RWS Holdings plc

Results for the year ended 30 September 2022

The Group has delivered robust cash, generative, profitable growth in line with market expectations; on track to deliver on our growth strategy, with FY23 outlook in line with market expectations

RWS Holdings plc ("RWS", "the Group"), a unique, world-leading provider of technology-enabled language, content and intellectual property services, announces its final results for the year ended 30 September 2022.

Financial overview

	2022	**2021**	***Change***
Revenue	£749.2m	£694.5m	*+8%*
Gross margin	46.7%	45.1%	*160bps*
Profit before tax	£83.2m	£55.0m	*+51%*
Adjusted profit before tax[1]	£135.7m	£116.4m	*+17%*
Basic earnings per share	16.1p	10.9p	*+48%*
Adjusted basic earnings per share[1]	26.6p	23.8p	*+12%*
Dividend:			
Proposed final	9.50p	8.50p	*+12%*
Total for year	11.75p	10.50p	*+12%*
Cash conversion[2]	110.2%	96.7%	*1,350bps*
Net cash[3]	£71.9m	£45.3m	*+£26.6m*

Group highlights

- Robust performance with good progress on our medium-term accelerated growth plan:
    - Executing on our organic growth levers with faster-than-anticipated transition towards SaaS revenues, and strong growth in eLearning and Linguistic Validation revenues;
    - Encouraging progress in Language & Content Technology following re-organisation to give clear accountability and ownership, including over R&D;
    - Language eXperience Delivery ("LXD"), our unique Group-wide production platform, is successfully partnering with our divisions to process an increasing proportion of translation volumes, supporting gross margin improvement;
    - Encouraged by the early impact of our transformation and pricing programmes; and
    - Integration of Fonto, the structured content management business acquired in March, on track and performing well.
- 8% year-on-year increase in revenues reflects an additional month's trading from SDL plc ("SDL"), growth in Language Services, accelerated growth in Language and Content Technology, and favourable FX movements.

- Excluding the impact of SDL, revenue growth was 3% year-on-year; adjusting for foreign exchange movements and the Fonto acquisition, in constant currency[4] terms, organic revenue fell 1%. Accelerated growth in Language and Content Technology and robust performance in Language Services was offset by softness in Regulated Industries and IP Services.

- We won new client logos in all divisions across multiple end markets, including aerospace, automotive, education, energy storage, financial services, IT consulting, manufacturing, medical device, natural gas, pharmaceutical, software and telecommunications.

- 17% increase in adjusted profit before tax reflects full year effect of synergies from the integration of SDL, operational leverage from higher translation volumes through the LXD platform and effective cost control.

- Significantly improved cash generation, with 110.2% cash conversion resulting in a £26.6m increase in year-end net cash[3] to £71.9m after payment of the £14.7m initial consideration for Fonto.

- Amended and extended our revolving credit facility from $120 million to $220 million, on similar terms to the Group's previous facility, with a maturity date of August 2026 and the option to extend the facility via an uncommitted $100 million accordion and for a further year.

- Recommended final dividend of 9.5p per share; a 12% increase in the total dividend for the year of 11.75p.

- Further strengthened the Board with the appointments of Julie Southern as Non-Executive Director and Candy Davies as Chief Financial Officer. Jane Hyde was also appointed as General Counsel and Company Secretary and joined the Executive Team.

- Encouraging progress on our Environment, Social and Governance agenda during the year, including the rapid expansion of our RWS Campus programme which now covers more than 700 universities across 76 countries and the award of a silver medal by EcoVadis (a leading business sustainability ratings provider).

Language Services

- Revenues of £342.1m were 10% higher year-on-year on a reported basis (FY21: £309.7m) and saw a 1% increase on an organic constant currency[4] basis.

- Solid growth in Strategic Solutions Group; some Enterprise Internationalisation Group clients reduced activity, however satisfaction is high and retention is strong, so we are well-placed for recovery.

- Adjusted operating profit[5] increased by 21% to £53.3m (FY21: £44.1m).

Regulated Industries

- Revenues of £173.0m increased by 6% year-on-year on a reported basis (FY21: £163.1m) and decreased by 2% on an organic constant currency[4] basis.

- Strong performance in Linguistic Validation offset by some second half softness as we saw reduced volumes from one client who has started offering competing services and as a result of exiting some loss-making business.

- Adjusted operating profit[5] increased by 11% to £31.6m (FY21: £28.4m).

Language & Content Technology

- Revenues of £126.9m were 17% higher year-on-year on a reported basis (FY21: £108.1m) and saw a 5% increase on an organic constant currency[4] basis.

- Product group accountability drove accelerated growth, despite faster-than-anticipated transition towards SaaS revenues, with 26% of new revenues for the year being SaaS (FY21: 18%). 29% of revenues for the division are now attributable to SaaS (FY21: 24%).

- Adjusted operating profit[5] increased by 45% to £37.6m (FY21: £25.9m).

IP Services

- Revenues of £107.2m were 6% lower year-on-year on a reported basis (FY21: £113.6m) and 10% lower on an organic constant currency[4] basis, in line with our expectations and previous guidance.

- Lower revenue in FY22 driven by impact of the forthcoming introduction of the Unitary Patent on our Eurofile services, however solid growth in Worldfile and other patent services, together with sales improvement initiatives, are expected to underpin FY23 recovery.

- Adjusted operating profit[5] fell by 7% to £30.1m (FY21: £32.3m).

Current trading and outlook

- The Group's outlook is in line with market expectations[6].

- The current economic environment remains challenging whilst also offering opportunities to strengthen leadership in our markets.

- Our unique capabilities, diverse end-market exposure and strong client retention continue to enable resilience.

- Capex and investments are expected to be in line with guidance, with strong cash generation and a strong balance sheet positioning us well to make the investments announced in March, fund further selective acquisitions to enhance the Group's capabilities and geographic reach and to maintain a progressive dividend policy.

Ian El-Mokadem, Chief Executive Officer of RWS, commented:

"Against a backdrop of wider global economic uncertainty, RWS has delivered robust, cash generative, profitable growth in line with market expectations, continued its unbroken record of dividend growth and made good progress on the actions and investments that we set out at our Capital Markets Day in March.

"The successful integration of SDL and the delivery of synergies ahead of original expectations has driven a strong margin improvement and provided the Group with a unique combination of technology and expertise from which to further develop its technology-enabled platform."

"We are also very encouraged by the early signs of delivery against our organic growth initiatives, particularly eLearning and Linguistic Validation, our pricing programme and our transformation projects. The simpler, more efficient and accountable organisational model we have put in place to deliver our strategy is already making a difference.

"We believe that the current environment presents an opportunity for us to strengthen our leadership in our markets, as a well-funded business of unique scale, sector diversification, footprint and capabilities. In parallel, the Group's strong cash generation and balance sheet means that we retain the ability and appetite to make strategically compelling acquisitions.

"Whilst remaining mindful of the global economic backdrop, as we enter FY23 we remain on track to deliver on our growth strategy and are confident in the long-term opportunities provided by a range of growth drivers across our markets."

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1 *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance by adjusting for acquisition-related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles. Adjusted earnings per share adjusts for the same items, net of any associated tax effects.*

2. *Cash conversion is defined as adjusted operating cash flows divided by adjusted operating profit.*

3. *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*

4. *Organic constant currency excludes the impact of acquisitions and assumes constant currency.*

5. *Adjusted operating profit is stated before amortisation of acquired intangibles, acquired costs, share-based payments expense and exceptional items.*

6. *The latest Group-compiled view of analysts' expectations for FY 2023 gives a range of £773.5m-£795.9m for revenue, with a consensus of £781.8m; a range of £126.4m-£140.7m for adjusted profit before tax, with a consensus of £134.3m, and a range of 24.4p to 27.9p for adjusted EPS, with a consensus of 26.3p.*

About RWS

RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our unique combination of technology and cultural expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our purpose is unlocking global understanding. By combining cultural understanding, client understanding and technical understanding, our services and technology assist our clients to acquire and retain customers, deliver engaging user experiences, maintain compliance and gain actionable insights into their data and content.

We work with over 80% of the world’s top 100 brands, more than three-quarters of Fortune’s 20 ‘Most Admired Companies’ and almost all of the top pharmaceutical companies, investment banks, law firms and patent filers. Our client base spans Europe, Asia Pacific and North and South America. Our 65+ global locations across five continents service clients in the automotive, chemical, financial, legal, medical, pharmaceutical, technology and telecommunications sectors.

Founded in 1958, RWS is headquartered in the UK and publicly listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: www.rws.com.

CHAIRMAN'S STATEMENT

INTRODUCTION

RWS continued to evolve rapidly during FY22, with the formulation and launch of its medium-term growth strategy, the introduction of new values and purpose, further development of its Board and Executive Team, and completion of the SDL integration. The Group is now a unique world-leading provider of technology-enabled language, content and intellectual property services, which operates in attractive growing markets with a combined global size estimated at more than £47bn[1]. The Group's specialist knowledge, reputation and scale help it to enjoy leading positions in a range of highly fragmented markets, serving a highly diversified client base.

PERFORMANCE

The Group delivered £749.2m of revenues for the year, approximately 8% ahead of the prior year (FY21: £694.5m). This reflects an additional month's trading from SDL plc ("SDL"), accelerated growth in Language and Content Technology, modest growth in Language Services, and favourable FX movements. These were offset by a reduced volume of activity from some of our largest global technology clients, a decision to gradually cease work with a significant client in Regulated Industries and, in IP Services, some weaker demand arising from the impact of the forthcoming Unitary Patent. Overall, the Group demonstrated strong resilience against a worsening global economic backdrop – illustrating the defensive qualities of a well-diversified business, operating across a number of key territories.

Profit before tax for the year increased to £83.2m (FY21: £55.0m). Adjusted profit before tax increased to £135.7m (FY21: £116.4m), reflecting effective cost control, the full year effect of synergies from the integration of SDL, and operational leverage from higher translation volumes through Language eXperience Delivery, our production platform.

The Group continues to enjoy a strong balance sheet, with net assets of £1,141.7m (FY21: £1,010.9m) as at 30 September 2022. This included net cash of £71.9m (FY21: £45.3m), underlining the Group's continuing cash generation characteristics.

PEOPLE AND BOARD

At 30 September 2022 RWS employed 7,761 full-time equivalent colleagues across 72 locations in 33 countries (FY21: 7,796). As the world emerged from the constraints of the global pandemic, we undertook a gradual return to office working and we introduced an agile working policy that supports a mix of office and home working for all our colleagues. We recognise the value of regular face-to-face contact in fostering high-performing teams and effective collaboration, as well as the benefits of technology in delivering time and energy savings from a reduction in commuting. In planning the return to our offices, we also took the opportunity to consider the viability of some of our locations and were able to reduce the number of offices by approximately 13%, with associated savings in property and related costs.

As in FY21, our teams responded admirably to the challenges caused by the lockdowns and travel restrictions in various jurisdictions during the first half of the year, continuing to focus on delivering high-quality services and products to our clients, who often faced similar restrictions on their operations. In February we responded rapidly to the situation in Ukraine and we continue to provide support for those colleagues impacted by the conflict. On behalf of the Board, I would like to thank all our teams across the world for their continuing commitment, focus and efforts to support our clients and further develop the Group.

On 29 December 2021 we announced that Des Glass, Chief Financial Officer and Company Secretary, was leaving to pursue other opportunities. On 10 January 2022 we confirmed that Rod Day had joined the Group as Interim Deputy Chief Financial Officer. Rod has more than thirty years of senior finance and strategy experience, primarily in the business services, online and retail sectors. After an effective handover period, Des Glass left on 8 April 2022, at which point Rod Day was appointed to the Board. In parallel Christopher Lewey, Group Corporate Development Director and a member of the Executive Team, was appointed acting Company Secretary.

After a rigorous search and selection process, we announced the appointment of Candida (Candy) Davies as Chief Financial Officer on 5 July 2022. Candy was most recently Head of Finance for the Personal Health division of Royal Philips, the Dutch-headquartered health technology conglomerate, where she also supported the Group Innovation and Strategy function. Candy joined the Group on 3 October 2022 and was

appointed to the Board the same day. She also joined the Executive Team and has been conducting a thorough handover with Rod Day, who will leave the Group on 31 December 2022. Jane Hyde was also appointed as General Counsel and Company Secretary and joined the Executive Team on 3 October 2022. As a result of this appointment, Christopher Lewey stepped down from his role as acting Company Secretary.

On 27 July 2022 we also announced the appointment of Julie Southern as Non-Executive Director. The appointment further strengthens the Group's highly experienced Board and forms part of the Group's succession planning, with the intention that Julie takes up the role of Non-Executive Chairman in October 2023, at which time I will become a Non-Executive Director. Julie, who has also become a member of the Group's Audit Committee, brings a wealth of business and governance experience from her executive career and her current Non-Executive Director roles at Rentokil Initial, Ocado, NXP Semiconductors and easyJet, and we are delighted to have attracted someone of her calibre to chair the Group.

On behalf of the Board, I would like to thank Des and Rod for their significant contributions to the development of the Group.

