FINANCIAL INSTRUMENTS

The Company had no derivative financial instruments outstanding at the year-end (2017: £281,000).

An analysis of the Company's forward contracts' maturity is as follows:	2018 £'000	2017 £'000
Up to three months	-	88
Three to six months	-	74
Six to 12 months	-	119
	-	281

13. SHARE CAPITAL AND RESERVES

	2018 Number	2018 £'000	2017 Number	2017 £'000
Authorized				
Ordinary shares of 1 pence each (2017: 1 pence)	**500,000,000**	**5,000**	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	**229,361,225**	**2,293**	215,764,650	2,157
Issue of shares	**44,182,047**	**442**	13,596,575	136
At end of year	**273,543,272**	**2,735**	229,361,225	2,293

The increase in share capital was as a result of a placing of 43,529,412 shares on 20 October 2017 as part of the funding of the Moravia acquisition, and as a result of the exercise of 652,635 share options by senior management.

Reserves

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

> The balance on the capital reserve is an amount not distributable to shareholders and not transferred to the Income Statement.

> Share-based payment reserve is the credit arising on the share-based payment charges in relation to the Company's share option schemes.

> Retained earnings are the cumulative net gains and losses, including the capital reserve from the Company balance sheet.

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

In respect of overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year, liabilities covered by these guarantees amounted to £nil (2017: £nil).

The loan of US$160m, taken out with a syndicate of banks to part fund the acquisition of Moravia, has been guaranteed against the assets of Moravia and other fellow subsidiary undertakings.

15. POST BALANCE SHEET EVENTS

There were no other significant events that occurred between the balance sheet date and the date of authorization of these financial statements.

Shareholder Information

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