6 March 2018

SDL PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

A YEAR OF ROOT AND BRANCH TRANSFORMATION

SDL plc ("SDL", "the Group" or the "Company"), a leader in global content management and language translation software and services, announces its preliminary results for the twelve months ended 31 December 2017.

Financial Summary

	2017	**2016**
Group Revenue	£287.7m	£289.9m
Revenue from Continuing Operations	£285.7m	£264.7m
Profit/(loss) before tax	£29.9m	(£15.8)m
Adjusted profit before tax from Continuing Operations[1]	£22.0m	£27.0m
Adjusted basic earnings per share from Continuing Operations	18.9p	26.6p
Adjusted diluted earnings per share from Continuing Operations[2]	18.8p	26.3p
Net Cash	£22.7m	£21.3m
Dividend per share	6.2p	6.2p

Financial highlights

- Revenue from Continuing Operations up 7.9% to £285.7m (2016: £264.7m), +3.2% at constant currency[3]
- Language Services revenue up 11.6% to £184.5m, +7.1% at constant currency
- Language Technologies revenue up 7.0% to £48.6m,+1.6% at constant currency
- Global Content Technologies revenue contracted 2.6% to £52.6m (down 7.4% at constant currency), with strong prior period perpetual licence deal
- Adjusted profit before tax of £22.0m (2016: £27.0m) excludes £2.5m of research and development expenditure which has been capitalised in the year (2016: £nil)
- The disposal of the Fredhopper and Social Intelligence business realised a profit on disposal of £20.6m and net cash proceeds of £22.2m

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[1] Adjusted profit before tax is calculated before amortisation of intangibles and exceptional items.

[2] Adjusted earnings in the earning per share calculation is based on profit after tax and before amortisation of intangibles and exceptional items (net of tax) and before tax exceptional items. A reconciliation of the adjusted earnings per share calculation is set out in Note 7 to the preliminary financial information.

[3] Constant currency movements are calculated by applying 2017 monthly exchange rates to the corresponding 2016 monthly results. Average rates for the year for the Group's two principal foreign currencies are set out in the Interim Chief Financial Officer's Review

Strategic transformation

- Helix automation programme is on track
- Strong traction in premium verticals, particularly Life Sciences and Marketing Solutions
- Increased number of Connectors to over 100, enabling more customers to have automated and integrated access to content and services
- Undertook restructuring activity in the second half of the year to reduce headcount and costs in specific areas of the business and to structure the business with clearer lines of accountability
- Key product launches, including Neural Machine Translation and SDL Trados Studio, with the latter being the most successful release to date
- Machine Translation ("MT") available in Amazon Marketplace

Operational highlights and KPIs

- Good progress across our operational KPIs
- 259 cross-sell and up-sell deals (2016: 228)
- Premium Services revenue up by 78% to £40.1m (2016: £22.5m)
- Language Services RRR (Repeat Revenue Rate[4]) of 93% (2016: 93%)
- Technology ARR (Annual Recurring Revenue[5]) up 4.8% to £63.4m at 31 December 2017 (2016: £60.5m);

Commenting on the results, Adolfo Hernandez, CEO said:

"2017 was a period of operational heavy-lifting and it is frustrating that, as we drove our transformation, we were not able to perform consistently in financial terms in all areas of the business. Our financial results were impacted by weak gross margins in Language Services in the first half and by software deal slippage towards the end of the period. In each case, we initiated detailed recovery plans. Furthermore we continue to modernise our business systems, processes and structure to create a more robust and forecastable business. More positively, SDL took a number of significant strategic steps forward in 2017, most notably the major investment in our automation programme ("Helix"), the divestment of non-core businesses, the launch of neural Machine Translation and the strong growth of our premium verticals."

Commenting on the outlook for 2018, Adolfo Hernandez, CEO said:

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

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[4] Current year revenue earned from prior year customers as a percentage of current year revenue; the difference between RRR and total revenue is revenue from new customers
[5] Annualised revenue from existing contracts which includes term licence fees, SaaS licence fees, support and maintenance and hosting.

About SDL PLC

SDL (LSE:SDL) is the global innovator in language translation technology, services and content management. Over the past 25 years we've helped companies deliver transformative business results by enabling powerful, nuanced digital experiences with customers around the world.