SUSTAINABILITY AND ESG

RWS remains fully committed to sustainability and achieving the highest standards in Environmental, Social and Governance ("ESG") in its business activities and interactions with stakeholders. Sustainability was therefore a core consideration in the development of the Group's medium-term growth strategy and purpose.

As a signal of our ambition we will be publishing a separate ESG report for the first time in January 2023. This comprehensive review sets out our progress in detail and will be available to download from the Group's website (www.rws.com/about/corporate-sustainability/).

DIVIDEND

RWS continues to deliver against its progressive dividend policy and this marks the 19th year in succession that we have increased the dividend. The Group remains highly cash generative and, while our previously announced investment programme will mean a higher level of capital expenditure for the next couple of years, we will continue to deliver high levels of cash conversion and we have a strong net cash position.

The Board therefore recommends a final dividend of 9.5p per share. Together with the interim dividend of 2.25p per share, this will result in a total dividend of 11.75p for the year – an increase of 12% compared with FY21. Subject to final approval at the AGM, the final dividend will be paid on 24 February 2023 to shareholders on the register at 27 January 2023.

SUMMARY

The Group has delivered another robust set of results against a backdrop of increasing economic uncertainty and conflict in Eastern Europe. The global nature of our business and the diverse range of end markets that we operate in allows us to better navigate these impacts while delivering consistently strong returns to shareholders.

With an even stronger Board and Executive Team in place, I remain confident in the Group's position and long-term prospects. We continue to lead the markets which we serve and we are excited about the opportunities for organic growth and M&A in the sector, which will support enhanced profitability and cash conversion in the medium- to long-term. I am looking forward to my last year as Chairman as the Group continues to deliver on its five-year accelerated growth plan.

Andrew Brode
CHAIRMAN

14 December 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

I am delighted to report another solid year of progress in the development of RWS as a unique world-leading provider of technology-enabled language, content and intellectual property services.

With the impact of the pandemic fundamentally behind us, we have been focused on developing, launching and starting to implement the Group's medium-term strategy and accelerated growth plan.

It has been an exciting and busy year for the business as we have also defined our purpose and values; embarked on a significant transformation programme; strengthened our Executive Team; completed our second colleague engagement survey; and made further progress on our ESG journey – all while continuing to grow our client base.

As always, serving our clients comes first and I take great pride in knowing that our global teams have continued to deliver day-in-day-out for the many thousands of organisations who rely on our unique blend of service and technology solutions.

MEDIUM-TERM STRATEGY AND ACCELERATED GROWTH PLAN

In the first half of the year we conducted a comprehensive review of our strategy. With the integration of SDL completed, it was an opportunity to develop a refreshed plan for the next phase of development for the Group. Consulting widely, using independent expertise and detailed growth forecasts, we created a focused, ambitious and grounded five-year accelerated growth plan, a fresh set of values, and a new purpose for the Group – unlocking global understanding.

The strategy is centred on organic growth – to drive cash generative enhanced profitability. It will be enabled by a series of transformation investments that will deliver an efficient and sustainable platform business and will have the sector's strongest production engine, which we have named Language eXperience Delivery ("LXD"), at its heart. We have identified a range of growth initiatives, in both existing markets and in adjacencies, that will allow us to capitalise on our strengths and deliver value to our clients, as well as pivoting towards a greater proportion of our revenues being derived from higher growth segments. The opportunity for RWS is significant, operating in markets with an estimated combined size of £47bn[1], and we have scope to take advantage of M&A opportunities due to the often fragmented nature of these markets.

Conscious of the evolving nature of client needs in the end markets that we serve, and with an exciting suite of language and content technology products, we believe that we have the right blend of human expertise and software solutions to successfully meet any client requirement. Our solutions range from localising content for life-saving applications and global eLearning platforms, to data labelling and text analytics that offer clients valuable insight in a single language. Through content transformation and multilingual data analysis, we help our clients to grow by ensuring they are understood anywhere, in any language. We continue to partner with many of the world's leaders in their respective markets.

We regard technological change as an enabler for our sector and for our business. Technology expands the range of content that can be localised and brings added sophistication to the solutions that we provide – regardless of content type, quality and urgency. With the continued explosion in the volume of content being created and requiring localisation, we are confident that technology is an opportunity for RWS.

The extent of our human expertise is centred on more than 2,000 in-house linguists and access to a network of in excess of 30,000 freelance translators. They are complemented by some of the sector's foremost experts in neural machine translation, translation productivity and management, and structured content management, who are focused on the continuous development of our software products. These experts work with our highly integrated delivery teams and dedicated account teams for our large and enterprise clients. Together, they bring a deep level of understanding – client, cultural and technical – which, in combination, differentiates us in the market.

OUR PURPOSE

Understanding is at the core of what we deliver for clients and informs our purpose – unlocking global understanding. Across our four core use cases (acquiring and retaining customers; delivering user experiences; maintaining compliance; and access to insights), we work towards a common outcome – breaking down barriers to communication and understanding so that our clients can connect with their audiences, solve problems, and grow their businesses anywhere in the world. Our global scale and reach

allow us to support those clients whose ambition is to go global. It also means that we can fully support any client on a genuine 24/7 basis, with experts available across multiple time zones. We are not only helping clients succeed, we are helping the world to connect.

OUR VALUES

In parallel with defining our medium-term strategy, we have spent time defining how we think, act and behave as an organisation and developed a new set of values, grounded in the business we are today, and the one that we will become. We consulted widely with colleagues, through an initial set of workshops, core working group input, and then an all-company survey where everyone was given the opportunity to give us their views. I am delighted that 56% of colleagues did so.

Our new values – we partner; we pioneer; we progress; and we deliver – give everyone at RWS clear guidance as to the behaviours that will underpin our success. They will also help align colleagues in our journey towards a more unified company culture.

ORGANISATION AND CULTURE

We made a number of organisational changes to support delivery of our strategy. We reaffirmed RWS's long-held view on the primacy of the operating divisions and business units within them, giving clear accountability to the general managers of our technology product portfolios and putting each R&D team under the general manager's leadership. We have already seen a positive effect in the Language and Content Technology division, with a strong return to growth during the year.

We enhanced sales leadership in several areas and have begun to inculcate a stronger growth mindset across the business, backed by more readily available and comparable data on sales and marketing performance, which is reviewed during our internal quarterly business review process. We have also moved the product support function closer to the client and have taken some important steps in relation to our 'voice of the customer' programme, where we harmonised historically disparate schemes, partnered with one of the world's leading Net Promoter Score (NPS) experts, and centralised the programme and expanded its scale – developing a product-specific survey to go alongside the existing client-focused one.

We announced our accelerated growth plan, values and purpose to investors on 23 March 2022, and to our colleagues and clients in the ensuing two months via a series of events, engagements and targeted communications. We were encouraged by the positive response from all our stakeholders and we continue to reinforce our new Group story, both inside and outside the organisation. Internally, we are now embedding the purpose and values in everything that we do, so that they become part of our organisational DNA – from talent attraction and performance management to colleague development and recognition.

OPERATING REVIEW

Language Services

Solid growth in Strategic Solutions Group; some Enterprise Internationalisation Group clients reduced activity, but confidence in these established, long-term relationships points to recovery

The Language Services division represented 46% of Group revenues in the year (FY21: 46%). Revenues of £342.1m were 10% higher year on year on a reported basis (FY21: £309.7m) and saw a 1% increase on an organic constant currency basis.

In the Strategic Solutions Group there were a number of new client wins in the Major Account and GoGlobal segments across a variety of verticals. The particular success that we had in the first half with new business won in the Americas region continued through the second half. In our GoGlobal proposition, where we use our expertise, technology and reach to support high-growth businesses that are expanding rapidly into new territories, we welcomed several electric vehicle manufacturers to our client base, demonstrating our ability to serve new entrants alongside many of the more established global manufacturers. The GoGlobal solution was successfully introduced into the Japanese and South Korean markets, with some initial client wins and a healthy pipeline.

One of our key growth initiatives is eLearning, where we had a strong year. We won several new clients based on our new proposition and expanded into India and Japan. Cross-selling eLearning into existing

accounts accelerated in the second half of the year and we had our first major wins in providing a full end-to-end eLearning content lifecycle solution, which included development and concurrent authoring.

In our Enterprise Internationalisation Group, which serves global technology enterprises, we had some successful programme wins with one large technology company and strong revenue development with a global digital retailer in the first half. We saw a reduced volume of activity from several of the largest technology clients but we remain confident in the strong, long-term nature of these relationships. These clients continue to be very satisfied with the services and solutions we are providing, so we expect to see volumes recover in due course.

We identified data services, including data annotation and labelling, as an important growth lever and we have made progress on the investments required to strengthen our existing offering.

The division's adjusted operating profit[2] was £53.3m (FY21: £44.1m), on a reported basis, reflecting the growth in top-line revenues in the Strategic Solutions Group, improved gross margin and effective cost control.

Regulated Industries

Strong performance in Linguistic Validation offset by some second half softness

The Regulated Industries division accounted for 23% of Group revenues in the year (FY21: 23%). Revenues of £173.0m increased by 6% year on year on a reported basis (FY21: £163.1m) and decreased by 2% on an organic constant currency basis.

In the Life Sciences vertical, our Linguistic Validation ("LV") proposition again performed strongly with a number of additional programmes with existing clients, as well as some significant new orders in Q4 – with multiple study programmes covering LV, eCOA migration and proofreading, and consulting services.

In August we joined Critical Path Institute's Electronic Clinical Outcome Assessment (eCOA) Consortium to help drive the science, best practice and adoption of eCOA within clinical trials. An eCOA replaces the traditional paper-based approach to collecting patient results, feedback, and results in clinical trials and studies. RWS has delivered LV for more than 20,000 clinical outcome assessments, into 429 language pairs, in over 200 different specific therapeutic and disease areas. As a result, we are pleased to be one of 19 member organisations who collaborate across multiple disciplines for the electronic collection of clinical outcome data. The Group also started an important collaboration with a US-based clinical trial platform provider during the year.

We saw solid performance with our largest life sciences client, with continued growth in clinical and regulatory work reflecting increased account management focus. Across our top 20 clients, we saw good period-on-period growth with 13 of them (on a constant currency basis), including significant new programmes with an existing medical device client and an existing pharmaceutical client. We also secured a major new client in the managed care segment – once again reflecting our continued leadership in annual enrolment in the US – and we won our first piece of Contract Research Organisation ("CRO") business in Japan.

As previously announced, in the second half of the year we decided to gradually reduce work with a large CRO which lowered its volumes and moved into offering competing services.

In the financial and legal services vertical we saw solid revenues, with several new client wins with financial services organisations in the last quarter. In the first half we exited several low-margin contracts which impacted revenues, but improved profit performance. Our ESG and risk and compliance offerings have shown encouraging signs of progress.

The division's adjusted operating profit[2] increased 12% to £31.6m (FY21: £28.4m), on a reported basis. This was driven by increasing use of LXD, the exit from low-margin contracts and effective cost control.

Language and Content Technology

Full ownership and accountability for product groups drove accelerated growth, despite faster-than-anticipated transition towards SaaS revenues

The Language and Content Technology ("L&CT") division accounted for 17% of Group revenues in the year (FY21: 15%). Revenues of £126.9m were 17% higher year on year on a reported basis (FY21: £108.1m) and saw a 5% increase on an organic constant currency basis, despite the higher than anticipated increase

in the proportion of SaaS revenues, which holds back revenue during the transition phase from perpetual to SaaS licences.

After an encouraging first half we moved to full ownership and accountability for the leaders of the four principal product areas – Language Weaver, Trados, Tridion and Contenta – which drove a more focused and successful approach in the second half. The division's accelerated growth plan resulted in a refined go-to-market model for each product, aided by the stronger link between product development and sales and marketing. Leveraging the wider RWS client portfolio, we have seen an increasing number of sales of language and content technology solutions to services clients across the Group.

Renewals and extensions were strong and we secured a major new Tridion client – a provider of robotic automation software. A major new release of our Trados Studio product (a key productivity tool for individual translators), incorporating hundreds of new features, drove a positive outcome in the second half and demonstrated our commitment to innovation across our technology platform.

SaaS revenue growth for the year was 26% (FY21: 18%), ahead of our plan and reflecting the success of a more targeted sales approach. The proportion of SaaS revenues for the division is now 29% (FY21: 24%), offering increased recurring revenue and improved visibility.

In March 2022 we announced the acquisition of Fonto, a structured content management business with a strong roster of clients, complementing our Tridion proposition and widening our proposition in this segment. Integration of Fonto into the Group is on track.

The division's adjusted operating profit[2] was £37.6m (FY21: £25.9m), on a reported basis, reflecting the growth in top-line revenues, supported by lower cloud costs and some direct people cost savings, and despite the greater proportion of SaaS revenues in the year.

IP Services

Lower revenue due to impact of forthcoming introduction of Unitary Patent, partially offset by solid growth in Worldfile and other patent services

The IP Services division represented 14% of Group revenues in the year (FY21: 16%). Revenues of £107.2m were 6% lower year on year on a reported basis (FY21: £113.6m) and 10% lower on an organic constant currency basis.

