This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 (as it forms part of Retained EU Law as defined in the European Union (Withdrawal) Act 2018).

For immediate release 12 December 2023

# RWS Holdings plc

# Results for the year ended 30 September 2023

## Encouraging progress with growth initiatives, new client wins and efficiency drive, partly mitigating a challenging market

RWS Holdings plc ("RWS", "the Group", “the Company”), a unique world-leading provider of technology-enabled language, content and intellectual property services, today announces its final results for the year ended 30 September 2023 (“FY23”).

**Financial overview**

| | **2023** | **2022** | **Change** |
|---|---|---|---|
| Revenue | £733.8m | £749.2m | -2% |
| Gross margin | 46.3% | 46.7% | -40bps |
| Adjusted profit before tax[1] | £120.1m | £135.7m | -11% |
| Profit/(Loss) before tax | £(10.9)m | £83.2m | -113% |
| Adjusted basic earnings per share[1] | 23.3p | 26.6p | -12% |
| Basic earnings per share | (7.1)p | 16.1p | -144% |
| Dividend: | | | |
| Proposed final | 9.80p | 9.50p | +3% |
| Total for year | 12.20p | 11.75p | +4% |
| Cash conversion[1] | 74.0% | 92.7% | -1900bps |
| Net cash[2] | £23.6m | £71.9m | -67.2% |

**Group highlights**

- Strategic progress, client wins and efficiency drive mitigation of challenging market backdrop:
  - New business wins and strong retention across all divisions and in a range of end markets, including aviation, e-commerce, engineering, manufacturing, government/defence, mining, software and technology
  - Continuing successful focus on higher growth segments delivered £20m of incremental revenue (FY22: £5m), notably TrainAI (data services), eLearning, Linguistic Validation and Patent Attorney initiatives
  - As announced in June 2023, delivered a run rate £25m cost savings to support FY24 profitability whilst investing in growth initiatives
  - Invested £40m in capex in line with our strategy to drive growth levers and deliver transformation

- Increasing proportion of work going through our AI-enabled Language eXperience Delivery platform (“LXD”)
- Integration of Propylon, content management business acquired in July, on track and progressing well

**Financial performance**

- Reported revenue declined by c.2% year-on-year and organic constant currency (“OCC”)[3] revenue by c.6%, reflecting reduced client activity in a challenging market environment
- As anticipated, OCC revenue decline slowed from c.7% in the first half to c.5% in the second half, with improving trends across our services divisions
- Gross margin broadly maintained at 46.3% (FY22: 46.7%), reflecting price recovery of rising costs and efficiency benefits from greater use of LXD, partially offset by some changes in language and client mix
- Adjusted profit before tax (“Adjusted PBT”)[1] declined 12%, reflecting reduced activity in some end markets, offset by in-year cost savings achieved and the benefits of our foreign exchange hedging programme
- Adjusted PBT[1] margin of 16.4%, down from 18.1% in FY22, after investments in growth initiatives and transformation
- Macroeconomic challenges and higher cost of capital through increased market interest rates resulted in a non-cash exceptional goodwill impairment charge of £62.4m against our technology division which contributed to a reported loss before tax of £10.9m
- Other principal adjusting items, consistent with prior year, included amortisation of acquired intangibles of £38.8m (FY22: £34.4m) and exceptional items relating to restructuring and integration of £22.6m (FY22: £12.5m)
- Continued strong underlying cash generation, with 74% cash conversion[1] (lower figure driven primarily by the timing of tax payments and continued investment in our R&D and Group transformation programmes)
- Net cash[2] of c.£23.6m at 30 September 2023 (FY22: £71.9m), after £46.3m of dividends, £31.5m of acquisition costs, £19.4m of share repurchases and £40.3m of capex
- Recommended final dividend of 9.80p per share (FY22: 9.50p), giving total dividend of 12.20p (FY22: 11.75p), a 4% increase

**Language Services**

- Revenues of £329.8m declined by 4% on a reported basis (FY22: £342.1m) and by 7% on an OCC[3] basis, driven by reduced activity as clients adjusted to more challenging conditions in their own markets
- Won all retender processes with global technology clients
- Client retention and satisfaction remained high, with TrainAI and eLearning growth initiatives both performing well, providing momentum into FY24

**IP Services**

- Revenues of £104.8m declined 2% on a reported basis (FY22: £107.2m) and by 4% on an OCC[3] basis, driven by reductions in client activity
- Volumes recovered in the second half, as anticipated, as the launch of the Unitary Patent on 1 June 2023 resulted in the release of some of the backlog of IP work
- Strong performance in both the Patent Attorney and Worldfile segments

**Regulated Industries**

- Revenues of £162.5m declined by 6% on a reported basis (FY22: £173.0m) and by 9% on an OCC[3] basis
- Positive progress with Linguistic Validation (clinical stage) offset by reduced activity at the regulatory stage amongst some Life Sciences clients; we expect volumes to increase as products move through to the regulatory approval and launch stages in due course
- The Financial and Legal Services segments performed well, driven by Financial Services clients ensuring compliance with PRIIPS regulations

**Language and Content Technology**

- Revenues of £136.7m increased by 8% on a reported basis (FY22: £126.9m) and decreased 1% on an OCC[3] basis
- Encouraging new client wins across the products, with strong second half bookings for Language Weaver (linguistic AI), including its largest ever cloud SaaS contract, worth more than $1m over three years
- SaaS licence revenue growth of 23% which became a tailwind for the Group on a run rate basis in the second half, delivering a more predictable revenue profile for the division

**Current trading and outlook**

- As previously announced, the macroeconomic environment remains challenging with several temporary headwinds, however we are also seeing opportunities for the Group to strengthen leadership in our markets, particularly in AI-enabled solutions
- Benefit of £25m cost actions and efficiency improvements to support profitability in FY24
- Developments in AI and Large Language Models are creating clear growth opportunities for the Group; the positive response to the beta launch of Evolve, Language Weaver's pioneering linguistic AI innovation, in November further cements our strong position in helping clients safely harness the benefits of AI
- In October we announced the acquisition of ST Communications, a long-term language partner of RWS, which has given us a presence in Africa and significantly deepened our expertise in more than 40 African languages
- In line with our capital allocation policy, the share repurchase programme, announced in June, is progressing as planned
- Overall, trading in the current year has been in line with the Board's expectations

**Ian El-Mokadem, CEO of RWS, commented:**

"Against a backdrop of ongoing global uncertainty, we made positive progress with our medium-term strategy during FY23. Our growth initiatives are contributing meaningful incremental revenue and we reinforced our partnerships with several global technology clients through successful outcomes in all significant retenders. With the acquisition of Propylon and, shortly after the year end, ST Communications, we have enhanced the Group's offerings, capabilities and geographical reach.

"This progress has partially mitigated the impact of a challenging market environment which has led to reduced activity in several end markets and ongoing price pressure. Nevertheless, retention levels remained high, we won new clients and we remain confident that activity levels will recover as our clients' markets normalise. We took effective action to ensure that our cost base matches current levels of activity and we continue to identify further efficiency opportunities in our transformation programmes, whilst investing to support our growth initiatives.

"At our AI and Technology Teach-In in October we demonstrated our longstanding expertise and capability and, in line with our strategy, we continued to invest in AI during the year, including the successful launch of the TrainAI proposition,

the incorporation of several AI features into Trados and increasing its use in our production platform, the LXD. The recent launch of Evolve, a unique combination of human and artificial intelligence, has the potential to revolutionise translation processes by significantly reducing the time it takes to achieve near human quality output.

"Notwithstanding the temporary headwinds in some of our markets, the Group remains highly resilient. We have a compelling range of AI-enabled solutions with the enterprise-grade security, quality and privacy that clients are actively seeking and we are successfully pivoting into higher growth segments, which is supporting improving trends across all our services divisions. We continue to transform the Group into a scalable platform to support growth and profitability.

"Our global scale and reach and diverse portfolio of solutions, clients and end markets are complemented by a unique combination of market-leading expertise and technology. With clear structural drivers of demand for our products and services and a strong balance sheet and cash generation supporting investment in organic and acquisition opportunities, we are confident in the long-term prospects of the Group."


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|---|---|
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The person responsible for releasing this announcement is Jane Hyde, General Counsel and Company Secretary.

**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 combination of AI-enabled technology and human 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.

Over the past 20 years we've been evolving our own AI solutions as well as helping clients to explore, build and use multilingual AI applications. With 40+ AI-related patents and more than 100 peer-reviewed papers, we have the experience and expertise to support clients on their AI journey.

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, Africa 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.

**Forward-looking statements**
This announcement contains certain statements that are forward-looking. These include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and

information available at the date of preparation of this document and, unless otherwise required by applicable law, RWS undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. RWS and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

1. *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance. The definitions for these key performance indicators can be found in the Glossary.*

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

3. *OCC: adjusted to reflect a like-for-like comparison between actual and prior year and assumes constant currency across both reported periods.*

## CHAIRMAN'S STATEMENT

### INTRODUCTION

RWS continued to implement its medium-term strategy during FY23, pivoting successfully into higher growth segments, making progress in its transformation programme and building on its longstanding capability to further deploy AI into its products and operations. The Group operates in attractive markets with a combined global size estimated at more than £47bn[1] and a strong set of demand drivers. RWS's specialist knowledge and experience across all aspects of the content life cycle enable the Group to meet a broad range of client needs in multiple end markets. The Group's scale, reputation and highly diversified client base have helped it to maintain leading positions in a range of highly fragmented markets.

### PERFORMANCE

The Group delivered £733.8m of revenue for the year, a decline of approximately 2% compared with the prior year (FY22: £749.2m). This reflected a continuing challenging economic environment, which resulted in reduced activity in a number of our end markets. While we have taken action to ensure that our cost base matches current levels of activity, we remain confident that activity levels will recover in due course. RWS continued to demonstrate considerable resilience, highlighting the defensive qualities of a business that is well-diversified across end markets, geographies and the solutions that it provides.

The Group recorded a loss before tax of £10.9m (FY22: profit of £83.2m), largely due to impairment charges of £62.4m. Adjusted profit before tax declined to £120.1m (FY22: £135.7m), reflecting reduced revenues and planned investments in growth and transformation. These have been partly mitigated by client price increases, foreign exchange gains of £13.0m from the Group's hedging programme and effective cost control, in particular the implementation of significant cost actions announced at the half year and the further migration of translation volumes through the Language eXperience Delivery ("LXD"), our production platform.

The Group continues to have a strong balance sheet, with net assets of £987.3m (FY22: £1,141.7m) at 30 September 2023 which included net cash of £23.6m (FY22: £71.9m). The reduction in net assets reflects impairment charges of £62.4m and decreasing foreign currency denominated net assets by £60.3m, mainly due to the weakening US Dollar.