SDL will host a presentation for analysts and investors at 9.30am on Tuesday 6 March 2018 at the offices of FTI at 200 Aldersgate, London, EC1A 4HD.

Cautionary statement

Certain statements in this announcement constitute, or may be deemed to constitute, forward looking statements (including beliefs or opinions). Any statement in this announcement that is not a statement of historical fact including, without limitation those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. As a result, you are cautioned not to place reliance on such forward looking statements. Except as is required by the Listing Rules, Disclosure and Transparency Rules and applicable laws, no undertaking is given to update the forward looking statements contained in this announcement, whether as a result of new information, future events or otherwise.

Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to SDL plc and its subsidiary undertakings when viewed as a whole.

Chairman's Introduction

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

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

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

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

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

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

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

Whilst our financial performance has been frustrating to our shareholders amongst others, the consistency that those core shareholders have shown through 2017 suggests a good understanding of the opportunity available to SDL. We look forward to delivering on the confidence you have shown in us.

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

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

David Clayton

Chief Executive Officer's Review

2017 was a period of operational heavy-lifting and it is frustrating that, as we drove our transformation, we were not able to perform consistently in financial terms in all areas of the business. However, in those cases where we underperformed, we initiated detailed recovery plans and furthermore we continue to modernise our business systems, processes and structure to create a more robust and forecastable business. More positively, SDL took a number of significant steps forward in 2017, most notably the major investment in our automation programme ("Helix"), the divestment of non-core businesses, the launch of neural MT and the growth of our premium verticals which have done well in both top line and margin. In order to capitalise on the growth opportunities, SDL increased investment in developing our premium solutions in fast-growing verticals, such as Life Sciences and Marketing Solutions which we believe is key to our future success. Whilst we faced some challenges in our financial performance, I remain convinced that SDL has a sound strategy and a substantial market opportunity to pursue, as we describe below. In retaining our ambition and long-term goals, we are nevertheless highly cognisant of the need to balance growth, investment and profitability through this period of transformation.

Market opportunity

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

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

SDL is already serving over 1,500 enterprise customers at scale. We are one of the largest language service providers (LSPs) globally, delivering complex projects in hundreds of languages across our world-wide network. We are the market leaders in translation management workflow software and translation productivity software, with 71% market penetration in the worldwide translator community. We are also leaders in technical content and web content management software, enabling customers to store, manage and distribute their global content. Finally, we are innovators in Machine Translation and Natural Language Processing. In total, the markets in which we operate today are worth approximately £17 billion and they continue to grow.

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

Business Strategy

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

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

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

Thirdly, we will continue to build Premium Solutions. These solutions leverage our services platform and our existing product portfolio but are tailored for specific industry requirements. They provide an opportunity to add a higher level of value, differentiate and build deep client relationships. In 2017, we focused on developing our Life Sciences and Marketing Solutions verticals. We also developed a Secure Translation Supply Chain solution for clients who require their content to be secured during the translation process, which is of particular importance as the European Union's General Data Protection Regulations (GDPR) comes into force in May 2018 and we deepen and broaden these relationships, particularly within the financial services vertical.

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

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

Language Services

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

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

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

Language Technologies

In Language Technologies, we made good progress in the year with our key technology themes of cloud, convergence and connectors. We continue to work on unifying our core technology capabilities in SDL Language Cloud so that they can be used in our existing product portfolio and form the basis of new innovations for specific market verticals, such as our launch of SDL Multilingual Submission Management for Life Sciences, which is based on SDL Trados GroupShare. The cloud-based SDL Managed Translation ("Mantra") solution saw strong growth, and SDL also delivered a significant increase in the number of connectors that SDL ships with its Language Technologies products – now totalling more than 100 connectors – enabling the deployment of solutions that make it easy for SDL clients to connect their content with SDL's translation services.

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

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

Global Content Technologies

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

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

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

Financial Performance

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

Throughout 2017, we sought to balance investment in our transformation and profitability. All three of our businesses operated profitably. However, the level of Group profit we were able to report was reduced by temporary decline in Language Services gross margins in the first half and, in our technology businesses, by a faster than expected shift to subscription licence fees and some licence deal slippage. Adjusted PBTA from Continuing Operations was £22.0m (margin[6] 7.7%) (2016: £27.0m, margin: 10.2%). Group profit before tax was £29.9m (2016: loss £15.8m).