In line with guidance, the division continued to experience weak demand as a result of the impending introduction of the Unitary Patent (UP). As we noted in our HY22 results, the European Patent Office (EPO) announced in January that it would allow clients to delay the granting of patent applications in order to benefit from protection under the UP. The latest guidance from the EPO indicates that the UP will become effective in the first half of 2023. We continue to engage with clients and other stakeholders to understand their proposed approach to the UP and its likely impact on the division.

Other segments, which account for approximately two-thirds of the division's revenues, delivered modest growth, including patent translation and filing outside Europe, IP Research and our operations in Japan. The integration of Horn & Uchida Patent Translation Ltd was successfully completed and will support continued growth in East Asia. Revenues in China had another very strong year, growing by 47%.

In line with lower revenues in our European patent translation and filing business, we took actions in the first half to lower our cost base. The division's transformation programme remains key to its longer-term prospects and we saw good progress during the year on the design of the future state operating model. The transformation will enhance many aspects of our proposition and is expected to deliver significant operating efficiencies.

We also restructured the division's leadership team. In the first half, we strengthened its sales capability and focus to help drive penetration in renewals and better access to the patent attorney segment, with encouraging results. We subsequently secured new logos with clients from a diverse range of verticals, including chemical manufacturing and agricultural sciences; energy storage and battery manufacturing; pharmaceutical and medical device; petroleum and natural gas; and the world's largest producer of home appliances.

In November 2022 we announced the appointment of Daniel Bennett as President, IP Services. Daniel, who is a proven industry leader with more than 25 years' international experience in brand protection, covering a breadth of IP and corporate security issues, will drive the next phase of the division's development, including delivery of the transformation programme.

The division's adjusted operating profit[2] was £30.1m (FY21: £32.3m) on a reported basis, reflecting the reduction in top-line revenues, offset by good cost control and the positive impact of the actions taken in the first half, which protected profitability.

OUR PEOPLE

RWS is a truly people-centred organisation. Deep client understanding, specialist sector expertise across multiple verticals, and a rich understanding of culture and nuance enable more than 7,700 colleagues to put the best solutions in front of clients across the world every day, aided by some of the sector's smartest technologies.

Through our 'voice of the customer' programme and the high levels of client retention that we enjoy, we can see the positive impact that our people bring to our clients' success and the level of trust that we engender. Once again, I would like to thank all of our incredibly talented teams around the world for their hard work and dedication which enables us to deliver best-in-class solutions 24/7.

During the year we continued to focus our efforts on RWS being a great place to work. As well as defining and launching a new purpose and fresh values (with 56% of colleagues taking the opportunity to have a say in their development via a survey), we launched MyLX, a Group-wide learning portal, demonstrating our commitment to building a culture of continuous learning. With hundreds of courses available across multiple languages, take-up has been very encouraging and we continue to add our own bespoke training to the platform, where required, as well as best-in-class external learning assets provided by the platform provider Skillsoft.

In September 2022 we conducted our second colleague engagement survey, with 85% of colleagues participating (FY21: 81%). We evolved our approach, moving to an Employee Promoter Score framework, which gave us an overall employee engagement score for the first time, as well as making the survey available in 12 languages. The overall engagement score was 69%, with some clearly articulated strengths, as well as a number of opportunities for us to address. Partnering with our 'voice of the customer' programme provider also gave us access to valuable benchmarking data, allowing us to understand the steps we need to take to match the global benchmark for businesses of our type.

The nature of labour markets has clearly changed over the course of the last 12 months and the importance of having a compelling employee proposition to attract the right talent is more pertinent than ever, particularly against a backdrop of increasing wage inflation. We believe that the progress made on our people agenda during FY22 moved us closer to being the employer of choice in our sector and I am encouraged by our voluntary colleague attrition rate[3] of 15.9% for the year (FY21: 19.2%).

We remain shocked and saddened by the situation in Ukraine and we continue to focus on supporting our colleagues in Kyiv and the wider humanitarian efforts. In February we immediately implemented our crisis response plan and continue to monitor the situation closely.

In addition to the Board and Company Secretariat changes outlined in the Chairman's Statement, we also took a number of steps during the year to strengthen our Executive Team. At the start of 2022 Jim McHugh joined as Chief People Officer, with a remit to fully realise the benefits of scale across all aspects of the colleague experience, alongside shaping a more unified culture, to ensure we have committed, energised and engaged people at all levels of the organisation.

In the spring Maria Schnell was promoted to the position of Chief Language Officer, leading the development of the LXD – our unique production platform – with responsibility for our 2,000+ strong team of in-house linguists. At the same time Emer Dolan was promoted to the role of President, Enterprise Internationalisation Group (part of our Language Services Division), which works closely with our largest technology enterprise clients, building highly integrated solutions that enable them to continually innovate, anticipate trends and scale their global operations.

In September 2022 we appointed Terry Doyle as Chief Information Officer, with responsibility for the Group's information technology infrastructure, data, security and compliance, as well as ensuring the delivery of the transformation programmes that we launched as part of our medium-term strategy.

SUSTAINABILITY AND ESG

We have made encouraging progress on our sustainability agenda during the year. As a participant in their Early Adopter Programme, we submitted our 2022 Communication on Progress report to the UN Global Compact in June 2022, and our Global Reporting Initiative framework report was submitted in July 2022,

following approval by a third-party assessor.

On the environment we moved to a new web-based platform to better facilitate measuring and tracking our carbon emissions and have spent the year gathering the baseline data that will allow us to submit science-based targets to SBTi for validation in FY23. We also launched our Sustainable Procurement Policy and rolled out the supporting action plan across the Group.

RWS Campus, our global university partnership programme, which inspires and develops localisation talent worldwide, had an extremely strong year. We merged the RWS Trados Academic Partner Programme with RWS Campus, meaning that we now have more than 700 university partnerships globally across 76 countries. Following the lifting of restrictions in the majority of geographies, we have been able to return to onsite engagement with universities, and hosted 90 workshops, talks and events during the year. We also expanded the RWS Campus programme in Africa, with 12 universities joining the programme for the first time, as we focused on eight languages, including Amharic, Hausa, Swahili and Zulu. Trados Studio is now provided free for teaching purposes to universities (moving from a discounted approach previously). A third of interns who spend time at RWS through the RWS Campus programme are offered a full-time career after completing of their degrees.

We also relaunched the RWS Foundation during the year, with a key aspect being its response to those impacted by the conflict in Ukraine. The Foundation's Ukraine Appeal raised £34,436 from colleague donations and donated an additional £15,000 to the International Committee of the Red Cross. The Foundation also made further donations of £10,000 each to the UNHCR, the UN's Refugee Agency, and to UNICEF, the UN's Children's Fund.

On governance, we completed the harmonisation of policies across the Group and shared these with colleagues in the first quarter of the year. In the second half of the year, we launched a Group-wide Code of Conduct, with associated training, giving all our people a simple guide to what is expected of them at work, as well as easy access to the resources that will help support effective action and decision making. With our ambition to be the best-run business in our sector, it is vital that our teams are given the framework and the tools to act with integrity at all times.

Shortly after the end of the year, we were delighted to be awarded a silver medal by EcoVadis, the world's most trusted provider of business sustainability ratings. EcoVadis gives silver medals only to the top quartile of companies participating in its programme worldwide. RWS was also placed in the top 10% of companies in the industry category 'Other professional, scientific and technical activities'.

CURRENT TRADING AND OUTLOOK

Against a backdrop of wider global economic uncertainty, RWS has delivered in line with market expectations. The Group is in a robust position, with resilience afforded by its diversified capabilities and end markets. We also remain confident in the long-term opportunities provided by a range of growth drivers across our markets.

We have continued to make progress on the actions and investments that we set out at our Capital Markets Day and we are very encouraged by the early signs of delivery against our organic growth initiatives, particularly eLearning and Linguistic Validation. We are also encouraged by the impact of our pricing programme and the Group's focus on its transformation projects. The simpler, more efficient and accountable organisational model we have put in place to deliver our strategy is already making a difference.

We also believe that the current environment presents an opportunity for us to strengthen our leadership in our markets, as a well-funded business of unique scale, sector diversification, footprint and capabilities. In parallel, the Group's strong cash generation means that we retain the ability and appetite to make strategically-compelling acquisitions.

As we enter FY23, our outlook is in line with market expectations and our capex and investments in line with plans presented at our Capital Markets Day.

Ian El-Mokadem
CHIEF EXECUTIVE OFFICER

14 December 2022

CHIEF FINANCIAL OFFICER'S REVIEW

INTRODUCTION

The Group has made significant progress during 2022. The Group successfully integrated the acquisition of SDL plc ("SDL") and laid out an ambitious Accelerated Growth Strategy. During 2022 revenue growth, coupled with improved margins, has supported strong cash generation. A strong platform has been built for further progress in 2023 and beyond.

During 2022 total revenue grew by 8%, operating profit by 50%, and adjusted profit before tax by 17%. Results were supported by an extra month of SDL in 2022 when compared to 2021, the successful execution of the synergy and integration programme, as well as favourable foreign exchange movements. Strong performance in the Language and Content Technology division helped to offset the regulatory impact of the introduction of the Unitary Patent in the IP Services division. The Group has identified a number of key growth levers, such as eLearning and Data Annotation, and is investing behind these levers to drive future growth. We are also investing to transform our back office efficiency to enable this growth. We are encouraged by the early impact of our pricing programme, which aims to mitigate the impact of cost inflation. The Group continued to enhance its portfolio with the acquisition of Liones Holding B.V, whose flagship product Fonto, is a leading authoring solution for mission-critical documents.

The Group continues to be highly cash generative, resulting in an increase in net cash (excluding lease liabilities) from £45.3m as at 30 September 2021 to £71.9m as at 30 September 2022, notwithstanding significant acquisition costs, and costs associated with delivering synergies following the acquisition of SDL. Net cash including lease liabilities is £25.2m – significantly improved from an equivalent net debt measure of £6.2m as at 30 September 2021.

REVENUE

Overall in FY22 the Group generated revenues of £749.2m, which is 8% higher than FY21. Revenue in FY22 benefited from an additional month of trading from SDL, which was acquired in November 2020. Excluding this impact, revenue growth was 3%. The strengthening of the US Dollar when compared to prior year also supported revenue in local sterling currency. On an organic constant currency ("OCC") basis revenues are 1% lower than those achieved in FY21.

In divisional terms, Language Services recorded £342.1m in revenue, a 10% increase in total revenue and 1% on an OCC basis. Reduced volume from certain of the largest technology clients was more than offset by growth from the Strategic Solutions Group. Regulated Industries recorded £173.0m, an increase of 6%, although a decline of 2% on an OCC basis. Reducing work for a significant client and also stopping work for a number of unprofitable clients impacted revenue. Language and Content Technology had total revenue of £126.9m, an increase of 17% year on year and 5% OCC. Good growth was recorded across the portfolio, despite the increase in SaaS revenues which in the short term defers current year revenues to future years. IP Services recorded £107.2m, a decrease of 6% on prior year and 10% on an OCC basis. The proposed introduction of the Unitary Patent in the European Union, which we forecast for H1 FY23, has impacted volumes in the short term as clients look to defer filings.

The majority of the Group revenue, categorised by geography, is in the US market, which accounts for 52% of the total. Client concentration is such that no one client accounts for more than 10% of Group turnover.

GROSS PROFIT

Gross profit increased by 12% to £350.2m, delivering a gross margin of 46.7%. This represents an increase from 45.1% in the prior year, primarily as a result of the change in revenue mix towards the higher gross margin division of Language and Content Technology, increased use of the Language eXperience Delivery, benefits from SDL integration synergies, and favourable foreign exchange movements with the strengthening of the US dollar relative to a number of currencies.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased to £263.9m (FY21: £257.0m). Administrative expenses as a

percentage of revenue have decreased from 37% to 35%, which reflects the impact of the integration activities during the period. Adjusted administrative expenses (gross profit less adjusted operating profit) increased by £17.0m to £211.7m, a rise of 9% year on year. The extra month of costs from SDL, combined with unfavourable FX, more than offset the benefit of integration synergies.

Exceptional items of £12.5m were incurred during the year, which includes £7.4m for IT integration and £3.2m for severance, termination and other costs in relation to the SDL integration. Acquisition costs of £2.1m, were primarily related to the purchase of Liones Holding B.V. during the period.

FINANCE COSTS

Net finance costs were £3.1m (FY21: £2.4m). Net finance costs have increased year on year due primarily to an increase in interest payable on external debt of £0.6m, driven by a rise in interest rates. On 3 August 2022, the Group entered into an Amendment and Restatement Agreement with its banking syndicate, which amended its existing US$120m RCF maturing on 10 February 2024, to a US$220m RCF maturing on 3 August 2026, with an option to extend maturity to 3 August 2027. This gives us further flexibility as we continue to grow our business and seek selective acquisitions to enhance the Group's capabilities and geographic reach. The debt refinancing was accounted for as a debt modification without extinguishment, resulting in a nominal debt modification gain being recognised in the parent company's statement of comprehensive income.

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax ("Adj PBT") is stated before amortisation of acquired intangibles, share-based payment expense, acquisition costs, and exceptional items (see reconciliation in the Alternative Performance Measures section). The Group uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent and meaningful measure of the Group’s underlying performance across financial periods. The Adj PBT of £135.7m (Adj PBT margin: 18.1%) recorded in the period has increased from £116.4m (Adj PBT margin: 16.8%) in the prior year.