### PEOPLE AND BOARD

At 30 September 2023 RWS employed 7,910 full-time equivalents across 67 locations in 33 countries (FY22: 7,761). Our agile working policy facilitated a mix of regular face-to-face contact to support effective collaboration with the advantage of the benefits of technology in delivering time and energy savings from a reduction in commuting. With cost-of-living concerns in many of our locations, the Group's positive approach to flexible working has been appreciated by colleagues across the world. We continued to consider the viability of some of our locations and were able to further reduce the number of offices by c.7%, with associated savings in property and related costs.

Against a difficult macroeconomic environment background, it has been a challenging year for the Group and I would like to recognise, on behalf of the Board, the significant efforts by all our teams across the world in continuing to deliver high quality services and products to our clients. During the year the Group continued to support those colleagues impacted by the ongoing conflict in Ukraine. In February, following the earthquake in Türkiye and Syria, we immediately provided additional support to our home-based team members and their families in Türkiye. The RWS Foundation made donations of £13,000 to the humanitarian appeal and colleague donations raised more than £7,500. After the year end, in light of the conflict in the Middle East, we moved quickly to provide additional support for colleagues in our Lebanon office.

Candida Davies was appointed the Group's Chief Financial Officer and joined the Board at the start of the financial year on 3 October 2022. She brings deep expertise in finance, strategy and business transformation and a wealth of international experience in executing and integrating significant corporate transactions. In order to ensure a smooth handover of responsibilities, Candida worked closely with Rod Day, who continued as a member of the Board and as Deputy Chief Financial Officer until 31 December 2022 when, as planned, he left the Group. I would like to thank Rod for the significant contribution he made during his year with the Group.

On 3 October 2022 Jane Hyde joined the Executive Team as General Counsel and Company Secretary, taking overall responsibility for the Group's legal, governance and risk functions. She has an outstanding record in advising public companies and has held a mix of private practice and in-house general counsel roles alongside commercial and compliance roles in international organisations, including De La Rue plc, JPMorgan Cazenove and Nomura International. The Group's legal team now reports directly to Jane. She also leads the company secretarial and risk management activities for the Group.

On 2 October 2023, Andrew Brode stepped down as Chairman. Andrew has been fundamental to RWS's success since leading a buyout in 1995 and has overseen a series of significant milestones, from listing the Group on AIM in 2003 to overseeing significant growth in revenues and profits, driven both by the underlying business and a series of acquisitions. I would like to thank Andrew for his dedication to the Group, without which we would not have achieved our market-leading position. The Board, and everyone at RWS, owes Andrew a huge debt of gratitude for his contribution over many years and we look forward to continuing to benefit from his wise counsel as a Non-executive Director.

## SUSTAINABILITY AND ESG

RWS remains fully committed to achieving the highest standards in Environmental, Social and Governance ("ESG") in its business activities and interactions with stakeholders. We made further progress during the year towards becoming a truly sustainable business and for the second year we have published a separate ESG report, which sets out our progress in detail. The report is available to download from the Group's website www.rws.com/about/corporate-sustainability/.

## DIVIDEND

The Group continues to deliver its progressive dividend policy and this marks the 20th year in succession that we have increased the dividend. The Group remains highly cash generative and, notwithstanding our share repurchase and investment programmes, both of which will last into FY24, we will continue to deliver high levels of cash conversion.

The Board therefore recommends a final dividend of 9.8p per share. Together with the interim dividend of 2.4p per share, this will result in a total dividend of 12.2p for the year, an increase of 4% compared with FY22. Subject to final approval at the AGM, the final dividend will be paid on 23 February to shareholders on the register at 26 January 2024.

## SUMMARY

The Group has continued to make solid progress in delivering its medium-term strategy, particularly in relation to its growth initiatives, transformation programmes and portfolio expansion. This progress has helped to mitigate some of the effects of a challenging market environment, which has dampened demand and increased price pressure in some of our end verticals in the last 12 months.

We are well-positioned to take advantage of developments in AI and technology and the long-term drivers of demand for our products and services are clear. We are leaders in the majority of markets that we serve and are confident of the opportunities for growth. The Group remains highly cash generative and has a strong balance sheet.

With our global reach, diverse set of end markets and high levels of client retention and satisfaction, I am confident in the Group's long-term prospects. I would like to thank Andrew for his support during my first 18 months with RWS and I look forward to working with him and the rest of the Board as we continue to deliver on our strategy.

Julie Southern

CHAIRMAN

11 December 2023

[1] Sources: OC&C, Slator, CSA, WIPO, EPO, Companies House (2021)

## CHIEF EXECUTIVE OFFICER'S REVIEW

### INTRODUCTION

We have made steady progress with our medium-term strategy against a backdrop of ongoing global uncertainty. We are delivering incremental revenue from our growth initiatives, winning new logos and achieving more efficient delivery of services through our Language eXperience Delivery platform. This progress has partially mitigated the impact of a challenging market environment which has led to reduced activity in several end markets.

Our clients come first and we are proud to continue to have high retention rates and see further improvements to our Net Promoter Score. As we look ahead to the coming year and beyond, we will continue to invest in our AI-powered products and services and help guide clients through their own AI journey.

### PROGRESS IN RELATION TO OUR MEDIUM-TERM STRATEGY

In 2022 we launched a new Group strategy and plan for the next phase of the Group's development. Eighteen months later our strategy remains robust and valid and the Group continues to make solid progress.

We continue to be confident in the structural drivers of demand for our products and services and the strength of the solutions that we provide. This is demonstrated by the encouraging number of new business wins in the period across all divisions, high levels of retention and satisfaction across our existing client base and the positive outcomes from several tender processes involving our largest enterprise clients.

Our growth initiatives, including Linguistic Validation and eLearning, have continued to build well and our data services proposition, TrainAI, was well received when it launched in February, with some encouraging client wins in the early part of the second half. This progress has helped to mitigate some of the effects of a challenging environment which has resulted in reduced activity in a number of our end markets.

The actions we took throughout the year to improve efficiency and maintain profitability have helped to protect margin – particularly the cost actions that we announced at our interim results. We saw some progress in pricing (particularly within our Language and Content Technology division), our transformation programmes and expanding our portfolio.

In July we completed the acquisition of Propylon Holdings Limited ("Propylon"), a content management technology business headquartered in Dublin, Ireland. Propylon's component content management system is used by governments, standards bodies, legal publishers and regulated firms to address the complexities involved with drafting, managing, publishing and updating legal and legislative content. Shortly after the end of FY23 we announced the acquisition of ST Communications, a long-term language partner of RWS, which has given us a presence in Africa and access to significant expertise in more than 40 African languages. Integration of both businesses has started well and is proceeding to plan.

Our strategy identified technology and AI as being critical to our future and the explosion in generative AI and Large Language Models ("LLMs") has reinforced that view. Our longstanding AI capabilities date back to 2003, and ever since we have been pioneering in neural machine translation, AI data services and AI-functionality in our Tridion and Trados products. Our continued investments and the rapid development in AI and LLMs place us in a strong position to benefit internally from AI and create clear growth opportunities for the Group.

During the year we invested in improving our sales effectiveness. Following a successful pilot within IP Services we extended the programme to other divisions, with a focus on implementing more rigorous processes around sales activity and accountability. We also reviewed and sharpened our approach to account management, introducing a single Group-wide approach to account planning and development. This will support our cross-selling efforts as we look to provide more of our solutions to our largest clients.

In line with our medium-term strategy we continue to invest in our transformation. In January we successfully migrated to a single collaboration platform, giving the Group an enhanced ability to communicate and work together more effectively. We have also made progress in HR and Finance transformation, with the first phase of our new HR

platform having gone live in early December 2023. Shortly after the end of the year we implemented the first phase of the new finance operating model, including shared service centres in Brno (Czechia), Bangalore (India) and Shenzhen (China).

The transformation of our IP Services division has also progressed well. The division's translation operations team became part of the Language eXperience Delivery ("LXD") platform and shortly after the year end the LXD started to process IP Services content. We have also consolidated our vendor data and contracts, generating savings for the Group.

## AI AT RWS

At RWS, we have been AI pioneers for many years. Since first launching statistical machine translation in 2003 and later developing one of the world's most advanced neural machine translation platforms, our expert linguists and elite scientists have continued to redefine the limits of machine translation. Since 2016, we've been a trusted data training and services partner to the world's leading tech companies on their AI development, providing the linguistic expertise, cultural insight and quality data that power their success. Whether clients are exploring, building or using AI, we have AI solutions and AI-enabled products to support them on their AI journey.

Our strategy recognises the role of AI and technology in driving growth and efficiency – both for our clients and for our internal deployment.

Our LXD platform, which provides clients with access to more than 1,750 in-house language specialists and more than 35,000 freelancers, relies on our AI-powered technologies, including Language Weaver and Trados, to deliver further improvements in our services. Almost two-thirds of all words translated by the LXD are translated first by Language Weaver, our AI-powered neural machine translation platform.

## PEOPLE, CULTURE AND ORGANISATION

RWS remains a great place to work and we are proud to have nurtured an inclusive and diverse environment where everyone has the opportunity to be their best and be part of a global team.

In a challenging environment, a clear focus is more important than ever and the business has adopted the acronym EDGE to ensure that all colleagues are clear about the Group's priorities. EDGE stands for Efficient Delivery, Growth and Engagement. Our cadence of communications provides context, rationale and examples that bring each of these three components to life, from our CEO-led communications and our monthly company newsletter, to updates about our transformation programmes and via the regular town hall events that take place across divisions and functions.

A major part of developing our culture and fostering an inclusive environment is our annual Group-wide Engagement Survey. This year marked the third year in which we have asked all colleagues for insight into their experience at RWS, looking at what's working well and what can be improved with regard to collaboration, engagement, inclusion, growth and development, leadership and living the Group's values. This year's survey achieved a response rate of 84% (FY22: 85%) and a 61% (FY22: 69%) favourable colleague engagement score. We fully recognise that the external challenges we experienced in FY23 and the difficult decisions we had to take in response have impacted our overall colleague engagement score. However we have confidence that we can make positive progress in the year ahead. Encouragingly our highest scoring area was Trust and Respect (83% favourable), alongside our diverse culture, relationships with managers and corporate sustainability. In parallel, I am pleased to report a further improvement in our voluntary colleague attrition rate[2] to 11.9% for the year (FY22: 15.9%).

To further encourage colleagues to adopt our values and demonstrate their relevance, this year we launched our 'Ambassador Awards' which is our all-colleague recognition programme. Twice a year each of our divisions, the LXD and our Group functions nominate one colleague or team as their best example of each of the four values. These 24 half-year winners received a financial reward and their stories are published and promoted internally to recognise their exceptional contribution. This programme proved extremely popular and we received more than 750 entries during the year.