TAX CHARGE

The Group’s tax charge for the year was £20.5m (FY21: £13.8m), representing an effective tax rate on profit before tax of 24.6% compared with 25.1% in the prior financial year. The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the existing UK corporate income tax rate of 19%, which results in a higher effective rate than the headline UK rate.

EARNINGS PER SHARE AND DIVIDEND

Basic earnings per share for the financial year increased from 10.9p to 16.1p, an increase of 48%, while adjusted basic earnings per share increased from 23.8p to 26.6p, representing an increase of 12%, which reflects the after tax impact of significant adjusting items this financial year consequent to the acquisition of SDL. The weighted average number of ordinary shares in issue for basic and adjusted basic earnings increased from 378.5m to 389.4m, principally due to the proportionate impact of the ordinary shares issued in connection with the SDL acquisition in the prior period.

A final dividend for the financial year end 30 September 2022 of 9.5 pence per share has been proposed, equivalent to £37.0m, while an interim dividend of 2.25 pence per share, equivalent to £8.7m, was paid during the financial period. A comparative final dividend for the year ended 30 September 2021 of 8.5 pence per share, equivalent to £33.1m, was paid in this financial period.

The proposed total dividend for the year of 11.75 pence per share represents a 12% increase on the total dividend relative to the prior financial period of 10.5 pence per share.

BALANCE SHEET AND WORKING CAPITAL

Net assets at 30 September 2022 increased by £130.8m to £1,141.7m. The main driver of this increase was the strengthening USD, increasing dollar-denominated net assets by £119m.

Current assets at 30 September 2022 of £325.9m have increased by £38.1m on the prior financial year,

including an increase in trade and other receivables of £28.7m. Cash and cash equivalents balances of £101.2m have increased by £8.7m.

The increase in trade and other receivables is primarily driven by the growth of the business in the period and includes an increase in trade receivables of £15.2m and an increase in accrued income of £16.3m. This increase reflects stronger revenues during the financial year, whilst the average days' sales outstanding (the calculation of which measures the number of days' billings in trade receivables) has remained stable.

Current liabilities have also increased to £203.6m at 30 September 2022, an increase of £12.7m, primarily due to an increase in trade and other payables balances of £13.6m. Non-current liabilities have decreased by £14.4m, reflecting a net reduction in loan balances under our RCF of £17.9m, a reduction in other non-current liabilities of £3.7m, partly offset by an increase in deferred tax liabilities of £7.2m.

CASH FLOW

Cash generated from operations was £148.8m, £46.8m more than the prior financial year, when cash generated was £102.0m. Operating cash flow before movements in working capital and provisions increased from £125.5m to £157.5m. The net working capital outflow of £8.7m has reduced by £14.8m from the prior financial year's outflow of £23.5m. This has been driven by improvement in payment cycles during the period, with outflows in trade receivables from growth of the business offset by inflows across trade payables.

Significant cash outflows from investing activities included net cash consideration for the acquisitions of Liones Holding B.V of £14.1m and purchases of intangible software of £24.3m.

Cash flows from financing activities included £25.5m in repaid debt and associated interest, and dividends paid within the financial year ended 30 September 2022 of £41.9m.

Cash balances at the financial year end amounted to £101.2m, with external borrowings of £29.3m, excluding lease liabilities, resulting in a net cash position of £71.9m (FY21: £92.5m cash and external borrowings of £47.2m, resulting in net cash of £45.3m). Net cash including lease liabilities was £25.2m (FY21: net debt of £6.2m).

POST BALANCE SHEET EVENTS

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

Rod Day
INTERIM DEPUTY CHIEF FINANCIAL OFFICER

14 December 2022

1 - Sources: OC&C, Slator, CSA, WIPO, EPO, Companies House

2 - Adjusted operating profit is stated before amortisation of acquired intangibles, acquisition costs, share-based payments expense and exceptional items.

3 - Calculated as number of FTE leavers during the financial year, divided by average number of FTEs during the year, noting the constraints imposed by having multiple HR systems.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2022

	Note	2022 £m	2021 £m
Revenue		**749.2**	**694.5**
Cost of sales		**(399.0)**	(381.3)
Gross profit		350.2	**313.2**
Proceeds from warranty claim		**-**	1.2
Administrative expenses		**(263.9)**	(257.0)
Operating profit		86.3	**57.4**
Analysed as:			
Adjusted operating profit:		**138.5**	118.5
Amortisation of acquired intangibles		**(34.4)**	(34.4)
Acquisition costs		**(2.1)**	(11.2)
Share based payment expense		**(3.2)**	(1.4)
Exceptional items	**5**	**(12.5)**	(14.1)
Operating profit		86.3	**57.4**
Finance income		**0.2**	-
Amortisation of capitalised exceptional finance costs	**5**	**(0.3)**	(0.3)
Finance costs		**(3.0)**	(2.1)
Profit before tax		83.2	**55.0**
Taxation	**6**	**(20.5)**	(13.8)
Profit for the year attributable to the owners of the Parent		**62.7**	**41.2**
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss:			
Gain/ (loss) on retranslation of quasi equity loans (net of deferred tax)		**6.1**	(0.6)
Gain/ (loss) on retranslation of foreign operations		**107.3**	(31.8)
(Loss)/ gain on hedging (net of deferred tax)		**(6.7)**	1.6
Total other comprehensive income/ (expense)		106.7	**(30.8)**
Total comprehensive income attributable to owners of the Parent		**169.4**	10.4
Basic earnings per ordinary share (pence per share)	**8**	**16.1**	10.9
Diluted earnings per ordinary share (pence per share)	**8**	**16.0**	10.9

Consolidated Statement of Financial Position

as at 30 September 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	**9**	**692.6**	615.8
Intangible assets	**10**	**385.4**	366.6
Property, plant and equipment		**31.3**	32.1
Right-of-use assets		**39.0**	42.4
Non-current income tax receivable		**1.0**	1.0
Deferred tax assets	**6**	**1.1**	1.5
		1,150.4	**1,059.4**
Current assets			
Trade and other receivables		**220.5**	191.8
Income tax receivable		**4.2**	3.5
Cash and cash equivalents	**12**	**101.2**	92.5
		325.9	**287.8**
Total assets		**1,476.3**	**1,347.2**
Current liabilities			
Trade and other payables		**165.6**	152.0
Lease liabilities		**11.8**	11.0
Foreign exchange derivatives		**0.6**	0.7
Income tax payable		**22.7**	22.1
Provisions		**2.9**	5.1
		203.6	**190.9**
Non-current liabilities			
Loans	**11**	**29.3**	47.2
Lease liabilities		**34.9**	40.5
Trade and other payables		**3.5**	2.4
Provisions		**4.9**	4.1
Deferred tax liabilities	**6**	**58.4**	51.2
		131.0	**145.4**
Total liabilities		**334.6**	**336.3**
Total net assets		**1,141.7**	**1,010.9**
Capital and reserves attributable to owners of the Parent			
Share capital		**3.9**	3.9
Share premium		**54.4**	54.2
Share based payment reserve		**6.0**	2.8
Reverse acquisition reserve		**(8.5)**	(8.5)
Merger reserve		**624.4**	624.4
Foreign currency reserve		**95.9**	(17.5)
Hedge reserve		**(5.5)**	1.2
Retained earnings		**371.1**	350.4
Total equity		**1,141.7**	**1,010.9**

Consolidated Statement of Changes in Equity

for the year ended 30 September 2022

	Notes	Share capital £m	Share premium account £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of Parent £m
At 30 September 2020		**2.8**	**53.6**	**7.4**	**345.1**	**408.9**
Profit for the year		-	-	-	41.2	41.2
Gain on hedging		-	-	1.6	-	1.6
Loss on retranslation of quasi equity loans		-	-	(0.6)	-	(0.6)
Loss on retranslation of foreign operations		-	-	(31.8)	-	(31.8)
Total comprehensive income for the year		-	-	(30.8)	41.2	10.4
Issue of shares		-	0.6	-	-	0.6
Issue of shares to acquire subsidiary undertaking		1.1	-	624.4	-	625.5
Deferred tax on unexercised share options		-	-	-	0.4	0.4
Dividends		-	-	-	(36.0)	(36.0)
Purchase of own shares					(0.3)	(0.3)
Equity-settled share based payments charge		-	-	1.4	-	1.4
At 30 September 2021		**3.9**	**54.2**	**602.4**	**350.4**	**1,010.9**
Profit for the year		-	-	-	62.7	62.7
Loss on hedging		-	-	(6.7)	-	(6.7)
Gain on retranslation of quasi equity loans		-	-	6.1	-	6.1
Gain on retranslation of foreign operations		-	-	107.3	-	107.3
Total comprehensive income for the year		-	-	106.7	62.7	169.4
Issue of shares		-	0.2	-	-	0.2
Deferred tax on unexercised share options	6	-	-	-	(0.1)	(0.1)
Dividends	7	-	-	-	(41.9)	(41.9)
Equity-settled share based payments charge		-	-	3.2	-	3.2
At 30 September 2022		**3.9**	**54.4**	**712.3**	**371.1**	**1,141.7**

Other reserves	Share based payment reserve £m	Reverse acquisitio n reserve £m	Merger reserve £m	Foreign currency reserve £m	Hedge reserve £m	Total other reserves £m
At 30 September 2020	**1.4**	**(8.5)**	**-**	**14.9**	**(0.4)**	**7.4**
Other comprehensive (expense)/ income for the year	-	-	-	(32.4)	1.6	(30.8)
Issue of shares to acquire subsidiary undertaking	-	-	624.4	-	-	624.4
Equity-settled share based payments charge	1.4	-	-	-	-	1.4
At 30 September 2021	**2.8**	**(8.5)**	**624.4**	**(17.5)**	**1.2**	**602.4**
Other comprehensive income/ (expense) for the year	-	-	-	113.4	(6.7)	106.7
Equity-settled share based payments charge	3.2	-	-	-	-	3.2
At 30 September 2022	**6.0**	**(8.5)**	**624.4**	**95.9**	**(5.5)**	**712.3**

Consolidated Statement of Cash Flows

for the year ended 30 September 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit before tax		**83.2**	55.0
Adjustments for:			
Depreciation of property, plant and equipment		**7.1**	6.2
Amortisation of intangible assets	**10**	**50.1**	47.8
Depreciation of right-of-use assets		**10.8**	12.7
Share-based payment expense		**3.2**	1.4
Net finance costs		**3.1**	2.4
Operating cash flow before movements in working capital		**157.5**	125.5
(Increase) in trade and other receivables		**(5.6)**	(23.8)
(Decrease)/ increase in trade and other payables		**(3.1)**	0.3
Cash generated from operations		**148.8**	102.0
Income tax paid		**(21.3)**	(17.1)
Net cash inflow from operating activities		**127.5**	**84.9**
Cash flows from investing activities			
Net cash acquired on acquisition of SDL plc		**-**	55.0
Settlement of share related liabilities on acquisition of SDL plc		**-**	(6.4)
Acquisition of subsidiary, net of cash acquired	**13**	**(14.1)**	(1.5)
Purchases of property, plant and equipment		**(5.3)**	(4.1)
Purchases of intangibles (software)	**10**	**(24.3)**	(19.1)
Net cash (outflows)/ inflow from investing activities		**(43.7)**	**23.9**
Cash flows from financing activities			
Repayment of borrowings		**(25.5)**	(17.1)
Transaction costs relating to debt refinancing		**(1.5)**	-
Interest received		**0.1**	-
Interest paid		**(1.4)**	(0.6)
Lease liability payments (including interest charged of £1.3m (2021: £1.5m))		**(13.1)**	(12.6)
Proceeds from the issue of share capital		**0.2**	0.6
Purchase of own shares		**-**	(0.3)
Dividends paid	**7**	**(41.9)**	(36.0)
Net cash outflow from financing activities		**(83.1)**	**(66.0)**
Net increase in cash and cash equivalents		**0.7**	**42.8**
Cash and cash equivalents at beginning of the year		**92.5**	51.4
Exchange gains/(losses) on cash and cash equivalents		**8.0**	(1.7)
Cash and cash equivalents at end of the year	**12**	**101.2**	**92.5**

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

Basis of accounting and preparation of financial statements

The financial information is extracted from the Group's consolidated financial statements for the year ended 30 September 2022, which were approved by the Board of Directors on 14 December 2022.

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

The financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 30 September 2022. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and within the notes to which they relate to provide context to users of the financial statements. The policies have been consistently applied to both years presented, unless otherwise stated.

The potential climate change-related risks and opportunities to which the Group is exposed, as identified by management, are disclosed in the Group's Annual Report and Accounts. Management has assessed the potential financial impacts relating to the identified risks and exercised judgement in concluding that there are no further material financial impacts of the Group's climate-related risks and opportunities on the financial statements. These judgements will be kept under review by management as the future impacts of climate change depend on environmental, regulatory and other factors outside of the Group's control which are not all currently known.

Going concern

In making their going concern assessment, the Directors have considered the Group's current financial position and forecast earnings and cashflows for the 18-month period ending 31 March 2024. The business plan used to support this going concern assessment is derived from the Board-approved budget. The Directors have undertaken a rigorous assessment of going concern and liquidity taking into account key uncertainties and sensitivities on the future performance of the Group. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants and its ability to continue generating cash from trading activities.

As at 30 September 2022, the Group has net cash of £25.2m comprising the Group's US$220m revolving credit facility ("RCF") (£29.3m drawn at year end) and lease liabilities of £46.7m, less cash and cash equivalents of £101.2m. The RCF matures in August 2026 but is extendable for a further year subject to lender consent. At year end the Group's net leverage ratio (as defined by the RCF agreement) is -0.11x EBITDA, while its interest coverage ratio (as defined by the RCF agreement) is 64.2x EBITDA and are well within the covenants permitted by the Group's RCF agreement.

In light of the Group's principal risks and uncertainties, the Directors believe that the appropriate sensitivity in assessing the Group and Company's ability to continue as a going concern are to model a range of reasonably plausible downside scenarios, including a 10% reduction to the Group's revenues and corresponding cash flows, with mitigating actions from management limited to equivalent reductions in the Group's controllable cost base. No significant structural changes to the Group have been assumed in any of the downside scenarios modelled with all mitigating actions wholly within management's control.

In each of these modelled downside scenarios, the Group continues to have significant covenant and liquidity headroom over the period through to 31 March 2024. Consequently, the Directors are confident that the Group and Company will have sufficient cash reserves and committed debt facilities to withstand reasonably plausible downside scenarios and therefore continue to meet its liabilities as they fall due for the period ending 31 March 2024 and therefore prepared the financial statements on a going concern basis.

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

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

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue - multi-element arrangements

To determine the appropriate revenue recognition for contracts containing multi-elements that include both products and services, we evaluate whether the contract should be accounted for as a single, or multiple performance obligations. Management is required to exercise a degree of judgement in setting the criteria used for determining when revenue which involves several elements should be recognised and the stand-alone selling price of each element. The Group generally determines the stand-alone selling prices of elements based on prices which are not observable and are therefore based on stand-alone list prices which are then subject to discount. These prices are reviewed on an annual basis and amended where appropriate. This is performed in conjunction with a fair value assessment of the stand-alone selling prices to assess reasonableness of the transaction price allocation. Further detail regarding the stand-alone selling prices for the purpose of allocating the transaction price in multi-element arrangements is provided in note 3.

The judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Licence revenue in the year amounted to £55.2m (2021: £34.9m).

Licence revenue in the year amounted to £55.2m (2021: £34.9m).

Capitalised development costs

The Group capitalises development costs relating to software product development and internally generated software in line within line with IAS 38 'Intangible Assets'. Management applies judgement in determining if the costs meet the criteria and are therefore eligible for capitalisation. Significant judgements include the technical feasibility of the development, recoverability of the costs incurred, economic viability of the product, and potential market available considering its current and future customers and when, in the development process, these milestones have been met. Where software products are already in use, management applies judgement in determining whether further development spend increases the economic benefit and whether any previously capitalised costs should be expensed. Development costs capitalised during the year amounted to £22.6m (2021: £19.7m) (see Note 10).

Estimates and assumptions

The Group has considered whether there are key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year and there are none for this financial year.

Other estimates and assumptions

Revenue - rendering of services

Management makes estimates of the total costs that will be incurred on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date. All contracts are of a short-term nature. The majority of services work is invoiced on completion and the amount of year end work in progress was £51.2m (2021: £34.9m). The effect of changing the estimated total cost of each contract could, in aggregate, have a material effect on the carrying amount of accrued income at the balance sheet date.

Impairment of goodwill and intangible assets

An impairment test of goodwill (performed annually) and other intangible assets (when an indicator of impairment exists), requires estimation of the value in use of the CGUs to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, for which the Group considers revenue growth rates to be a significant estimate. The estimated future cash flows derived are discounted to their present value using a pre-tax discount rate that reflects estimates of market risk premium, asset betas, the time value of money and the risks specific to the CGU. See Note 9 and 10 for further details.

Taxation - uncertain tax positions

Uncertainties exist in respect of interpretation of complex tax regulations, including transfer pricing, and the amount and timing of future taxable income. Given the nature of the Group's operating model, the wide range of international transactions and the long-term nature and complexity of contractual agreements, differences arising between the actual results and assumptions made, or future changes to

assumptions, could necessitate future adjustments to taxation already recorded. The Group considers all tax positions on a separate basis, with any amounts determined by the most appropriate of either the expected value or most likely amount on a case by case basis.

Most deferred tax assets are recognised because they can offset the future taxable income from existing taxable differences (primarily on acquired intangibles) relating to same jurisdiction or entity. Where there are insufficient taxable differences, deferred tax assets are recognised in respect of losses and other deductible differences where current forecasts indicate profits will arise in future periods against which they can be deducted. The total value of UTPs was £6.8m (2021: £6.5m), see Note 6.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

IFRS 15 provides a single, principles based five step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods and services. The specific application of the five step principles of IFRS 15 as they apply to the Group's revenue contracts with customers are explained below at an income stream level. In addition to this, the individual performance obligations identified within the Group's contracts with customers are individually described as part of this note to the financial statements.

For multi-element arrangements, revenue is allocated to each performance obligation based on stand-alone selling price, regardless of any separate prices stated within the contract. This is most common within the Group's contract for technology licences, which may include performance obligations in respect of the licences, support and maintenance, hosting services and professional services. The Group's software licences are either perpetual, term or software as a service (SaaS) in nature. The Group's revenue contracts do not include any material future vendor commitments and thus no allowances for future costs are made.

The allocation of transaction price to these obligations is a significant judgement, more details of the nature and impact of the judgement are included in Note 2. The identification of the performance obligations within some multi-element arrangements involves judgement, however none of the Group's contracts requires significant judgement in this regard.

Language Services contracts are typically billed in arrears on completion of the work with revenue recognised as accrued income balances. Patent filing contracts are typically billed in arrears on completion of the work with revenue recognised as accrued income balances. The Group's technology contracts are typically billed in advance and revenue recognition deferred where the performance obligation is satisfied over time. The Group's contracts for term licenses are recognised upfront when performance obligations are delivered in the same manner as a perpetual license sale but, typically, are billed annually and do not follow the same billing pattern as the Group's contracts for perpetual licenses, instead billing follows more closely that of a SaaS license contract.

Disaggregated information about the Group's revenue recognition policy and performance obligations are summarised below:

Patent Filing Services (IP Services segment)

The Group's Patent Filing revenue contracts with customers include a sole performance obligation which is satisfied at a point in time, being the completion of patent filing and delivery to the client. Revenue is recognised when the sole performance obligation is satisfied, which is when the benefits of control of the services provided are delivered to the customer.

Language Services (IP Services, Language Services and Regulated Industries segments)

The Group's Language Services contracts with customers provide for the Group to be reimbursed for their performance under the contract as the work is undertaken. Accordingly, as the Group has both the right to payment and no alternative use for the translated asset, the Group recognises revenue over time for this performance obligation.

The Group measures the completeness of this performance obligation using input methods. The relevant input method is the cost incurred to date as a proportion of total costs, in determining the progress towards the completion of the performance obligation for Language Services contracts.

Perpetual and term licences (Language and Content Technology segment)

The Group's perpetual and term licences are accounted for at a point in time when the customer obtains control of the licence, occurring either where the goods are shipped or, more commonly, when electronic delivery has taken place and there is no significant future vendor obligation.

The software to which the licence relates has significant standalone functionality and the Group has determined that none of the criteria that would indicate the licence is a right to access apply. In addition, the Group has identified no other performance obligations under their contracts for these licences which would require the Group to undertake significant additional activities which affects the software. The Group therefore believes the obligation is right to use the licence as it presently exists and therefore applies the point in time pattern of transfer. Transaction price is allocated to licenses using the residual method based upon other components of the contract. The residual method is used because the prices of licenses are highly variable and there is no discernible standalone selling price from past transactions.

'SaaS' licences (Language and Content Technology segment)

Unlike the Group's perpetual and term licences, the Group has identified that there are material ongoing performance obligations associated with the provision of SaaS licences. The Group has identified that this creates a right to access the intellectual property, instead of a right to use. Accordingly, the associated licence revenue is recognised over time, straight line for the duration of the contract. As with other licences, the Group utilises the residual method to allocate transaction price to these performance obligations.

Support and maintenance (Language and Content Technology segment)

Support and maintenance represents a stand ready obligation to provide additional services to the Group's licence customers over the period of support included in the contract. The Group measures the obligation by reference to the standalone selling price, based upon internal list prices subject to discount. The pattern of transfer is deemed to be over time on the basis that this is a continuing obligation over the period of support undertaken and accordingly, recognised as revenue on a straight line basis over the course of the contract.

Hosting services (Language and Content Technology segment)

The Group provides managed services (hosting) as part of certain contracts with customers. The pattern of transfer for the service is such that the customer simultaneously receives and consumes the benefits provided by the Group and therefore, is recognised over time for the duration of the agreement. Transaction price from the contract is allocated to hosting services obligations based upon a cost plus method.

Professional services (Language and Content Technology segment)

The Group provides professional services to customers including training, implementation and installation services alongside certain contracts for software licences. These services are sold in units of consultant time and are therefore measured on an output method basis. Revenue is therefore recognised on these engagements based on the units of time delivered to the end customer. Transaction price is allocated based upon the standalone selling price, calculated by reference to the internal list prices for consultant time subject to any discounts. A small number of the Group's professional services contracts are on a fixed price contract and the output method is used based on an appraisal of applicable milestones.

Revenue from contracts with customers

The Group generates all revenue from contracts with its customers for the provision of translation and localisation, intellectual property support solutions and the provision of software. Revenue from providing these services during the year is recognised both at a point in time and over time as shown in the table below:

Timing of revenue recognition for contracts with customers	2022 £m	2021 £m
At a point in time	**21.2**	25.3
Over time	**86.0**	88.3
IP Services	107.2	113.6
At a point in time	**26.0**	24.0
Over time	**100.9**	84.1
Language and Content Technology	126.9	108.1
Over time	**342.1**	309.7
Language Services	342.1	309.7
Over time	**173.0**	163.1
Regulated Industries	173.0	163.1
Total revenue from contracts with customers	749.2	694.5

See note 4 for information on revenue disaggregation by geographical location.

Capitalised contract costs

Capitalised contract costs primarily relate to sales commission costs capitalised under IFRS15 and are amortised over the length of the contract. The group has taken advantage of the practical expedient to recognise, as an expense, any costs which would be recognised in fewer than 12 months from being incurred. This primarily relates to the Group's language services commissions and point in time technology revenue related commissions. The value of capitalised contract costs at year end was £1.9m (2021: £2.7m). Capitalised contract costs are recognised within other debtors on the statement of financial position.

Receivables, contract assets and contract liabilities with customers

Receivables, contract assets and contract liabilities	2022 £m	2021 £m
Net trade receivables	**148.9**	133.7
Contract assets (accrued income)	**51.2**	34.9
Contract liabilities (deferred income)	**(53.0)**	(43.0)

Contract assets are recognised where performance obligations are satisfied over time until the point at which the Group's right to consideration is unconditional when these are classified as trade receivables which, is generally the point of final invoicing.

For performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Group starts satisfying the performance obligation. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income'.

The total value of the transaction price allocated to unsatisfied or partially unsatisfied performance obligations at the year-end is £54.1m (2021: £49.1m). Support and maintenance is a stand ready obligation discharged straight line over the duration of the Group's software contracts, the period over which this is recognised can be identified based on the value of current and non-current deferred income. Unsatisfied performance obligations in respect of language and professional services are all short-term and expected to be recognised in less than one year.

The Group offsets any contract liabilities with any contract assets that may arise within the same customer contract, typically, this only applies to the Group's licence and support and maintenance revenue contracts. In all material respects there are no significant changes in the Group's contract asset or liability balances other than business-as-usual movements during the year.

Revenue recognised in the year that was included in deferred revenue at 1 October 2021 was £40.8m (2021: £1.7m).

4. SEGMENT INFORMATION

The chief operating decision maker for the Group is identified as the Group's Board of Directors collectively. The Board reviews the Group's internal reporting in order to assess performance and allocates resources. The Board divides the Group into four reportable segments and assess the performance of each segment based on the revenue and adjusted profit before tax.

The four reporting segments, which match the operating segments, are explained in more detail below:

- Language Services: The revenues are derived by providing localisation services which include translation and adaptation of content across a variety of media and materials to ensure brand consistency.
- Regulated Industries: Revenue is generated through the translation and linguistic validation for customers who operate in regulated industries such as life sciences.
- IP Services: The Group's IP Services segment provides high quality patent translations, filing services and a broad range of intellectual property ("IP") search services.
- Language and Content Technology ("L&CT"): Revenue is generated through the provision of a range of translation technologies and content platforms to clients. This was enhanced by the acquisition of Liones Holding B.V. in March 2022.

Unallocated costs reflect corporate overheads and other expenses not directly attributed to segments.