A regular rhythm of company communications to all colleagues, where we provide updates on client and team successes, organisational changes and product launches, are complemented by a monthly all colleague newsletter.

In January 2023 we undertook a significant information technology migration project, giving everyone across the business the ability to communicate effectively and share information on a single instance of Microsoft Teams and Outlook. We also implemented Viva Engage, a social channel, where all colleagues can now easily share content and

join discussions across the Group.

Our eLearning platform MyLX has continued to provide colleagues with learning and development opportunities. MyLX offers a comprehensive range of more than 360,000 training modules provided by Skillsoft, giving everyone the opportunity to improve their skills and personal development. The platform also allowed us to roll out training in our Code of Conduct, a new information security module and, for the first time, our global health and safety programme. At the end of the year we had a 98% completion rate for all compliance training across the Group.

In June we again brought together our Senior Leadership Team in the UK to remind ourselves of our organisational purpose and values and to review and assess progress on our medium-term strategy. This aims to align our most senior team with our organisational goals before bringing everything to life throughout the business under this group’s combined leadership.

We appointed Daniel Bennett as President of our IP Services division on 10 November 2022, overseeing the Group’s full suite of innovation lifecycle management services, including patent translation and filing, renewals and IP research studies. We announced on 28 September 2023 that Daniel would be leaving the business to pursue other opportunities. Daniel has been instrumental in driving the success of IP Services over the past year by navigating the team through the launch of the Unitary Patent, fostering a more growth-oriented culture and realigning the IP leadership team.

With Andrew Brode stepping back from Chairman to become a Non-executive Director, I would like to thank him personally for the significant support he has given me during my first two years as CEO of the Group and very much look forward to continuing to benefit from his wise counsel.

## OPERATING REVIEW

### Language Services

*Client retention and satisfaction remain high, several successful tender processes and growth initiatives performing well, offset by reduced activity*

The Language Services division represented 45% of Group revenues in the year (FY22: 46%). Revenues of £329.8m were 3.6% lower year on year on a reported basis (FY22: £342.1m) and saw a 7% decrease on an organic constant currency basis.

We are proud that client retention and satisfaction remained high and we were encouraged by positive outcomes following tender processes with several of our global technology clients, albeit we continued to see reduced activity from some clients as they adjusted to more challenging conditions in their own markets.

The Strategic Solutions Group continued to win new clients in both the Major Accounts and GoGlobal segments, including Norse Atlantic Airways, for whom we have recently delivered multilingual booking websites and online experiences across any device or channel, using a combination of our language services expertise and our Tridion solution.

In our Enterprise Internationalisation Group (“EIG”), which serves global technology enterprises, we were encouraged to have completed a three-year contract renewal for one of our largest clients in the first half and, in the early months of the second half, were pleased by the positive outcomes of other tender processes. Clients within the EIG consistently provide high NPS scores and ratings (particularly in 'partnering' and 'delivering') and continue to be delighted with the services and solutions we provide.

With regards to the division’s growth initiatives, eLearning performed well throughout the year and we have seen some success in cross-selling the solution to clients in the Regulated Industries division. In February we launched TrainAI, a refreshed proposition focused on the range of data services that we have been providing to several of our largest technology clients since 2016. This is focused on helping organisations ensure that their own AI models are trained with dependable and responsible data and encompasses data collection, annotation and validation services. The service is backed by a global community of more than 100,000 annotators and linguists.

We have been encouraged by the market’s reception to TrainAI and the sales and marketing drive which is supporting the launch led to some wins early in the second half. Four of our major clients have approved us to train data for the next stage of their AI programmes, giving a strong expectation of further momentum. These programmes

will provide us with strong references amongst the data services buyer landscape and are expected to lead to growth in this developing area.

We were also pleased to complete the beta launch of HAI, a product within GoGlobal, which will enable clients with ad-hoc translation requests to upload documentation for rapid translation. We anticipate the full launch of HAI in early 2024.

The division's adjusted operating profit[3] was £39.4m (FY22: £53.3m) on a reported basis, reflecting the reduction in top-line revenues and unfavourable language and client mix, partially mitigated by effective cost control.

## Regulated Industries

*Linguistic Validation growth initiative performing well, reduced activity among certain clients in life sciences, while financial services experienced solid revenues, largely driven by regulatory changes*

The Regulated Industries division accounted for 22% of Group revenues in the year (FY22: 23%). Revenues of £162.5m decreased by 6.1% year on year on a reported basis (FY22: £173.0m) and decreased by 9% on an organic constant currency basis.

Several life sciences clients continue to show softness due to the impact of new legislation in the USA, such as the Inflation Reduction Act, on product pipelines and due to delays at regulatory authorities; however, we expect volumes to increase as bottlenecks resolve and as products move through the regulatory approval process in due course. Revenues were also impacted year-on-year by the loss of a major Contract Research Organisation ("CRO") client.

In the Life Sciences vertical our focus on clinical operations has brought positive progress. The continued strength of our Linguistic Validation ("LV") proposition supported our pivot to clinical work and has resulted in multiple wins, including a significant programme with a top 5 pharmaceutical company. Building on our LV strength, we have introduced technology-enabled solutions, such as our new electronic Certificate of Display Equivalence ("eCoDE") Comparison tool. The eCoDE tool will revolutionise the electronic Clinical Outcome Assessment ("eCOA") screen review process using AI, increasing accuracy and further reducing timelines for eCOA projects.

We continue to participate in the Critical Path Institute's 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 and feedback in clinical trials and studies.

The growth in patient recruitment services has also contributed to progress in the clinical space with significant new wins. We expect this will be an area of continued expansion going forward and we have continued to leverage our relationships with major global pharmaceutical clients to expand in the APAC region, an area with high growth potential.

We have secured a major programme awarded for pharmacovigilance at a leading CRO as well as a top German pharma company. We also secured a world-renowned hospital systems provider as a new major client, reflecting our continued leadership in the healthcare space.

In the financial and legal services vertical, we saw solid revenues driven by Packaged Retail Investment and Insurance Products ("PRIIPS") regulatory requirements. We won several new clients, including a major European retail bank and a key investment banking client. We also saw expansion with some existing clients, including a large programme with a European general insurance provider. We are extending our technology offering in financial services to expand our footprint and increase client retention in the vertical.

The division's adjusted operating profit[3] decreased 27.5% to £22.9m (FY22: £31.6m) on a reported basis. This reflected the reduction in top-line revenue and the impact of the loss of the CRO client, partially mitigated by cost actions through the year.

## Language and Content Technology

*Encouraging new client wins across portfolio, proportion of annual technology licences revenue continues to grow*

The Language and Content Technology ("L&CT") division accounted for 19% of Group revenues in the year (FY22: 17%). Revenues of £136.7m were 7.7% higher year on year on a reported basis (FY22: £126.9m) and saw a 1% decrease on an organic constant currency basis.

In FY22 we appointed general managers to have full ownership and accountability for four principal product areas – Language Weaver, Trados, Tridion/Fonto and Contenta – which drove a more focused approach. The division's growth plan resulted in a refined go-to-market model for each product, and we are pleased with the progress made across all product areas.

We have had some encouraging new client wins, with Language Weaver continuing to make good progress with strong second half bookings, including its largest ever Cloud SaaS contract, worth more than a million dollars over three years. Overall, SaaS revenues as a proportion of annual technology licences revenue continued to grow. The cumulative benefit from this transition over recent years is now a tailwind and is delivering, as intended, a more predictable revenue profile for the division in the future.

We are also pleased to have launched a new version of Trados in July, alongside a number of new features and functionality to help language specialists and localisation teams be more productive. We saw encouraging momentum for SaaS versions of Trados with bookings significantly increasing year-on-year. We experienced triple digit growth in the principal activity indicators of Trados – number of projects, files and words translated.

In July 2023 we announced the acquisition of Dublin-based Propylon, a provider of content creation, management and publishing solutions for the government, legal, assurance, audit and publishing industries. The integration of Propylon is progressing well and its platform joins RWS's portfolio of dedicated solutions for aerospace and defence (Contenta), manufacturing, high-tech and life sciences (Tridion Docs) and the market-leading XML editor (Fonto).

In the second half, new Tridion releases (both the Sites and the Docs versions of the product) contributed to further progress in the division. Contenta also announced the launch of LiveContent 6.0 (the latest version of its LiveContent solution), a highly flexible cloud-ready architecture for distribution management of technical publications, technician feedback and analytical data insights.

At the end of the period, we delivered a significant up-sell of two of our content technology products (Tridion and Fonto) to an existing major client in life sciences and we continue to win new logos across a range of end markets, including defence, government, software and infrastructure.

The division's adjusted operating profit[3] was broadly flat at £37.0m (FY22: £37.6m) on a reported basis, the higher proportion of SaaS revenues and ongoing planned investments offsetting the impact of higher top-line revenues.

## IP Services

*Successfully managed the impact of the Unitary Patent and improved sales effectiveness, giving strong foundation for FY24*

The IP Services division represented 14% of Group revenues in the year (FY22: 14%). Revenues of £104.8m were 2.2% lower year on year on a reported basis (FY22: £107.2m) and 4% lower on an organic constant currency basis. Following the introduction of the Unitary Patent ("UP") by the European Patent Office, the division delivered 2% organic constant currency growth in Q4.

While revenues in FY23 were slightly down on the prior year, mostly due to the delayed introduction of the UP until 1 June, this was partially offset by strong growth in Worldfile revenue, particularly in the first half of the year, and a rebounding of Eurofile revenues during Q4.

We were encouraged by strong progress in one of our declared growth initiatives, penetrating the Patent Attorneys market, and we anticipate being able to build on several significant wins in FY24.

Our Japan and China operations delivered mixed results during FY23, with growth in the latter underpinned by a number of renewals with large Chinese corporates. This was offset by weakness in our Japan operations stemming from patent grant delays with a major client.

The IP Research division experienced tougher trading during the year, mostly due to a significant reduction in work with a key client, however we saw several new business wins in the last quarter that we anticipate to ramp up into FY24.

We strengthened the division's management team and we have developed a clear roadmap for expansion into patent maintenance activities. Additionally, investment has been put into initiating our Leading for Growth programme, building on our account management success and appointing regional heads of sales, aimed at driving consistent sales leadership coaching and metrics across the division and the acquisition of a number of global new logo clients.

The division's adjusted operating profit[3] was £27.7m (FY22: £30.1m) on a reported basis, reflecting the reduction in top-line revenues together with planned investments in our business to position us for future growth, partially offset by tight cost control.

## SUSTAINABILITY AND ESG

Sustainability is core to the way we operate. Our work for our clients gives us a natural global perspective and deep understanding of the impact of what we do. Over the past year we have made significant progress in becoming One RWS where we:

- understand we need to reduce our carbon footprint to ensure the future of the planet
- are proud of our diversity and celebrate our cultural and technical expertise, enabling us to share a deep understanding of client industries and local cultures
- strive to create a world where understanding is more universal for everyone
- are focused on ensuring that combination of technology and cultural expertise helps our clients grow by ensuring they are understood anywhere

Significant progress has been achieved in each of our four corporate sustainability pillars – our people, our community, our environment and our governance – which remain at the centre of our purpose to unlock global understanding.

Our 2023 engagement survey shows that 79% of colleagues believe that RWS fosters environmentally friendly practices, 82% of colleagues believe they can report unethical practices without fear of negative consequences and 78% believe RWS is taking action to be socially responsible.

Both directly and through The RWS Foundation, we have partnered with a number of community organisations such as CLEAR Global, have undertaken fundraising to support the people affected by the devastating earthquakes in Türkiye and Syria and have progressed our focus on education, partnering with over 700 universities and sponsoring language students via the RWS-Brode Scholarship programme.

We hold ourselves to high accountability standards. As a result in FY22 we improved the accuracy of our carbon footprint by improving our data collection and Greenhouse Gas ("GHG") emissions to include both our operations and supply chain, and committed to setting carbon reduction targets which are aligned with the Science Based Targets initiative ("SBTi"). This was further improved in FY23 and the new targets have been submitted to the SBTi for validation and will be published once validated.

In April the Group successfully managed the impact of a cyber incident after unauthorised access was gained to a legacy application. The UK's Information Commissioner closed its investigation into the breach in early May with no further action.

We also proudly support the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We remain committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our Group and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

We are proud of the accomplishments to date, none of which would have been possible without the unwavering dedication of our colleagues around the globe. To understand and respond to our clients' needs, we believe it is imperative to employ a workforce which reflects the many communities to which we provide services.

## CURRENT TRADING AND OUTLOOK

A challenging economic outlook and wider global economic uncertainty has seen reduced activity from many clients across several end markets. However we are confident that volumes will return in due course, given the five core demand drivers in our market. In particular, growth in AI and the continued explosion of content will give us opportunities.

Progress against our medium-term strategy is working. We are pivoting into higher growth segments via our growth initiatives, investing in transformation and developing our portfolio.

We will continue to focus on ensuring efficient delivery across all parts of the Group. To further support our focus on

cost efficiency, no change will be made to base salary levels for Executive Directors and our senior leadership team. Where salary increases are awarded, these will be focused on our lowest paid colleagues.

We are clear that AI is not a headwind, and instead provides an opportunity for both us and our clients. As illustrated at our AI and Technology Teach-In in October, we believe that developments in AI have been positive for RWS and will continue to support our growth and efficiency in FY24 and beyond. We were also pleased to have announced in November 2023 the beta launch of Evolve, a new capability within Language Weaver that enables almost human-like quality in our machine translation output.

As we look to the future, our people, scale, geographic reach and advanced AI-powered technologies and services, put us in a strong position to further strengthen our leadership in the market.

Ian El-Mokadem

CHIEF EXECUTIVE OFFICER

11 December 2023

[2] 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.
[3] Adjusted operating profit is stated before amortisation and impairment of acquired intangibles, acquisition costs, share-based payments expense and exceptional items. See Note 4

## CHIEF FINANCIAL OFFICER'S REVIEW

### INTRODUCTION

The Group has made significant progress during 2023 with management initiatives to improve efficiency and maintain profitability. The Group has added to its technology portfolio with the acquisition of Propylon, managed to maintain strong cash generation during the period despite a continuing challenging market environment and initiated its first share repurchase programme. The Group’s transformation programme sets a strong platform for further progress in 2024 and beyond.

During 2023 total revenue declined by 2%, adjusted operating profit by 11%, and adjusted profit before tax by 11%. Despite the challenging macroeconomic environment, our key growth levers, such as Linguistic Validation, eLearning and TrainAI have performed well and we continue to invest behind these levers to drive future growth. We are also investing to transform our back office efficiency to better leverage scale. We are encouraged by the ongoing opportunities for efficiency gains through the use of AI and our cost-reduction programmes which aim to mitigate the impact of cost inflation. The Group continued to enhance its portfolio with the acquisition of Propylon Holdings Limited, whose content management system is used by governments, standards bodies, legal publishers and regulated firms.

The Group continues to be highly cash generative, with cash generated from operations of £107.5m during the period, notwithstanding acquisitions and costs associated with restructuring and integration. Net cash excluding lease liabilities declined in the period from £71.9m to £23.6m, reflecting the consideration paid for acquisitions of £31.5m and a further £19.4m paid for the share repurchase programme.

Reflecting the macro challenges in the last year and the higher cost of capital through increasing market interest rates, an impairment charge of £62.4m has been recognised in the period relating to goodwill in respect of the Group’s Language and Content Technology division.

### REVENUE

Overall in FY23 the Group generated revenues of £733.8m, which is 2% lower than FY22. This was due to the impact of challenging economic conditions and reduced activity in our end markets, partly offset by £13m of benefits from our foreign exchange hedging programme and a stronger average US Dollar rate in the period which supported revenues in local sterling currency. On an organic constant currency ("OCC") basis revenues are 6% lower than those achieved in FY22.

In divisional terms, Language Services recorded £329.8m in revenue, a 4% decrease in total revenue and 7% on an OCC basis. Client retention and satisfaction remain high, albeit we continue to see reduced volume from certain clients in some end markets as they adjust to more challenging conditions. The TrainAI and eLearning growth initiatives both performed well and provide momentum going forwards. Regulated Industries recorded £162.5m in revenue, a decrease of 6%, although a decline of 9% on an OCC basis year-on-year. Positive progress has been made with Linguistic Validation and, while some Life Sciences clients continued to deliver reduced levels of activity, we expect volumes to increase as more products move through regulatory approval. Language and Content Technology had total revenue of £136.7m, an increase of 8% year on year and a decrease of 1% on an OCC basis. Reported organic growth was 3% ahead of prior year. IP Services recorded £104.8m in revenue, a decrease of 2% on prior year and 4% on an OCC basis. The introduction of the Unitary Patent in June has resulted in the release of some of the backlog of IP work, providing momentum moving forwards.

The majority of the Group revenue, categorised by geography, is in the US market, which accounts for 54% of the total. No one client accounts for more than 10% of Group revenue.

### GROSS PROFIT

Gross profit decreased by 3% to £339.5m, delivering a gross margin of 46.3%, down slightly from 46.7% in the prior year. Delivery of the significant cost actions announced in June is nearing completion and we continue to identify further opportunities for efficiency gains through our transformation programmes, including by increasing the proportion of work undertaken through our Language eXperience Delivery platform and the use of artificial intelligence ("AI") internally.

## ADMINISTRATIVE EXPENSES

Administrative expenses have increased to £346.4m (2022: £263.9m). Administrative expenses as a percentage of revenue have increased from 35% to 47%, which reflects the impact of the impairment charge related to the Group's Language and Content Technology CGU of £62.4m, together with the cost to achieve the efficiency programmes implemented during the period. Adjusted administrative expenses (gross profit less adjusted operating profit) increased by £4.0m to £215.7m.

Amortisation of acquired intangibles was £38.8m (2022: £34.4m). This included additional amortisation for Fonto and Propylon intangible assets, together with the impact of exchange rate movements during the period. Amortisation of non-acquired intangibles was £18.1m (2022: £15.7m), reflecting an increase in capitalised software development costs.

Exceptional costs of £22.6m were incurred during the year, which includes £12.3m for restructuring and integration costs in relation to the Group’s cost reduction programme, £5.5m for Group transformation costs and £4.8m related to legacy payments.

Acquisition costs of £5.1m were primarily related to the contingent consideration and purchase of Propylon Holdings Limited during the period and contingent consideration for the purchase of Liones Holding B.V. in the prior period.

## FINANCE COSTS

Net finance costs were £4.0m (2022: £3.1m), with the year- on-year increase due primarily to an increase of £1.2m in interest payable on external debt, reflecting higher interest rates and increased borrowings. The Group has a US$220m Revolving Credit Facility (“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 the business and seek selective acquisitions to enhance the Group's capabilities and geographic reach.

## PROFIT BEFORE TAX

The Group reported a loss before tax of £10.9m (2022: profit of £83.2m), the decline having been driven by impairment charges, lower revenues and client activity, together with increases in exceptional charges related to the Group's cost reduction initiative. These have been partially offset by foreign exchange gains of £13.0m from our Group hedging programme and the release of management bonuses during the period.

## ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax ("Adjusted PBT") is stated before amortisation and impairment of acquired intangibles, share-based payment expense, acquisition costs and exceptional items. 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 Adjusted PBT of £120.1m (Adjusted PBT margin: 16.4%) recorded in the period has decreased from £135.7m (Adjusted PBT margin: 18.1%) in the prior year.

## TAX CHARGE

The Group’s tax charge for the year was £16.8m (2022: £20.5m). The adjusted tax charge for the period was £29.6m (2022: £32.1m) representing an effective adjusted tax rate of 24.6% compared with 23.7% in the prior financial year. The rise in the effective rate largely reflects the increase in the UK tax rate from 19% to 25% in April 2023 and, to a lesser extent, tax rates in overseas countries which are higher than the UK tax rate.

## EARNINGS PER SHARE AND DIVIDEND

Basic earnings per share for the financial year decreased from 16.1p to (7.1)p, a decrease of 144%, while adjusted basic earnings per share decreased from 26.6p to 23.3p, representing a decrease of 12%, which reflects the after tax impact of significant adjusting items this financial year including the cost reduction and transformation programmes. The weighted average number of ordinary shares in issue for basic and adjusted basic earnings decreased from 389.4m to 388.2m, principally due to the proportionate impact of the ordinary shares repurchased through the share repurchase programme.

A final dividend for the financial year ended 30 September 2023 of 9.8 pence per share has been proposed, equivalent to £37.4m, while an interim dividend of 2.4 pence per share, equivalent to £9.3m, was paid during the

financial period. A final dividend for the year ended 30 September 2022 of 9.5 pence per share, equivalent to £36.8m, was paid in this financial period.

The proposed total dividend for the year of 12.2 pence per share represents a 4% increase on the total dividend relative to the prior financial period of 11.75 pence per share.

## BALANCE SHEET AND WORKING CAPITAL

Net assets at 30 September 2023 decreased by £154.4m to £987.3m. The main drivers of this decrease was the impairment of goodwill of £62.4m and decreasing foreign currency denominated net assets by £60.3m, mainly due to the weakening US Dollar.