Segment results for the year ended 30 September 2022	**L&CT £m**	**IP Services £m**	**Regulated Industries £m**	**Language Services £m**	**Unallocated Costs £m**	**Group £m**
Revenue from contracts with customers	**126.9**	**107.2**	**173.0**	**342.1**	**-**	**749.2**
Operating profit/(loss) before charging:	**37.6**	**30.1**	**31.6**	**53.3**	**(14.1)**	**138.5**
Amortisation of acquired intangibles	**(8.0)**	**(0.2)**	**(12.4)**	**(13.8)**	**-**	**(34.4)**
Acquisition costs	**-**	**-**	**-**	**-**	**(2.1)**	**(2.1)**
Exceptional items (see note 5)	**(3.0)**	**(0.5)**	**(2.3)**	**(3.9)**	**(2.8)**	**(12.5)**
Share-based payment expense	**(1.8)**	**(0.2)**	**(0.3)**	**(0.4)**	**(0.5)**	**(3.2)**
Profit from operations	**24.8**	**29.2**	**16.6**	**35.2**	**(19.5)**	**86.3**
Net finance expense						**(3.1)**
Profit before taxation						**83.2**
Taxation						**(20.5)**
Profit for the year						62.7

Segment results for the year ended 30 September 2021	**L&CT[1] £m**	**IP Services £m**	**Regulated Industries £m**	**Language Services[1] £m**	**Unallocated Costs £m**	**Group £m**
Revenue from contracts with customers	**108.1**	**113.6**	**163.1**	**309.7**	**-**	**694.5**
Operating profit/(loss) before charging:	**25.9**	**32.3**	**28.4**	**44.1**	**(12.2)**	**118.5**
Amortisation of acquired intangibles	**(7.4)**	**(0.1)**	**(14.5)**	**(12.4)**	**-**	**(34.4)**
Acquisition costs	**0.0**	**0.0**	**0.0**	**0.0**	**(11.2)**	**(11.2)**
Exceptional items (see note 5)	**0.0**	**(5.0)**	**(0.2)**	**(1.6)**	**(7.3)**	**(14.1)**
Share-based payment expense	**(0.8)**	**(0.2)**	**(0.1)**	**(0.2)**	**(0.1)**	**(1.4)**
Profit/(loss) from operations	**17.7**	**27.0**	**13.6**	**29.9**	**(30.8)**	**57.4**
Net finance expense						**(2.4)**
Profit before taxation						**55.0**
Taxation						**(13.8)**
Profit for the year						**41.2**

[1] Webdunia was previously included in Language Services and is now part of L&CT. This comparative table has been restated to reflect this change

The table below shows revenue by the geographic market in which clients are located.

Revenue by client location	2022 £m	2021 £m
UK	**85.9**	77.3
Continental Europe	**178.2**	213.8
United States of America	**390.2**	322.9
Rest of the world	**94.9**	80.5
Total	749.2	**694.5**

The Group does not place reliance on any specific customer and has no individual customers that generate more than 10% or more of its total Group revenue.

The following is an analysis of revenue by the geographical area in which the Group's undertakings are located.

Revenue by subsidiary location	2022 £m	2021 £m
UK	**189.5**	175.1
Continental Europe	**166.6**	174.1
United States of America	**339.0**	297.3
Rest of the world	**54.1**	48.0
Total	749.2	**694.5**

The table below shows operating assets by geographical location of the Group's undertakings. These assets exclude goodwill and acquired intangibles.

Operating assets by geography	FY22 £m	FY21 £m
UK	**162.7**	148.0
Continental Europe	**79.0**	76.3
United States of America	**147.2**	118.6
Rest of the World	**67.5**	61.5
Total	456.4	404.4

5. EXCEPTIONAL ITEMS

Accounting policy

Exceptional items are those items that in management's judgement should be disclosed separately by virtue of their size, nature or incidence, in order to provide a better understanding of the underlying financial performance of the Group. In determining whether an event or transaction is exceptional, management considers qualitative factors such as frequency or predictability of occurrence. Examples of exceptional items include the costs of integration, severance and restructuring costs which Management do not believe reflect the business's trading performance and therefore are adjusted to present consistency between periods.

	2022 Pre-tax £m	2022 Tax impact £m	2022 Total £m	2021 Pre-tax £m	2021 Tax impact £m	2021 Total £m
Group transformation programme	**(0.3)**	**0.1**	**(0.2)**	(4.8)	1.2	(3.6)
Restructuring & integration related costs	**(12.2)**	**2.4**	**(9.8)**	(10.5)	2.3	(8.2)
Proceeds from warranty claim	-	-	-	1.2	-	1.2
Total exceptional items - operating	(12.5)	2.5	(10.0)	**(14.1)**	**3.5**	**(10.6)**
Amortisation of exceptional finance	**(0.3)**	-	**(0.3)**	(0.3)	-	(0.3)
Total exceptional items - financing	**(0.3)**	-	**(0.3)**	(0.3)	-	(0.3)
Total exceptional items	(12.8)	2.5	(10.3)	**(14.4)**	**3.5**	**(10.9)**

As part of a strategic review of the business, the Group has initiated a transformation programme for Finance and Human Resources to drive improved efficiencies in future periods. In 2022, £0.5m of cost was incurred and paid during the period. The Group expects to incur and pay further material costs over the next 2 years related to the transformation totalling £15.9m and the ongoing benefits from the integration will be recognised in operating profit in the statement of comprehensive income.

Included with restructuring and integration costs are £3.2m of severance agreements and termination payments included within the businesses defined integration plan for SDL plc. A further £7.4m was incurred in respect of IT integration projects, all of which was paid during the period. An additional £1.6m was incurred and paid in respect of contract termination costs to rehouse the Group's data

warehousing capability for the integrated business. The cost of delivering synergies is classified as exceptional to highlight the expense of delivering the integration and represent costs which are considered by the Group to be outside the normal course of business.

In FY20, a settlement was agreed for a claim made by the Group under warranty insurance taken out as part of the Moravia acquisition in 2017. In FY21, a final amount of £1.2m was received relating to this settlement claim.

Exceptional finance costs of £0.3m (2021: £0.3m) relate to the amortisation expense associated with a gain on debt modification recognised in previous accounting periods.

6. TAXATION

Accounting Policy

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax assets and liabilities are offset when the relevant tax authority permits net settlement and the group intends to settle on a net basis.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes where this differs.

Deferred tax is not recognised for temporary differences related to investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary difference and it is probable that this will not reverse in the foreseeable future; on the initial recognition of non-deductible goodwill; and on the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect the accounting or taxable profit.

Deferred tax is measured on an undiscounted basis, and at the tax rates that have been enacted or substantively enacted by the reporting date that are expected to apply in the periods in which the asset or liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used and are reviewed at each reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, when the Group intends to settle its current tax assets and liabilities on a net basis and that authority permits the Group to make a single net payment.

Current and deferred tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the current or deferred tax is also recognised within other comprehensive income or equity respectively (for example share-based payments).

Uncertain tax positions

The Group operates in numerous tax jurisdictions around the world. At any given time, the Group is involved in disputes and tax audits and will have a number of tax returns potentially subject to audit, significant issues may take several years to resolve. In estimating the probability and amount of any tax charge, management takes into account the views of internal and external advisers and updates the amount of tax provision whenever necessary. The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. As referenced in note 2, the Group considers all tax positions separately and uses either the most likely or expected value method of calculation on a case by case basis.

VAT

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and trade receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

	2022 £m	2021 £m
Current Tax Charge		
- UK corporation tax at 19% (2021: 19%)	**5.7**	4.7
- Overseas current tax charge	**18.7**	15.9
Adjustment in respect of previous years	**(4.2)**	(3.0)
Deferred Tax Charge		
Origination and reversal of temporary differences	**(2.4)**	(4.4)
Rate change impact	**0.1**	2.0
Adjustment in respect of previous years	**2.6**	(1.4)
Total tax expense in profit or loss	**20.5**	**13.8**
Total tax charge in equity	**0.1**	(0.4)
Total tax in other comprehensive income	**0.7**	0.2
Total tax charge for the year	**21.3**	**13.6**

Reconciliation of the Group's tax charge to the UK statutory rate:	2022 £m	2021 £m
Profit before taxation	**83.2**	55.0
Notional tax charge at UK corporation tax rate of 19.0% (2021: 19.0%)	**15.8**	10.4
Effects of:		
Expenses not deductible for tax purposes	**2.2**	2.4
Adjustments in respect of previous years	**(1.6)**	(4.4)
Changes in tax rates	**0.1**	2.0
Higher/(lower) tax rates on overseas earnings	**4.0**	3.4
Tax charge as per the income statement	**20.5**	13.8
Effective tax rate	**24.6%**	25.1%

Factors that may affect future tax charges

The Group's taxation strategy is aligned to its business strategy and operational needs. The Directors are responsible for tax strategy supported by a global team of tax professionals and advisers. RWS strives for an open and transparent relationship with all tax authorities and are vigilant in ensuring that the Group complies with current tax legislation.

The Group's effective tax rate for the year is higher than the UK's statutory tax rate due to the impact of non-tax deductibility of acquisition costs, offset by the impact of recognizing historic US Research and Development tax credits related to the period FY16-FY21. The Group's tax rate is also sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as Germany and Japan, a lower rate in the UK and Czech Republic with other rates that lie in between.

The majority of the adjustments in respect of prior periods relates to historic Research and Developments tax credits recognised in the US of a £1.6m credit to deferred taxes. In addition , a £4.5m credit to current tax and £3.9m debit to deferred tax has been recognised as an adjustment to prior periods representing the impact of the reduction of historic uncertain tax positions recognised for transfer pricing that are outside the relevant jurisdictional statute of limitations.

Transfer Pricing

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a tax authority. The methodology used to estimate liabilities is set out in Note 2. In common with other multinational companies and given the Group has operations in 39 countries, transfer pricing arrangements are in place covering transactions that occur between Group entities.

The Group periodically reviews its historic uncertain tax positions ('UTPs') for transfer pricing and whilst it is not possible to predict the outcome of any pending tax authority investigations, adequate provisions are considered to be included in the Group accounts to cover any expected estimated future settlement. In carrying out this review, and subsequent quantification, management has made judgements, taking into account: the status of any unresolved matters; strength of technical argument and clarity of legislation; external advice, statute of limitations and any expected recoverable amounts under the Mutual Agreement Procedure ('MAP'). During the period the Group reduced the provision for liabilities that are expected to no longer be sought by tax authorities on the basis that the relevant statute of limitations has expired. In addition, UTPs related to transfer pricing were increased during the year to reflect current period trading as well as new historic risks identified during the period.

The current tax liability of £22.7m on the balance sheet comprises £15.2m of uncertain tax provisions, although it is not expected that these will be cash settled within 12 months of the year end date. The deferred tax liability of £58.4m on the balance sheet is net of £6.5m of deferred tax assets relating to uncertain tax positions.

Pillar Two

On 20 December 2021, the OECD published their proposals in relation to Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. In January 2022 the UK government reconfirmed its intention to introduce legislation to give effect to the OECD proposals. The new rules are expected to take effect from 2023 onwards, however the impact on the Group will depend on the precise rules adopted in individual countries which are not known at this time.

Deferred tax	Share based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Acquired intangibles £m	Tax losses £m	Total £m
At 1 October 2020	**0.2**	**(1.1)**	**1.0**	**(28.5)**	**-**	**(28.4)**
Adjustments in respect of prior years	**(0.3)**	**(0.5)**	**1.6**	**(0.3)**	**0.9**	**1.4**
Acquisitions*	**0.1**	**0.1**	**2.6**	**(44.4)**	**15.3**	**(26.3)**
Credited to income	**0.2**	**(0.2)**	**1.8**	**0.5**	**0.1**	**2.4**
Credited to equity / OCI	**0.4**	**-**	**-**	**-**	**-**	**0.4**
Foreign exchange differences	**-**	**-**	**(0.2)**	**1.1**	**(0.1)**	**0.8**
At 30 September 2021	**0.6**	**(1.7)**	**6.8**	**(71.6)**	**16.2**	**(49.7)**
Adjustments in respect of prior years	**-**	**(0.1)**	**1.7**	**-**	**(4.2)**	**(2.6)**
Acquisitions	**-**	**-**	**-**	**(2.5)**	**-**	**(2.5)**
Credited to income	**-**	**-**	**0.4**	**4.4**	**(2.5)**	**2.3**
Charged to equity / OCI	**(0.1)**	**-**	**-**	**-**	**-**	**(0.1)**
Foreign exchange differences	**-**	**-**	**0.9**	**(6.0)**	**0.4**	**(4.7)**
At 30 September 2022	0.5	(1.8)	9.8	(75.7)	9.9	(57.3)

* The acquisitions line includes £0.9m of deferred tax in respect of the Moravia error correction referenced in this note

Deferred tax assets and liabilities are presented on the balance sheet after jurisdictional netting as follows:

	2022 £m	2021 £m
Deferred tax assets	**1.1**	1.5
Deferred tax liabilities	**(58.4)**	(51.2)
Net deferred tax liability	(57.3)	**(49.7)**

Deferred tax assets and liabilities

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

Most deferred tax assets are recognised because they can offset the future taxable income from existing taxable differences (primarily on acquired intangibles) relating to same jurisdiction or entity. Where there are insufficient taxable differences, deferred tax assets are recognised in respect of losses and other deductible differences where current forecasts indicate profits will arise in future periods against which they can be deducted.