Current assets at 30 September 2023 of £290.2m have decreased by £35.7m on the prior financial year. This includes a decrease in trade and other receivables of £8.2m and in cash and cash equivalents balances of £25.0m to £76.2m.

Current liabilities have also decreased to £182.6m at 30 September 2023, a decrease of £21.0m, primarily due to a decrease in trade and other payables balances of £15.8m. Non-current liabilities have increased by £14.9m, reflecting a net increase in loan balances under our RCF of £23.3m and an increase in provisions of £4.8m, partly offset by a decrease in lease liabilities of £11.3m, trade and other payables of £1.2m and deferred tax of £0.7m.

## CASH FLOW

Cash generated from operations was £129.2m, £19.6m less than the prior year, when cash generated was £148.8m. Operating cash flow before movements in working capital and provisions decreased from £157.5m to £130.9m. The net working capital outflow of £1.7m has decreased by £7.0m from the prior financial year's outflow of £8.7m. This has been driven by improvement in working capital management.

Significant cash outflows from investing activities included net cash consideration for the acquisition of Propylon Holdings Limited of £25.1m, contingent and deferred consideration of £6.4m for prior period acquisitions of Iconic and Liones Holding B.V. and purchases of intangible software of £36.5m.

The Group announced a share repurchase programme during the period and has repurchased £19.4m of shares at the balance sheet date. The programme is progressing as planned and is in line with our capital allocation policy. Cash flows from other financing activities included dividends paid within the financial year ended 30 September 2023 of £46.3m.

Cash balances at the financial year end amounted to £76.2m, with external borrowings of £52.6m, excluding lease liabilities, resulting in a net cash position of £23.6m (2022: £101.2m cash and external borrowings of £29.3m, resulting in net cash of £71.9m). Net debt including lease liabilities was £9.9m (2022: net cash of £25.2m).

## POST BALANCE SHEET EVENTS

On 3 October 2023 the Group acquired ST Comms Language Specialists Proprietary Limited, a Cape Town based language services provider. The acquisition has been funded from existing cash resources and is in line with the Group’s strategy to actively pursue acquisitions that have the potential to accelerate delivery of its medium-term plans.

The Group has continued its share repurchase programme and from 1 October 2023 to 8 December 2023 has purchased a further 6,252,443 shares at an average price of 234.3p per share.

Candida Davies

CHIEF FINANCIAL OFFICER

11 December 2023

# Consolidated Statement of Comprehensive Income

for the year ended 30 September 2023

| | Note | 2023<br>£m | 2022<br>£m |
|---|---|---|---|
| **Revenue** | | **733.8** | **749.2** |
| Cost of sales | | **(394.3)** | (399.0) |
| **Gross profit** | | 339.5 | **350.2** |
| Administrative expenses | | **(346.4)** | (263.9) |
| **Operating (loss)/ profit** | | (6.9) | **86.3** |
| **Analysed as:** | | | |
| Adjusted operating profit: | | **123.8** | 138.5 |
| Amortisation of acquired intangibles | | **(38.8)** | (34.4) |
| Impairment losses | **9** | **(62.4)** | - |
| Acquisition costs | | **(5.1)** | (2.1) |
| Share based payment expense | | **(1.8)** | (3.2) |
| Exceptional items | **5** | **(22.6)** | (12.5) |
| **Operating (loss)/ profit** | | (6.9) | 86.3 |
| | | | |
| Finance income | | **0.6** | 0.2 |
| Amortisation of capitalised exceptional finance costs | **5** | **(0.3)** | (0.3) |
| Finance costs | | **(4.3)** | (3.0) |
| **(Loss)/ profit before tax** | | (10.9) | **83.2** |
| Taxation | **6** | **(16.8)** | (20.5) |
| **(Loss)/ profit for the year attributable to the owners of the Parent** | | (27.7) | **62.7** |
| **Other comprehensive (expense)/ income** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| (Loss)/ gain) on retranslation of quasi equity loans (net of deferred tax) | | **(1.9)** | 6.1 |
| (Loss)/ gain on retranslation of foreign operations | | **(60.3)** | 107.3 |
| Gain/ (loss) on hedging (net of deferred tax) | | **2.0** | (6.7) |
| **Total other comprehensive (expense)/ income** | | (60.2) | **106.7** |
| | | | |
| **Total comprehensive (expense)/ income attributable to owners of the Parent** | | (87.9) | **169.4** |
| | | | |
| Basic earnings per ordinary share (pence per share) | **8** | **(7.1)** | 16.1 |
| Diluted earnings per ordinary share (pence per share) | **8** | **(7.1)** | 16.0 |

# Consolidated Statement of Financial Position

as at 30 September 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | **9** | **608.6** | 692.6 |
| Intangible assets | **10** | **359.4** | 385.4 |
| Property, plant and equipment | | **27.5** | 31.3 |
| Right-of-use assets | | **27.5** | 39.0 |
| Non-current income tax receivable | | **1.4** | 1.0 |
| Deferred tax assets | **6** | **1.2** | 1.1 |
| | | **1,025.6** | **1,150.4** |
| **Current assets** | | | |
| Trade and other receivables | | **212.3** | 220.5 |
| Income tax receivable | | **1.7** | 4.2 |
| Cash and cash equivalents | **12** | **76.2** | 101.2 |
| | | **290.2** | **325.9** |
| **Total assets** | | 1,315.8 | **1,476.3** |
| **Current liabilities** | | | |
| Trade and other payables | | **149.8** | 165.6 |
| Lease liabilities | | **9.9** | 11.8 |
| Foreign exchange derivatives | | **-** | 0.6 |
| Income tax payable | | **15.3** | 22.7 |
| Provisions | | **7.6** | 2.9 |
| | | **182.6** | **203.6** |
| **Non-current liabilities** | | | |
| Loans | **11** | **52.6** | 29.3 |
| Lease liabilities | | **23.6** | 34.9 |
| Trade and other payables | | **2.3** | 3.5 |
| Provisions | | **9.7** | 4.9 |
| Deferred tax liabilities | **6** | **57.7** | 58.4 |
| | | **145.9** | **131.0** |
| **Total liabilities** | | 328.5 | **334.6** |
| **Total net assets** | | 987.3 | **1,141.7** |
| **Capital and reserves attributable to owners of the Parent** | | | |
| Share capital | | **3.8** | 3.9 |
| Share premium | | **54.5** | 54.4 |
| Share based payment reserve | | **5.3** | 6.0 |
| Reverse acquisition reserve | | **(8.5)** | (8.5) |
| Merger reserve | | **624.4** | 624.4 |
| Foreign currency reserve | | **33.7** | 95.9 |
| Hedge reserve | | **(3.5)** | (5.5) |
| Retained earnings | | **277.6** | 371.1 |
| **Total equity** | | 987.3 | **1,141.7** |

# Consolidated Statement of Changes in Equity

for the year ended 30 September 2023

| | Note | 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 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 | | - | - | - | (0.1) | (0.1) |
| Dividends | | - | - | - | (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 |
| Loss for the year | | - | - | - | (27.7) | (27.7) |
| Gain on hedging | | - | - | 2.0 | - | 2.0 |
| Loss on retranslation of quasi equity loans | | - | - | (1.9) | - | (1.9) |
| Loss on retranslation of foreign operations | | - | - | (60.3) | - | (60.3) |
| **Total comprehensive (expense)/ income for the year** | | - | - | (60.2) | (27.7) | (87.9) |
| Issue of shares | | - | 0.1 | - | - | 0.1 |
| Deferred tax on unexcercised share options | 6 | - | - | - | (0.2) | (0.2) |
| Deferred consideration settlement | | - | - | (2.5) | - | (2.5) |
| Dividends | 7 | - | - | - | (46.3) | (46.3) |
| Purchase of own shares | | (0.1) | - | - | (19.3) | (19.4) |
| Equity-settled share based payments charge | | - | - | 1.8 | - | 1.8 |
| **At 30 September 2023** | | 3.8 | 54.5 | 651.4 | 277.6 | 987.3 |

| Other reserves | Share based payment reserve £m | Reverse acquisition reserve £m | Merger reserve £m | Foreign currency reserve £m | Hedge reserve £m | Total other reserves £m |
|---|---|---|---|---|---|---|
| **At 30 September 2021** | 2.8 | (8.5) | 624.4 | (17.5) | 1.2 | 602.4 |
| Other comprehensive (expense)/ income 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 |
| Other comprehensive (expense)/income for the year | - | - | - | (62.2) | 2.0 | (60.2) |
| Equity-settled share based payments charge | 1.8 | - | - | - | - | 1.8 |
| Deferred Consideration settlement | (2.5) | - | - | - | - | (2.5) |
| **At 30 September 2023** | 5.3 | (8.5) | 624.4 | 33.7 | (3.5) | 651.4 |

# Consolidated Statement of Cash Flows

for the year ended 30 September 2023

| | Note | 2023<br>£m | 2022<br>£m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/ profit before tax | | **(10.9)** | 83.2 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **7.3** | 7.1 |
| Amortisation of intangible assets | **10** | **56.9** | 50.1 |
| Impairment losses | **9** | **62.4** | - |
| Depreciation of right-of-use assets | | **9.4** | 10.8 |
| Share-based payment expense | | **1.8** | 3.2 |
| Net finance costs | | **4.0** | 3.1 |
| **Operating cash flow before movements in working capital** | | **130.9** | 157.5 |
| (Increase) in trade and other receivables | | **(2.3)** | (5.6) |
| Increase/ (decrease) in trade and other payables and provisions | | **0.6** | (3.1) |
| **Cash generated from operations** | | **129.2** | 148.8 |
| Income tax paid | | **(21.7)** | (21.3) |
| **Net cash inflow from operating activities** | | 107.5 | **127.5** |
| **Cash flows from investing activities** | | | |
| Interest received | | **0.6** | 0.1 |
| Acquisition of subsidiary, net of cash acquired | **13** | **(31.5)** | (14.1) |
| Purchases of property, plant and equipment | | **(3.8)** | (5.3) |
| Purchases of intangibles (software) | **10** | **(36.5)** | (24.3) |
| **Net cash outflows from investing activities** | | (71.2) | **(43.6)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **49.0** | - |
| Repayment of borrowings | | **(25.0)** | (25.5) |
| Transaction costs relating to debt refinancing | | **-** | (1.5) |
| Interest paid | | **(2.6)** | (1.4) |
| Lease liability payments (including interest charged of £1.1m (2022: £1.3m)) | | **(11.9)** | (13.1) |
| Proceeds from the issue of share capital | | **0.1** | 0.2 |
| Purchase of own shares | | **(19.4)** | - |
| Dividends paid | **7** | **(46.3)** | (41.9) |
| **Net cash outflow from financing activities** | | (56.1) | **(83.2)** |
| **Net (decrease)/ increase in cash and cash equivalents** | | (19.8) | **0.7** |
| Cash and cash equivalents at beginning of the year | | **101.2** | 92.5 |
| Exchange (losses)/ gains on cash and cash equivalents | | **(5.2)** | 8.0 |
| **Cash and cash equivalents at end of the year** | **12** | 76.2 | **101.2** |

# 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 2023, which were approved by the Board of Directors on 11 December 2023.

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 2023. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 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 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 2025. 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 2023, the Group has net debt of £9.9m comprising the Group's US$220m revolving credit facility ("RCF") (£52.6m drawn at year end) and lease liabilities of £33.5m, less cash and cash equivalents of £76.2m. The RCF matures in August 2026 but is extendible for a further year subject to lender consent. At year end the Group's net leverage ratio (as defined by the RCF agreement) is -0.1x EBITDA, while its interest coverage ratio (as defined by the RCF agreement) is 39.9x 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 20% 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 2025. 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 2025 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 £61.1m (2022: £55.2m).

### Capitalised development costs

The Group capitalises development costs relating to product development and internally generated software in line with International Accounting Standard ('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 £19.3m (2022: £22.6m) (see Note 10).

### Estimates and assumptions

The key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below:

### Acquisition accounting

Judgement is often required in determining the identifiable intangible assets acquired as part of a business combination that must be recognised in the Group's consolidated financial statements. Estimation is required in determining both the fair value of all identified assets, liabilities acquired, any contingent consideration and in particular intangible assets. In determining these fair values, a range of assumptions are used, including forecast revenue, discount rates, and attrition rates that are specifically related to the intangible asset being valued. The useful economic lives of these assets is being estimated using Management's best estimates and reassessed annually.

### Other estimates and assumptions

The consolidated financial statements include other estimates and assumption. Whilst Management do not consider these to be significant accounting estimates, the recognition and measurement of certain material assets and liabilities are based on assumptions which, if changed, could result in adjustments to the carrying amounts of and liabilities.

### 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 £52.7m (2022: £51.2m). The effect of changing the estimated total cost of each contract could, in aggregate, have an 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 cash generating units ('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 and EBITDA margin to be significant estimates. 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. During the period an impairment of £62.4m has been recognised in respect of the Language and Content Technology CGU. See Note 9 and 10 for further details.

Additionally, the Group has considered other reasonable possible changes to the assumptions underlying the CGU valuations that would need to occur and which would cause an impairment as follows:

Regulated Industries - EBITDA margin: By using the actual FY23 EBITDA margin (17.0%) across the projection period while keeping all other factors consistent with the base model, we have noted an impairment of £3.1m at the lower end range of the WACC which is a reasonable possible change. Headroom would be eliminated at an EBITDA margin of 17.2%. The value-in-use headroom of £65.3m exceeded the carrying asset amount by 30%.

Language Services - Discount factor (WACC): There is evidence of reasonable possible change at the higher end of the WACC sensitivity (+200bps) which causes an impairment of £0.2m. Headroom would be eliminated by an increase in the WACC of 199bps or a reduction in

revenue growth of 3.4%. The value-in-use headroom of £60.9m exceeded the carrying asset amount by 15.2%.

Language and Content Technology - Revenue growth: adjusting revenue by 1% impacts the value in use by approximately £17m which is a reasonable possible change. The impairment would be eliminated by increasing revenue by 3.4%.

IP Services - Due to the significant headroom available after additional sensitivities have been performed no additional disclosure is required. The value-in-use headroom of £216.7m exceeded the carrying asset amount by 332%.

### 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 uncertain tax positions ('UTPs') was £6.7m (2022: £6.8m), 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 and 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 licences are recognised upfront when performance obligations are delivered in the same manner as a perpetual licence sale but, typically, are billed annually and do not follow the same billing pattern as the Group's contracts for perpetual licences, instead billing follows more closely that of a SaaS licence 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 licences using the residual method based upon other components of the contract. The residual method is used because the prices of licences 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 | 2023<br>£m | 2022<br>£m |
|---|---|---|
| At a point in time | **22.4** | 21.2 |
| Over time | **82.4** | 86.0 |
| **IP Services** | 104.8 | 107.2 |
| At a point in time | **25.8** | 26.0 |
| Over time | **110.9** | 100.9 |
| **Language and Content Technology** | 136.7 | 126.9 |
| Over time | **329.8** | 342.1 |
| **Language Services** | 329.8 | 342.1 |
| Over time | **162.5** | 173.0 |
| **Regulated Industries** | 162.5 | 173.0 |
| **Total revenue from contracts with customers** | 733.8 | 749.2 |

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 IFRS 15 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 £1.7m (2022: £1.9m). Capitalised contract costs are recognised within other debtors on the statement of financial position.

| Receivables, contract assets and contract liabilities with customers | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Net trade receivables | **138.6** | 148.9 |
| Contract assets (accrued income) | **52.7** | 51.2 |
| Contract liabilities (deferred income) | **(49.9)** | (53.0) |

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 £53.5m (2022: £54.1m). 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 2022 was £49.5m (2022: £40.8m).

## 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 Propylon Holdings Ltd in July 2023.

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

| Segment results for the year ended 30 September 2023 | L&CT £m | IP Services £m | Regulated Industries £m | Language Services £m | Unallocated Costs £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue from contracts with customers** | **136.7** | **104.8** | **162.5** | **329.8** | **-** | **733.8** |
| Operating profit/(loss) before charging: | **37.0** | **27.7** | **22.9** | **39.4** | **(3.2)** | **123.8** |
| Amortisation of acquired intangibles | **(12.0)** | **(0.1)** | **(12.3)** | **(14.4)** | **-** | **(38.8)** |
| Impairment losses (see Note 9) | **(62.4)** | **-** | **-** | **-** | **-** | **(62.4)** |
| Acquisition costs | **-** | **-** | **-** | **-** | **(5.1)** | **(5.1)** |
| Exceptional items (see Note 5) | **(3.3)** | **(6.0)** | **(1.3)** | **(5.7)** | **(6.3)** | **(22.6)** |
| Share based payment expense | **(0.2)** | **-** | **(0.2)** | **(0.5)** | **(0.9)** | **(1.8)** |
| **(Loss)/ profit from operations** | **(40.9)** | **21.6** | **9.1** | **18.8** | **(15.5)** | **(6.9)** |
| Net finance expense | | | | | | **(4.0)** |
| **Loss before taxation** | | | | | | **(10.9)** |
| Taxation | | | | | | **(16.8)** |
| **Loss for the year** | | | | | | **(27.7)** |

| 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** |

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

| Revenue by client location | 2023 £m | 2022 £m |
|---|---|---|
| UK | **81.7** | 85.9 |
| Continental Europe | **167.8** | 178.2 |
| United States of America | **393.2** | 390.2 |
| Rest of the World | **91.1** | 94.9 |
| **Total** | 733.8 | **749.2** |

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 | 2023 £m | 2022 £m |
|---|---|---|
| UK | **191.8** | 189.5 |
| Continental Europe | **156.6** | 166.6 |
| United States of America | **334.6** | 339.0 |
| Rest of the World | **50.8** | 54.1 |
| **Total** | 733.8 | **749.2** |

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 | 2023 £m | 2022 £m |
|---|---|---|
| UK | **190.2** | 162.7 |
| Continental Europe | **80.8** | 79.0 |
| United States of America | **128.1** | 147.2 |
| Rest of the World | **59.1** | 67.5 |
| **Total** | 458.2 | 456.4 |

## 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.

| | 2023 Pre-tax £m | 2023 Tax impact £m | 2023 Total £m | 2022 Pre-tax £m | 2022 Tax impact £m | 2022 Total £m |
|---|---|---|---|---|---|---|
| Group transformation programme | **(5.5)** | **1.1** | **(4.4)** | (0.3) | 0.1 | (0.2) |
| Restructuring & integration related costs | **(12.3)** | **2.9** | **(9.4)** | (12.2) | 2.4 | (9.8) |
| Legacy payment arrangements | **(4.8)** | **-** | **(4.8)** | - | - | - |
| **Total exceptional items - operating** | (22.6) | 4.0 | (18.6) | **(12.5)** | **2.5** | **(10.0)** |
| 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** | (22.9) | 4.0 | (18.9) | **(12.8)** | **2.5** | **(10.3)** |

A description of the principal items included is provided below:

**Transformation costs** – £5.5m was incurred during the period in respect of transformation programmes for Finance and Human Resources initiated as part of a strategic review of the business to drive improved efficiencies in future periods and includes severance costs of £1.7m. In total £2.4m has been paid in the period. The severance costs are expected to be paid during the first half of FY24 and the ongoing benefits from the integration will be recognised in the operating profit in the Statement of Comprehensive Income.

**Restructuring Costs** - £7.6m was incurred in respect of severance and termination payments related to the Group's cost reduction plan which is expected to have a positive impact in FY24 of approximately £25m. A further £0.6m of severance costs were incurred in respect of the businesses defined integration plan for the OneRWS initiative. A total of £4.4m of these costs were paid during the period.

**Integration costs** - £3.4m was incurred in respect of IT integration projects to enhance service delivery capability and reduce business complexity across the Group. A further £0.7m was incurred related to delivering synergies from business integration and ongoing simplification of the Group's corporate structure. All of these amounts were paid during the period.

**Legacy payments** - £4.3m was recognised in the period in respect of an ongoing liability related to historic agreements with former owners of the business and their respective families. This expense had previously been recognised as incurred. A further £0.5m was paid during the period in respect of current year obligations.

**Finance costs** - £0.3m was incurred related to amortisation expense associated with a gain on debt modification recognised in previous accounting periods.

In the prior period, exceptional costs included £7.4m of IT integration costs, £3.2m of severance costs, £1.6m of contract termination costs, £0.3m for Group Transformation programmes and £0.3m of exceptional finance costs. In total £12.5m was charged during the prior period.

### Acquisition-related costs

Acquisition-related costs of £5.1m (2022: £2.1m) includes a total of £3.3m of contingent consideration associated with the acquisition of Propylon Holdings Limited (£1.2m) during the period and the acquisition of Liones Holdings B.V. Limited (£2.1m) in the prior period. These amounts are being recognised in accordance with IFRS 3.

A further £1.5m of transaction fees were incurred associated with the Propylon acquisition, and £0.3m in respect of on-going strategic projects. These have been accounted for as exceptional items in line with the Group's accounting policy and treatment of similar costs during the year ended 30 September 2022.