Losses

At the balance sheet date the Group has unused tax losses of £143.9m (2021: £143.0m) available for offset against future profits. A deferred tax asset of £9.9m (2021: £16.7m) has been recognised in respect of £44.0m (2021: £72.6m) of such losses. These losses include corresponding adjustments that could be claimed on settlement of uncertain tax positions with overseas tax authorities as accounted for under IFRIC 23.

No deferred tax asset has been recognised in respect of the remaining £99.9m (2021: £70.4m) as these can only be used to offset limited types of profits and as it is not considered probable that there will be the required type of future trading or non-trading profits available in the correct entities necessary to permit offset and recognition.

The unrecognised deferred tax asset on losses is £23.5m (2021: £17.7m).

Recognised deferred tax assets principally relate to UK and US activities of the acquired SDL business.

The Group has recognised deferred tax assets on losses in the US which have a 20 year expiry date and expects to use these losses in this period, the earliest date these losses expire is 31 December 2033 and at the year-end losses amounted to £6.0m (2021: £10.0m).

Unremitted earnings

Dividends received from subsidiaries are largely exempt from UK tax but may be subject to dividend withholding taxes levied by the overseas tax jurisdictions in which the subsidiaries operate. The gross temporary differences of those subsidiaries affected by such potential taxes is £82.3m. Since the Group is able to control the timing of reversal of these temporary differences, a current tax liability of £0.2m has been recognised on the unremitted earnings it is anticipating to be distributed that would give rise to a tax charge. The Group has an estimated unrecognised deferred tax liability of £4.7m of unremitted earnings where no distributions are expected to be paid in the foreseeable future.

7. DIVIDENDS TO SHAREHOLDERS

Accounting policy

Dividends payable to the Parent Company's shareholders are recognised as a liability in the Group's financial statements in the period in which dividends are approved by the Parent Company's shareholders.

	2022 £m	2021 £m
Final ordinary dividend for the year ended 30 September 2021 was 8.5p (2020: 7.5p)	**33.1**	28.2
Interim dividend, paid 22 July 2022 was 2.25p (2021: 2.00p paid 16 July 2021)	**8.8**	7.8
	41.9	**36.0**

The Directors recommend a final dividend in respect of the financial year ended 30 September 2022 of 9.5 pence per ordinary share, to be paid on 24 February 2023 to shareholders who are on the register at 27 January 2023. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2022. The final proposed dividend will reduce shareholders' funds by an estimated £37.0m.

8. EARNINGS PER SHARE

Accounting policy

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the basic earnings per share for the effects of share options and awards granted to employees. These are included in the calculation when their effects are dilutive.

Adjusted earnings per share

Adjusted earnings per share is a trend measure, which presents the long-term profitability of the Group, excluding the impact of specific transactions that management considers affects the Group's short-term profitability. The Group presents this measure to assist investors in their understanding of trends. Adjusted earnings is the numerator used for this measure. Adjusted earnings and adjusted earnings per share are therefore stated before amortisation of acquired intangibles, acquisition costs, share based payment expenses and exceptional items, net of any associated tax effects.

The reconciliation between the basic and adjusted earnings per share is as follows:

	2022 £m	2021 £m	2022 Basic earnings per share pence	2021 Basic earnings per share pence	2022 Diluted earnings per share pence	2021 Diluted earnings per share pence
Profit for the year	**62.7**	**41.2**	**16.1**	**10.9**	**16,0**	**10.9**
Adjustments:						
Amortisation of acquired intangibles	**34.4**	**34.4**				
Acquisition costs	**2.1**	**11.2**				
Share based payments expense	**3.2**	**1.4**				
Net gain of debt modification	**0.3**	**0.3**				
Exceptional items	**12.5**	**14.1**				
Tax effect of adjustments	**(10.0)**	**(7.3)**				
Tax adjustments in respect of prior years	**(1.6)**	**(4.5)**				
Adjusted earnings	**103.6**	**90.8**	**26.6**	**23.8**	**26.5**	**23.8**

	2022 Number	2021 Number
Weighted average number of ordinary shares in issue for basic earnings	**389,374,854**	378,460,314
Dilutive impact of share options	**1,469,514**	648,504
Weighted average number of ordinary shares for diluted earnings	**390,844,368**	**379,108,818**

9. GOODWILL

Cost and net book value	2022 £m	2021 £m
At 1 October	**615.8**	257.2
Additions (note 13)	**7.8**	378.6
Adjustments in respect of prior periods (note 6)	**(0.4)**	(1.0)
Exchange adjustments	**69.4**	(19.0)
At 30 September	**692.6**	**615.8**

Accounting policy

Goodwill arising on business combinations (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised, and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in profit or loss in the statement of comprehensive income. Direct costs of acquisition are recognised immediately in profit or loss in the statement of comprehensive income as an expense.

At least annually, or when otherwise required, Directors review the carrying amounts of the Group's property, plant and equipment and intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. A full impairment review is performed annually for goodwill regardless of whether an indicator of impairment exists.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money as well as risks specific to the asset (or cash generating unit ("CGU")) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not beyond the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as income in the Consolidated Statement of Profit or Loss, although impairment losses relating to goodwill may not be reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its CGU. Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. Goodwill is allocated at the lowest level monitored by management, and no higher than an operating segment.

Key assumptions for the value in use - 30 September 2022	Long-term growth rate	Discount rate	Average revenue growth
IP Services	**2.0%**	**12.5%**	**3.2%**
Regulated Industries	**2.0%**	**13.2%**	**6.7%**
Language Services	**2.0%**	**12.7%**	**5.1%**
Language and Content Technology	**2.0%**	**13.5%**	**10.9%**

Key assumptions for the value in use - 30 September 2021			
IP Services	**2.0%**	**10.4%**	**4.0%**
Life Sciences	**2.0%**	**10.9%**	**5.5%**
Moravia	**2.0%**	**11.0%**	**5.5%**
SDL – Technology	**2.0%**	**11.4%**	**8.0%**
SDL - Language Services	**2.0%**	**11.1%**	**5.5%**
SDL - Regulated industries	**2.0%**	**12.3%**	**5.5%**

During the year, management has reviewed its identified CGUs in light of the further integration work that has been performed by the Group since the acquisition of SDL plc in November 2020, and based on the result of this review, management believes the Group now has four CGUs. Key factors of the integration in the year that were considered in management's conclusion included the integration of delivery of services to customers across fRWS and fSDL businesses and commencing to internally report and plan resources on the combined businesses.

In accordance with IAS 36, management performed a value in use impairment test on the pre-existing six CGUs and determined there to be no impairment of goodwill within any CGU. Following this impairment test the Life Sciences and SDL – Regulated Industries CGUs were merged to form the Regulated Industries CGU. Additionally, the Moravia and SDL – Language Services CGUs are also merged to form a Language Services CGU.

At year end management has performed an additional value in use impairment test on the Group four CGUs as detailed further below.

The key assumptions for the value in use calculations are those regarding discount rates and revenue growth rates. All of these assumptions have been reviewed during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to each CGU.

This has resulted in a range of discount rates being used within the value in use calculations.

Determination of key assumptions

The long-term growth rate is the rate applied to determine the terminal value on year five cash flows. This rate is determined by the long term compound annual growth rate in adjusted operating profit as estimated by Management with reference to external benchmarks.

The discount rate is the pre-tax discount rate calculated by Management based on a series of inputs starting with a risk free rate based on the return on long term, zero coupon government bonds. The risk free rate is adjusted with a beta to reflect sensitivities to market changes, before consideration of other factors such as a size premium.

Revenue growth is the average annual increase in revenue over the five-year projection period. The revenue growth rate is determined by Management based on the most recently prepared budget for the future period and adjusted for longer term developments within operating segments where such developments are known and possible to reliably forecast.

As part of the value in use calculation, management prepares cash flow forecasts derived from the most recent financial budgets and 5 year plan, both approved by the Board of Directors and extrapolates the cash flows for a further year based on an estimated growth rate which is either based on management's best estimate or the expected growth rate of the market in which the CGU operates.

The Group has conducted sensitivity analyses on the value in use/recoverable amount of each of the CGUs. Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount of each CGU exceeds its carrying value.

The Directors believe there are no cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment.

The allocation of goodwill to each CGU is as follows:	2022 £m	2021 £m
IP Services	**35.8**	31.3
Regulated Industries[1]	**150.4**	133.6
Language Services[2]	**239.9**	208.1
Language and Content Technology	**266.5**	242.8
At 30 September	**692.6**	**615.8**

10. INTANGIBLE ASSETS

Accounting Policy

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired from a business combination are initially recognised at fair value. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights.

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software, and directly attributable payroll and payroll-related costs arising from the assignment of employees to implementation projects. Capitalisation of these costs ceases when the software is substantially complete and ready for its intended internal use.

Other intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Trade names	5 to 8 years
Clinician database	10 years
Supplier database	13 years
Technology	3 to 7 years
Non-compete clauses	5 years
Trademarks	5 years
Client relationships	7 to 20 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets are amortised using the straight-line method over their estimated useful lives which range from one to five years, these costs are recognised in administrative expenses within the consolidated statement of comprehensive income.

1 Previously Life Sciences and SDL – Regulated Industries 2 Previously Moravia and SDL – Language Services

Research and development

Research costs are expensed as incurred. Development expenditure is capitalised when management is satisfied that the expenditure being incurred meets the recognition criteria from IAS 38. Specifically, this is at the point which management believe they can demonstrate:

- The technical feasibility of completing the asset,
- The intention to complete the asset for use or sale,
- The ability to use or sell the asset,
- The future benefits expected to be realised from the sale or use of the asset,
- The availability of sufficient resources to enable completion of the asset,
- Reliable measurement for the costs incurred during the course of development.

Where these criteria are not met the expenditure is expensed to the income statement. Following the initial capitalisation of the development expenditure the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and impairment losses. Any expenditure capitalised is amortised over the period of expected future economic benefit from the related project. For capitalised development costs this period is 3 to 7 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Development costs that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

	Trade names £m	Clinician & supplier databases £m	Technology £m	Non-compete & Trademarks £m	Client relationships & order books £m	Software £m	Internally generated software £m	Total £m
Cost								
At 30 September 2020	**9.5**	**6.6**	**6.3**	**2.2**	**187.7**	**12.5**	**9.8**	**234.6**
Additions	**-**	**-**	**10.3**	**-**	**-**	**1.8**	**9.4**	**21.5**
Acquisitions	**-**	**-**	**107.1**	**-**	**139.4**	**-**	**-**	**246.5**
Disposals	**(9.1)**	**-**	**-**	**-**	**(3.1)**	**(1.6)**	**(3.7)**	**(17.5)**
Currency translation	**(0.4)**	**(0.2)**	**(0.3)**	**(0.1)**	**(11.0)**	**-**	**-**	**(12.0)**
At 30 September 2021	**-**	**6.4**	**123.4**	**2.1**	**313.0**	**12.7**	**15.5**	**473.1**
Additions	**-**	**-**	**15.5**	**-**	**0.2**	**1.9**	**6.9**	**24.5**
Acquisitions (note 13)	**0.4**	**-**	**2.1**	**-**	**6.4**	**-**	**-**	**8.9**
Adjustments in respect of prior periods	-	-	-	-	**0.4**	**-**	**-**	**0.4**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**(2.7)**	**(4.6)**
Currency translation	**-**	**1.2**	**1.2**	**0.4**	**47.5**	**0.8**	**0.6**	**51.7**
At 30 September 2022	0.4	7.6	142.2	2.5	367.5	13.5	20.3	554.0
Accumulated amortisation and impairment								
At 30 September 2020	**5.6**	**2.7**	**4.7**	**1.6**	**50.0**	**8.5**	**5.1**	**78.2**
Amortisation charge	**3.7**	**0.6**	**15.5**	**0.4**	**23.0**	**1.6**	**3.0**	**47.8**
Disposals	**(9.1)**	**-**	**-**	**-**	**(3.1)**	**(1.3)**	**(3.7)**	**(17.2)**
Currency translation	**(0.2)**	**(0.1)**	**(0.2)**	**(0.1)**	**(1.7)**	**-**	**-**	**(2.3)**
At 30 September 2021	**-**	**3.2**	**20.0**	**1.9**	**68.2**	**8.8**	**4.4**	**106.5**
Amortisation charge	**-**	**0.7**	**18.4**	**0.2**	**25.5**	**1.9**	**3.4**	**50.1**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**(2.7)**	**(4.6)**
Currency translation	**-**	**0.7**	**1.1**	**0.4**	**13.6**	**0.5**	**0.3**	**16.6**
At 30 September 2022	-	4.6	39.5	2.5	107.3	9.3	5.4	168.6
Net book value								
At 30 September 2020	**3.9**	**3.9**	**1.6**	**0.6**	**137.7**	**4.0**	**4.7**	**156.4**
At 30 September 2021	-	3.2	**103.4**	**0.2**	**244.8**	**3.9**	**11.1**	**366.6**
At 30 September 2022	0.4	3.0	102.7	-	260.2	4.2	14.9	385.4

Amortisation of acquired intangibles was £34.4m (2021: £34.4m) and amortisation of other intangibles was £15.7m (2021: £13.4m). The £15.7m amortisation of other intangibles comprises £1.9m on amortisation of software (2021: £1.6m), £3.4m on internally developed intangibles (2021: £3.0m).and £10.4m (2021: £9.0m) of technology which related to the SDL business. The residual £34.4m of amortisation was wholly incurred on acquired intangible assets (2021: £34.4m). The Group has identified intangible assets which are individually material as follows:

- SDL technology products acquired of £61.9m (2021: £74.2m) with a remaining useful life of 5 years
- SDL's Helix platform of £15.8m (2021: £18.9m) with a remaining useful life of 5 years
- SDL's customer relationships of £122.9m (2021:£124.4m) with a remaining useful life of 9 years
- Moravia's customer relationships of £99.9m (2021: £81.1m) with a remaining useful life of 15 years and
- Life Science's customer relationships of £11.6m (2021: £11.8m) with a remaining useful life of 5 years.

No other classes of intangible asset hold individually material items. The remaining average useful life is 11 years.

11. LOANS

Accounting policy

Loans are recognised initially at fair value, less directly attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost using the effective interest method. Loans are classified as current, unless the Group has the discretion to roll over an obligation for a period of at least 12 months under an existing loan facility.

Directly attributable transaction costs are capitalised into the loans to which they relate and are amortised using the effective interest rate method.

When an existing loan facility is replaced by another from the same lender on substantially different terms, or the terms of an existing loan are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss in the statement of comprehensive income.

	2022 £m	2021 £m
Due in more than one year		
Loan	**32.2**	49.2
Issue costs	**(2.9)**	(2.0)
At 30 September	**29.3**	**47.2**

Analysis of net debt - 30 September 2022	At 1 October £m	Acquired £m	Cash flows £m	Non-cash charges £m	At 30 September £m
Cash and cash equivalents	**92.5**	**0.6**	**0.1**	**8.0**	**101.2**
Issue costs	**2.0**	**-**	**1.5**	**(0.6)**	**2.9**
Loans (current and non-current)	**(49.2)**	**-**	**25.5**	**(8.5)**	**(32.2)**
Net debt - excluding lease liabilities - ("Net debt")	**45.3**	**0.6**	**27.1**	**(1.1)**	**71.9**
Lease liabilities	**(51.5)**	**(0.2)**	**13.1**	**(8.1)**	**(46.7)**
Net debt - including lease liabilities	**(6.2)**	**0.4**	**40.2**	**(9.2)**	**25.2**

Analysis of net debt - 30 September 2021	At 1 October £m	Acquired £m	Cash flows £m	Non-cash charges £m	At 30 September £m
Cash and cash equivalents	**51.4**	**55.8**	**(13.1)**	**(1.6)**	**92.5**
Issue costs	**2.6**	**-**	**-**	**(0.6)**	**2.0**
Loans (current and non-current)	**(69.1)**	**-**	**17.7**	**2.2**	**(49.2)**
Net debt - excluding lease liabilities - ("Net debt")	**(15.1)**	**55.8**	**4.6**	**-**	**45.3**
Lease liabilities	**(22.8)**	**(37.7)**	**12.6**	**(3.6)**	**(51.5)**
Net debt - including lease liabilities	**(37.9)**	**18.1**	**17.2**	**(3.6)**	**(6.2)**

Non-cash charges against the loan balance represent the effects of foreign exchange on the financial liability.

On 3 August 2022, the Group entered into an Amendment and Restatement Agreement (“ARA”) with its banking syndicate which amended its existing US$120m RCF maturing on 10 February 2024, to a US$220m RCF Facility maturing on 3 August 2026 with an option to extend maturity to 3 August 2027.

Under the terms of the ARA, the Group’s interest margin over the Secured Overnight Financing Rate (“SOFR”) reference interest rate ranges from 95bps to 195bps and is dependent on the Group’s net leverage. Commitment fees are payable on all committed, undrawn funds at 35% of the applicable interest margin. The ARA also contains a US$100 million uncommitted accordion facility.

The debt refinancing was accounted for as a debt modification without extinguishment resulting in a nominal debt modification gain being recognised in the parent company’s statement of comprehensive income of £5k.

All transaction costs incurred in amending and re-stating the RCF have been capitalised and are being amortised over the 4-year term of the facility on a straight-line basis. Currently all Group borrowings under the RCF are denominated in USD.

12. CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank and in hand	**94.8**	**89.6**
Short-term deposits	**6.4**	**2.9**
	101.2	**92.5**

The fair value of cash and cash equivalents is £101.2m (2021: £92.5m). Restricted cash at 30 September 2022 was £Nil (2021: £Nil).

Short-term deposits have an original maturity of three months or less depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Management consider short term deposits to be 'subject to an insignificant risk of changes in value.

13. ACQUISITIONS

Liones Holding BV ("Fonto")

On 22 March 2022, the Group acquired the entire issued share capital of Liones Holding BV ('Fonto') and its subsidiaries for an initial consideration of Euro 17.7m (£14.7m) on a cash and debt free basis, with additional contingent consideration of Euro 5m payable in two equal installments on the first and second anniversary of the transaction. Fonto is a structured content management business which complements our Tridion proposition and further builds our Content Technology portfolio.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Fair values £m
Net assets acquired:	
Intangible assets	**8.9**
Property, plant and equipment	**0.1**
Right-of-use assets	**0.2**
Trade and other receivables	**0.9**
Cash and cash equivalents	**0.6**
Trade and other payables	**(1.1)**
Corporation tax	**(0.3)**
Deferred tax	**(2.2)**
Lease liabilities	**(0.2)**
Total identifiable net assets	**6.9**
Goodwill	**7.8**
Total consideration	**14.7**
Satisfied by:	
Cash	**14.7**

The provisional fair values of assets and liabilities were recognised effective 22 March 2022 with the purchase price allocation work concluded in August 2022. This resulted in an allocation of £6.4m to customer relationships, £2.1m to Technology assets and £0.4m to Brands, with a corresponding reduction in goodwill. Additional deferred tax liabilities of £2.2m were recognized on the identified intangible assets. The fair values of Trade and other receivables and other classes of assets and their gross contractual amount are the same.

Fonto contributed revenue of £1.1m to Group revenue and £0.1m to profit after tax for the period between date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, Fonto would have contributed additional revenues of £3.4m and increased profit after tax for the year by £1.1m.

The goodwill of £7.8m on acquisition comprises the value of expected synergies to be realized across future periods. These derive primarily from cross sales of RWS products integration of services work with the RWS professional service teams and up-sell of Tridion as a content management service. Integration of Fonto into the RWS Group has progressed during the second half of the financial year and will continue during FY23.

Horn & Uchida (prior year acquisition)

The Group acquired Horn & Uchida Patent Translation Ltd, a specialist based on Osaka, Japan for cash consideration of Y349m (£2.2m) on 7 July 2021 for 100% of its ordinary share capital.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Fair values £m
Net assets acquired:	
Customer relationships	**0.7**
Investment securities	**0.2**
Trade and other receivables	**1.0**
Cash and cash equivalents	**0.8**
Trade and other payables	**(1.0)**
Deferred tax assets	**0.1**
Total identifiable net assets	**1.8**
Goodwill	**0.5**
Total consideration	**2.3**
Satisfied by:	
Cash	**2.3**

The provisional fair values of assets and liabilities were recognised effective 7 July 2021 with the purchase price allocation work concluded in January 2022. This resulted in an allocation of £0.7m to customer relationships and a corresponding reduction in goodwill. Additional deferred tax liabilities on the identified intangibles were recognised of £0.2m, with a corresponding increase in intangible assets. No provisional fair value changes were made to any other class of asset.

14. POST BALANCE SHEET EVENTS

There have been no significant events that have occurred between the balance sheet date and the date of authorising these financial statements which require disclosure or adjustment within these financial statements.

ALTERNATIVE PERFORMANCE MEASURES

RWS uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent measure of the Group's operating performance. Adjusted profit is therefore stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items. The table below reconciles the statutory profit before tax to the adjusted profit before tax.

Reconciliation of statutory profit before tax to adjusted profit before tax:	2022 £m	2021 £m
Statutory profit before tax	**83.2**	55.0
Amortisation of acquired intangibles	**34.4**	34.4
Acquisition costs	**2.1**	11.2
Share-based payment expense	**3.2**	1.4
Exceptional items (note 5)	**12.5**	14.1
Exceptional finance costs	**0.3**	0.3
Adjusted profit before tax	135.7	**116.4**

Reconciliation of adjusted operating profit to statutory operating profit:	2022 £m	2021 £m
Adjusted operating profit	**138.5**	118.5
Amortisation of acquired intangibles	**(34.4)**	(34.4)
Acquisition costs	**(2.1)**	(11.2)
Share-based payment expense	**(3.2)**	(1.4)
Exceptional items (note 5)	**(12.5)**	(14.1)
Statutory operating profit	86.3	**57.4**

Organic Revenue

Organic revenue is calculated by adjusting the prior year revenues by adding pre-acquisition revenues for the corresponding period of ownership.

	2020 Organic Revenue	2021 Organic Revenue Growth/(Loss)	2021 Organic Revenue	2022 Organic Revenue Growth/(Loss)	2022 Organic Revenue[2]	Organic Revenue Growth
IP Services	112.8	**0.8**	113.6	**(6.4)**	**107.2**	**(6%)**
Regulated Industries	157.2	**14.0**	171.2	**1.8**	**173.0**	**1%**
Language Services	320.9	**2.7**	323.6	**18.5**	**342.1**	**8%**
Language & Content Technology	113.7	**2.8**	116.5	**9.1**	**125.6**	**8%**
Total	704.6	**20.3**	724.9	23.0	747.9	**3%**

Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues by adding pre-acquisition revenues for the corresponding period of ownership and applying the 2022 foreign exchange rates to both years.

	2021 Revenue at FY 22 Rates	2021 Pre Acq Revenue at FY 22 Rates[1]	2021 Organic revenue at constant exchange rates	2022 Revenue Growth	2022 Organic Revenue[2]	Organic Constant Currency Revenue Growth
IP Services	**117.5**	**1.4**	**118.9**	**(11.7)**	**107.2**	**(10%)**
Regulated Industries	**168.6**	**8.1**	**176.7**	**(3.7)**	**173.0**	**(2%)**
Language Services	**324.4**	**13.9**	**338.3**	**3.8**	**342.1**	**1%**
Language & Content Technology	**110.9**	**8.4**	**119.3**	**6.3**	**125.6**	**5%**
Total	**721.4**	**31.8**	**753.2**	(5.3)	747.9	**(1%)**

[1] Includes SDL and Horn & Uchida's pre-acquisition operating results
[2] Excludes the FY22 operating revenue of Liones Holding B.V.

Adjusted Operating Profit

Adjusted operating profit is calculated by adjusting operating profit for the impact of exceptional items, amortisation of acquired intangibles, acquisition costs and share based payments. This is further analysed in note 4 and labelled as 'Operating profit/(loss) before charging.

Cash flow conversion calculations	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Adjusted operating profit	**66.3**	**78.4**	**72.9**	**118.5**	**138.5**
Depreciation (excluding right of use asset depreciation)	2.8	3.0	3.0	6.2	7.1
Amortisation from non-acquired intangibles	2.0	3.0	3.4	13.4	15.7
Net changes in working capital	(7.1)	(1.8)	7.1	(23.5)	(8.7)
Underlying cash flow from adjusted operating activities	**64.0**	**82.6**	**86.4**	**114.6**	**152.6**
Cash conversion	**96.5%**	**105.4%**	**118.5%**	**96.7%**	**110.2%**

Glossary

Adjusted earnings per share or Adjusted EPS – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items, net of associated tax effects.

Adjusted net income – Adjusted net income is calculated as statutory profit for the year adjusted for the Group's amortisation on acquired intangibles, acquisition costs, share based payment expense and exceptional items.

Adjusted operating cash flow – is operating cash flow excluding the impact of acquisition costs and exceptional items.

Adjusted operating profit (reconciled above) – is operating profit before charging amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items. The Group uses share-based payments as part of remuneration to align the interests of senior management and employees with shareholders. These are non-cash charges and the charge is based on the Group's share price which can change. These costs are therefore added back to assist with the understanding of the underlying trading performance.

Adjusted profit before tax or Adjusted PBT (reconciled above) – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items.

Amortisation of acquired intangibles – is the value of amortisation recognised on intangibles that were acquired as part of business combinations, net of the amortisation on those intangibles charged by the underlying business. This amount is added back in arriving at adjusted profit and adjusted EPS measures. This is reconciled to total amortisation as part of note 10.

Cash conversion – is the adjusted operating cash flow expressed as a percentage of adjusted operating profit.

Constant currency – constant currency measures apply consistent rates for foreign exchange to remove the impact of currency movements in financial performance.

EBITDA – is defined as the Group's profit before interest, tax, depreciation and amortisation.

Net debt – net debt is the net value of cash or debt held by the business, calculated by taking the Group's cash balance less any amounts under loans, borrowings and lease liabilities. The Group presents net debt both including and excluding the impact of lease liabilities as part of note 16 of the ARA.

Organic – organic measures exclude the impact of acquisitions without assuming constant currency and are prepared on a common basis with the prior year.