## 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 also have a number of tax returns potentially subject to audit. These tax audits may give rise to significant tax issues take several years to resolve. In estimating the probability and amount of any tax charge, Management takes into account the views of internal and external advisers and updates the amount of tax provision whenever necessary. The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. As referenced in Note 2, the Group considers all tax positions separately and uses either the most likely or expected value method of calculation on a case by case basis.

### VAT

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

| Taxation recognised in income and equity is as follows: | 2023 £m | 2022 £m |
|---|---|---|
| **Current Tax Charge** | | |
| UK corporation tax at 22% (2022: 19%) | **4.8** | 5.7 |
| Overseas current tax charge | **17.7** | 18.7 |
| Adjustment in respect of previous years | **(2.4)** | (4.2) |
| **Deferred Tax Charge** | | |
| Origination and reversal of temporary differences | **(5.9)** | (2.4) |
| Rate change impact | **0.2** | 0.1 |
| Adjustment in respect of previous years | **2.4** | 2.6 |
| **Total tax expense in profit or loss** | **16.8** | **20.5** |
| Total tax charge in equity | **0.2** | 0.1 |
| Total tax in other comprehensive income | **(0.3)** | 0.7 |
| **Total tax charge for the year** | **16.7** | **21.3** |

| Reconciliation of the Group's tax charge to the UK statutory rate: | 2023 £m | 2022 £m |
|---|---|---|
| (Loss)/ profit before taxation | **(10.9)** | 83.2 |
| Notional tax charge at UK corporation tax rate of 22% (2022: 19%) | **(2.4)** | 15.8 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **3.1** | 2.2 |
| Impact of impairment losses | **13.7** | - |
| Adjustments in respect of previous years | **-** | (1.6) |
| Changes in tax rates | **0.2** | 0.1 |
| Higher tax rates on overseas earnings | **2.2** | 4.0 |
| **Tax charge as per the income statement** | **16.8** | 20.5 |
| **Effective tax rate** | **(154.1)%** | 24.6% |

### 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, as well as non recoverable withholding tax suffered of intragroup dividends. 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 Czechia with other rates that lie in between.

The adjustments in respect of prior periods includes a release of a release of historic uncertain tax positions, offset by new risks identified and provided for during the period. There has also been a recharacterisation of current and deferred tax assets and liabilities following true ups of filed tax returns.

### 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 33 countries, transfer pricing arrangements are in place covering transactions that occur between Group entities.

The Group periodically reviews its historic 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 £15.3m on the balance sheet comprises £9.7m of UTPs, although it is not expected that these will be cash settled within 12 months of the year end date. The deferred tax liability of £57.7m on the balance sheet is net of £3.0m 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. The UK enacted its Pillar Two legislation in July 2023 which will require UK multinational entities to comply with the Pillar Two rules for periods starting after 31 December 2023 which for RWS will be the period ended 30 September 2025. As the Pillar Two rules are not yet in force, RWS has not sought to quantify the known or reasonably estimated impact of the Pillar Two rules in this set of financial statements.

| Deferred tax | Share based payments £m | Accelerated capital allowances £m | Other temporary differences £m | Acquired intangibles £m | Tax losses £m | Total £m |
|---|---|---|---|---|---|---|
| **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)** |
| Adjustments in respect of prior years | - | (0.1) | (0.1) | 0.1 | (2.3) | (2.4) |
| Acquisitions | - | - | - | (1.3) | - | (1.3) |
| Credited to income | 0.2 | - | 1.7 | 4.4 | (0.6) | 5.7 |
| Transfers to current taxes | - | - | - | - | (2.8) | (2.8) |
| Charged to equity / OCI | (0.2) | - | - | - | - | (0.2) |
| Foreign exchange differences | - | - | (1.4) | 3.4 | (0.2) | 1.8 |
| **At 30 September 2023** | 0.5 | (1.9) | 10.0 | (69.1) | 4.0 | (56.5) |

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

| | 2023 £m | 2022 £m |
|---|---|---|
| Deferred tax assets | **1.2** | 1.1 |
| Deferred tax liabilities | **(57.7)** | (58.4) |
| **Net deferred tax liability** | (56.5) | **(57.3)** |

### 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 £113.0m (2022: £143.9m) available for offset against future profits. A deferred tax asset of £3.9m (2022: £9.9m) has been recognised in respect of £17.7m (2022: £44.0m) 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 International Financial Reporting Interpretations Committee 23 ('IFRIC 23').

No deferred tax asset has been recognised in respect of the remaining £95.3m (2022: £99.9m) 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 £21.9m (2022: £23.5m).

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 £4.2m (2022: £6.0m).

### 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 £79.2m. The Group has an estimated unrecognised deferred tax liability of £4.9m 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.

| | 2023 £m | 2022 £m |
|---|---|---|
| Final ordinary dividend for the year ended 30 September 2022 was 9.5p (2021: 8.5p) | **37.0** | 33.1 |
| Interim ordinary dividend, paid 21 July 2023 was 2.4p (2022: 2.0p paid 22 July 2022) | **9.3** | 8.8 |
| | 46.3 | **41.9** |

The Directors recommend a final dividend in respect of the financial year ended 30 September 2023 of 9.8pence per ordinary share, to be paid on 23 February 2024 to shareholders who are on the register at 26 January 2024. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2023. The final proposed dividend will reduce shareholders' funds by an estimated £36.8m.

## 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:

| | 2023 £m | 2022 £m | 2023 Basic earnings per share pence | 2022 Basic earnings per share pence | 2023 Diluted earnings per share pence | 2022 Diluted earnings per share pence |
|---|---|---|---|---|---|---|
| **(Loss)/ profit for the year** | **(27.7)** | 62.7 | **(7.1)** | 16.1 | (7.1) | 16.0 |
| Adjustments: | | | | | | |
| Amortisation of acquired intangibles | **38.8** | 34.4 | | | | |
| Impairment losses | **62.4** | - | | | | |
| Acquisition costs | **5.1** | 2.1 | | | | |
| Share based payments expense | **1.8** | 3.2 | | | | |
| Net gain of debt modification | **0.3** | 0.3 | | | | |
| Exceptional items | **22.6** | 12.5 | | | | |
| Tax effect of adjustments | **(12.8)** | (10.0) | | | | |
| Tax adjustments in respect of prior years | **-** | (1.6) | | | | |
| **Adjusted earnings** | 90.5 | **103.6** | 23.3 | **26.6** | 23.3 | **26.5** |

| | 2023 Number | 2022 Number |
|---|---|---|
| Weighted average number of ordinary shares in issue for basic earnings | **388,231,290** | 389,374,854 |
| Dilutive impact of share options | **30,688** | 1,469,514 |
| Weighted average number of ordinary shares for diluted earnings | 388,261,978 | **390,844,368** |

## 9. GOODWILL

| Cost and net book value | 2023 £m | 2022 £m |
|---|---|---|
| At 1 October | **692.6** | 615.8 |
| Additions (Note 13) | **12.9** | 7.8 |
| Impairment | **(62.4)** | - |
| Adjustments in respect of prior periods (Note 6) | **-** | (0.4) |
| Exchange adjustments | **(34.5)** | 69.4 |
| **At 30 September** | **608.6** | **692.6** |

### 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, the 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 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 Comprehensive Income, 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 2023 | Long-term growth rate | Discount rate | Average revenue growth | Average EBITDA margin |
|---|---|---|---|---|
| IP Services | **2.0%** | **14.3%** | **4.0%** | **29.7%** |
| Regulated Industries | **2.0%** | **15.2%** | **2.7%** | **21.9%** |
| Language Services | **2.0%** | **15.1%** | **2.9%** | **17.2%** |
| Language and Content Technology | **2.0%** | **17.4%** | **8.7%** | **36.3%** |

| Key assumptions for the value in use - 30 September 2022 | | | | |
|---|---|---|---|---|
| IP Services | **2.0%** | **12.5%** | **3.2%** | **30.7%** |
| Regulated Industries | **2.0%** | **13.2%** | **6.7%** | **25.1%** |
| Language Services | **2.0%** | **12.7%** | **5.1%** | **20.4%** |
| Language and Content Technology | **2.0%** | **13.5%** | **10.9%** | **41.1%** |

The Group has four CGUs and in accordance with IAS 36, Management performed a value in use impairment test at 30 September 2023. 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.

The trading projections for the five-year period underlying the value-in-use reflect assumptions for EBITDA margins. The EBITDA margin is based on a number of elements of the operating model over the longer-term, including pricing trends, volume growth and the mix of complexity of translation activity and assumptions regarding cost inflation.

As part of the value-in-use calculation, Management prepares cash flow forecasts derived from the most recent financial budgets as approved by the Board of Directors and extrapolates the cash flows for future years based on estimated growth rates which are based on Management's best estimate of 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 allocation of goodwill to each of the CGUs is as shown in the table below:

| The allocation of goodwill to each CGU is as follows: | 2023<br>£m | 2022<br>£m |
|---|---|---|
| IP Services | **33.2** | 35.8 |
| Regulated Industries | **141.8** | 150.4 |
| Language Services | **223.9** | 239.9 |
| Language and Content Technology | **209.7** | 266.5 |
| **At 30 September** | **608.6** | **692.6** |

### Goodwill assessment

The value-in-use calculations performed confirm that the recoverable goodwill amount for IP Services, Regulated Industries and Language Services CGUs each exceed their asset carrying value. The calculation for the Language and Content Technology CGU gave a value-in-use result of £333.3m which was £62.4m below the asset carrying value and accordingly an equivalent impairment loss has been recognised.

This impairment loss has been recognised within administrative expenses in the Consolidated Statement of Comprehensive Income in the period. The impairment has arisen primarily due to the significant increase in discount rates as a result of macroeconomic factors and to a lesser extent, uncertainty regarding longer term growth rates. Whilst the Group expects long-term growth from the Technology strategy, the accounting standard (IAS 36) for impairment assessments does not allow forecasts to be used where assumptions cannot be evidenced or have not yet been fully implemented (e.g. cost savings). As a result, whilst the Group is focused on committing to delivering its growth strategy, the ongoing cost reduction and efficiency programmes restrict the available evidence to demonstrate this growth as at the balance sheet date. Consequently, the full extent of potential longer-term gains are not reflected in the impairment modelling.

## 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.

### 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 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 | **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** |
| Additions | **-** | **-** | **15.4** | **-** | **-** | **2.5** | **18.6** | **36.5** |
| Transfers | **-** | **-** | **(1.0)** | **-** | **-** | **-** | **1.0** | **-** |
| Acquisitions (Note 13) | **0.7** | **-** | **3.1** | **-** | **8.0** | **-** | **-** | **11.8** |
| Disposals | **-** | **-** | **-** | **-** | **-** | **(0.6)** | **(3.7)** | **(4.3)** |
| Currency translation | **-** | **(0.6)** | **(1.2)** | **(0.2)** | **(23.9)** | **(0.2)** | **(0.1)** | **(26.2)** |
| **At 30 September 2023** | **1.1** | **7.0** | **158.5** | **2.3** | **351.6** | **15.2** | **36.1** | **571.8** |
| **Accumulated amortisation and impairment** | | | | | | | | |
| 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** |
| Amortisation charge | **0.1** | **0.7** | **23.8** | **-** | **26.4** | **2.0** | **3.9** | **56.9** |
| Disposals | **-** | **-** | **-** | **-** | **-** | **(0.6)** | **(3.7)** | **(4.3)** |
| Currency translation | **-** | **(0.4)** | **(0.5)** | **(0.2)** | **(7.5)** | **(0.1)** | **(0.1)** | **(8.8)** |
| **At 30 September 2023** | **0.1** | **4.9** | **62.8** | **2.3** | **126.2** | **10.6** | **5.5** | **212.4** |
| **Net book value** | | | | | | | | |
| 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 |
| **At 30 September 2023** | **1.0** | **2.1** | **95.7** | **-** | **225.4** | **4.6** | **30.6** | **359.4** |

Amortisation of acquired intangibles was £38.8m (2022: £34.4m) and amortisation of other intangibles was £18.1m (2022: £15.7m). The £18.1m amortisation of other intangibles comprises £2.0m on amortisation of software (2022: £1.9m), £3.9m on internally developed intangibles (2022: £3.4m).and £12.2m (2022: £10.4m) of technology which related to the SDL business. The residual £38.8m of amortisation was wholly incurred on acquired intangible assets (2022: £34.4m). The Group has identified intangible assets which are individually material as follows:

SDL technology products acquired of £49.8m (2022: £61.9m) with a remaining useful life of 4 years

SDL's Helix platform of £12.6m (2022: £15.8m) with a remaining useful life of 4 years

SDL's customer relationships of £104.3m (2022: £122.9m) with a remaining useful life of 8 years

Moravia's customer relationships of £85.4m (2022: £99.9m) with a remaining useful life of 14 years and

Life Science's customer relationships of £8.2m (2022: £11.6m) with a remaining useful life of 4 years.

No other classes of intangible asset hold individually material items. The remaining average useful life is 10 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.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Due in more than one year** | | |
| Loan | **54.7** | 32.2 |
| Issue costs | **(2.1)** | (2.9) |
| **At 30 September** | 52.6 | **29.3** |

| Analysis of net debt 30 September 2023 | At 1 October £m | Acquired £m | Cash flows £m | Non-cash charges £m | At 30 September £m |
|---|---|---|---|---|---|
| Cash and cash equivalents | **101.2** | **3.3** | **(23.1)** | **(5.2)** | **76.2** |
| Issue costs | **2.9** | **-** | **-** | **(0.8)** | **2.1** |
| Loans (current and non-current) | **(32.2)** | **-** | **(24.0)** | **1.5** | **(54.7)** |
| **Net debt excluding lease liabilities ("Net debt")** | 71.9 | 3.3 | (47.1) | (4.5) | 23.6 |
| Lease liabilities | **(46.7)** | **(0.3)** | **11.9** | **1.6** | **(33.5)** |
| **Net debt including lease liabilities** | 25.2 | 3.0 | (35.2) | (2.9) | (9.9) |

| 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** |

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$100m uncommitted accordion facility.

All transaction costs incurred in amending and re-stating the RCF were capitalised and are being amortised over the extended maturity period of the facility on a straight-line basis. Currently all Group borrowings under the RCF are denominated in US Dollars or Sterling.

## 12. CASH AND CASH EQUIVALENTS

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash at bank and in hand | **68.5** | 94.8 |
| Short-term deposits | **7.7** | 6.4 |
| | 76.2 | **101.2** |

The fair value of cash and cash equivalents is £76.2m (2022: £101.2m). Restricted cash at 30 September 2023 was £Nil (2022: £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

### Propylon Holdings Ltd ("Propylon")

On 12 July 2023, the Group acquired the entire issued share capital of Propylon Holdings Limited ('Propylon') and its subsidiaries for an initial consideration of Euro 30.1m (£25.6m) on a cash and debt free basis. Additional consideration of Euro 12.9m is payable in two equal instalments on the first and second anniversary of the transaction contingent upon key personnel remaining employed. Propylon is a component content management business which compliments both our Tridion and Fonto propositions and further builds our Content Technology portfolio.

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

| The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows: | Fair values £m |
|---|---|
| **Net assets acquired:** | |
| Intangible assets | **11.8** |
| Property, plant and equipment | **0.1** |
| Right-of-use assets | **0.3** |
| Trade and other receivables | **4.3** |
| Cash and cash equivalents | **3.3** |
| Trade and other payables | **(1.6)** |
| Corporation tax | **(0.6)** |
| Deferred tax | **(1.3)** |
| Lease liabilities | **(0.3)** |
| **Total identifiable net assets** | 16.0 |
| Goodwill | **12.9** |
| **Total consideration** | 28.9 |
| **Satisfied by:** | |
| Cash | **28.9** |

The provisional fair values above, are stated before the finalisation of the purchase price allocation ('PPA'). The provisional PPA procedures have resulted in an allocation of £8.0m to Customer Relationships, £3.1m to Technology assets and £0.7m to Brands with a corresponding reduction in Goodwill. Additional deferred tax liabilities of £1.2m were recognised 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.

Propylon contributed revenue of £3.1m to Group revenue and £0.4m 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, Propylon would have contributed additional revenues of £10.1m and increased profit after tax for the year by £3.5m.

The goodwill of £12.9m on acquisition comprises the value of expected synergies to be realised across future periods. These derive primarily from the cross sales of RWS products and integration of services work with the RWS professional service teams. Integration of Propylon into the RWS Group has commenced and will continue during FY24.

## 14. POST BALANCE SHEET EVENTS

On 3 October 2023, the Group acquired ST Comms Language Specialists Proprietary Limited, a Cape Town based language services provider for an initial consideration of $675k (£558k) on a cash and debt free basis with additional contingent consideration of $675k (£558k) due two equal instalments on the first and second anniversary of the transaction.

The Company has continued its share repurchase programme, and from 1 October 2023 to the date of approval of these financial statements has purchased on the open market 6,252,443 shares at an average price of 234.3p.

# 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 and impairment 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: | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Statutory (loss)/profit before tax** | **(10.9)** | 83.2 |
| Amortisation of acquired intangibles | **38.8** | 34.4 |
| Impairment losses (Note 9) | **62.4** | - |
| Acquisition costs | **5.1** | 2.1 |
| Share-based payment expense | **1.8** | 3.2 |
| Exceptional items (Note 5) | **22.6** | 12.5 |
| Exceptional finance costs (Note 5) | **0.3** | 0.3 |
| **Adjusted profit before tax** | **120.1** | **135.7** |

| Reconciliation of adjusted operating profit to statutory operating profit: | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Adjusted operating profit** | **123.8** | 138.5 |
| Amortisation of acquired intangibles | **(38.8)** | (34.4) |
| Impairment losses (Note 9) | **(62.4)** | - |
| Acquisition costs | **(5.1)** | (2.1) |
| Share-based payment expense | **(1.8)** | (3.2) |
| Exceptional items (Note 5) | **(22.6)** | (12.5) |
| **Statutory operating (loss)/ profit** | **(6.9)** | **86.3** |

| Cash conversion: | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Adjusted profit before tax** | **120.1** | **135.7** |
| Adjusted tax charge | **(29.6)** | **(32.1)** |
| **Adjusted net income** | **90.5** | **103.6** |
| | | |
| Net cash inflow | **107.5** | **127.5** |
| Exceptional cash flows | **13.7** | **13.1** |
| Purchase of PPE | **(3.8)** | **(5.3)** |
| Purchase of intangibles | **(36.5)** | **(24.3)** |
| Net interest | **(2.0)** | **(1.3)** |
| Lease liability payments | **(11.9)** | **(13.1)** |
| **Free cash flow** | **67.0** | **96.6** |
| **Cash conversion** | **74.0%** | **93.2%** |

## Organic Revenue

Organic revenue is calculated by adjusting the prior year's revenues by adding pre-acquisition revenues for the corresponding period of ownership.[1]

| | 2021 Organic revenue[1] | 2022 Organic revenue growth/(loss) | 2022 Organic revenue | 2023 Organic revenue growth/(loss) | 2023 Organic revenue | 2023 Organic revenue growth/(loss) % |
|---|---|---|---|---|---|---|
| IP Services | 113.6 | **(6.4)** | 107.2 | **(2.4)** | **104.8** | **(2%)** |
| Regulated Industries | 171.2 | **1.8** | 173.0 | **(10.5)** | **162.5** | **(6%)** |
| Language Services | 323.6 | **18.5** | 342.1 | **(12.3)** | **329.8** | **(4%)** |
| Language & Content Technology | 121.5 | **10.6** | 132.1 | **4.6** | **136.7** | **3%** |
| **Total** | 729.9 | **24.5** | 754.4 | **(20.6)** | **733.8** | **(3%)** |

[1] Includes Liones Holdings B.V. and Propylon Holdings Ltd's pre-acquisition operating results

### Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year's revenues by adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2023 foreign exchange rates to both years.

| | 2022 Revenue at FY23 rates | 2022 Pre-acq revenue at FY23 rates[1] | 2022 Organic revenue at constant exchange rates | 2023 Revenue growth | 2023 Organic revenue | Organic constant currency revenue growth |
|---|---|---|---|---|---|---|
| IP Services | 109.1 | - | 109.1 | (4.3) | 104.8 | (4%) |
| Regulated Industries | 179.3 | - | 179.3 | (16.8) | 162.5 | (9%) |
| Language Services | 354.2 | - | 354.2 | (24.4) | 329.8 | (7%) |
| Language & Content Technology | 132.6 | 5.2 | 137.8 | (1.1) | 136.7 | (1%) |
| **Total** | **775.2** | **5.2** | **780.4** | **(46.6)** | **733.8** | **(6%)** |

[1] Includes Liones Holdings B.V. and Propylon Holdings Ltd's pre-acquisition operating results

## Glossary

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

**Adjusted net income** – is calculated as statutory profit for the year adjusted for the Group's amortisation and impairment of 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 –** is operating profit before charging amortisation and impairment 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** – is stated before amortisation and impairment 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 is reconciled to total amortisation as part of Note 10 in the financial statements.

**Free cash flow** – is the net cash inflow from operating activities before exceptional cash flows, less purchases of fixed assets, net interest paid and lease liabilities.

**Cash conversion** – is the free cash flow expressed as a percentage of adjusted net income.

**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 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.