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

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

[6] Margin represents the percentage of the relevant profit figure divided by the relevant revenue figure

Our Customers

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

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

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

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

Looking Forward

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

Adolfo Hernandez
Chief Executive Officer
6 March 2018

Interim Chief Financial Officer's Review

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

Measuring our performance

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

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

1 – This comparative has been restated to include revenue from existing customers' life sciences divisions, previously recorded in other industry sectors
2 – This definition has been refined to exclude time of central translation management teams and more accurately reflect the utilisation of linguists' time exclusively. The comparative has been restated in line with this definition.
3 – The month end linguistic utilisation KPI has been added in the year to monitor progress of the Group's operational efficiency initiatives including Helix.

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

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

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

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

Income statement

£m (unless stated otherwise)	2017	2016
Language Services	184.5	165.3
Language Technologies	48.6	45.4
Global Content Technologies	52.6	54.0
Revenues from Continuing Operations	**285.7**	**264.7**
Revenues from Discontinued Operations	2.0	25.2
Total Group revenues	**287.7**	**289.9**
Gross profit from Continuing Operations	149.0	144.0
Gross profit margin from Continuing Operations (%)	52.2%	54.4%
Administrative expenses excluding amortisation and exceptional items from Continuing Operations	(127.0)	(117.0)
Language Services	9.5	18.8
Language Technologies	4.9	4.4
Global Content Technologies	7.6	3.8
Adjusted PBTA from Continuing Operations £m	**22.0**	**27.0**
Adjusted PBTA margin from Continuing Operations (%)	7.7%	10.2%
Exceptional items	(5.7)	(13.1)
Adjusted PBTA from Discontinued Operations	(3.0)	(3.5)
Group PBTA[7]	**13.3**	**10.4**
Amortisation of acquired intangibles	(4.0)	(5.2)
Profit / (loss) on disposal of Discontinued Operations	20.6	(21.0)
Profit / (loss) before taxation	**29.9**	**(15.8)**
Taxation charge	(1.4)	(2.3)
Profit / (loss) after taxation	**28.5**	**(18.1)**

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

Revenue
Revenue from Continuing Operations of £285.7m was 7.9% higher year-on-year (2016: £264.7m). This growth was driven by an 11.6% increase in Language Service revenues, a 7.0% increase in Language Technologies revenues offset by a 2.6% decline in Global Content Technologies revenues.
Our Annual Recurring Revenue (ARR) for our technology businesses grew 4.8% to £63.4m.

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

Revenue diversity

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

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

Geographical analysis of our external revenues (total Group) by destination				
	2017 (£m)	2017 (%)	2016 (£m)	2016 (%)
UK	37.1	12.9%	39.8	13.7%
USA	109.8	38.2%	113.9	39.3%
Germany	19.9	6.9%	20.3	7.0%
Netherlands	19.6	6.8%	19.0	6.6%
Rest of World	101.3	35.2%	96.9	33.4%
Group revenues	**287.7**	**100%**	**289.9**	**100%**

Gross Profit Margin

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

The Gross Profit margin within Language Services improved from 39.3% in H1 to 42.9% in H2 and 41.1% FY 2017 (2016: 44.2%[8]). This improvement was driven by a reduction in the use of external linguists and improved productivity from our internal operations.

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

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

Administrative Expenses

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

Administrative expenses - £m	**2017**	**2016**
Administrative expenses of Continuing Operations	134.0	133.0
Amortisation of intangible assets	(4.0)	(5.2)
Exceptional items	(3.0)	(10.8)
Adjusted Administrative expenses of Continuing Operations	**127.0**	**117.0**

[8] 2016 gross profit has been restated to show the cross charge between Language Services and Language Technologies for use of Machine Translation software in administrative expenses as opposed to Cost of Sales

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

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

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

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

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

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

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

Shared costs of £86.5m (2016: £76.7m) are group, regional and local costs of operating our global footprint. It includes property costs, corporate functions and regional and local costs which support our segment operations. The absolute year-on-year increase of £9.8m is due to changes in the organisational structure which is driving less siloed working and more cross-functional and business segment collaboration. These costs are allocated on a revenue or headcount based methodology that is consistent with previous years. The allocation methodology results in better performing segments bearing more of the shared costs if we allocate on a revenue basis. This has a slight distorting effect at the operating profit level, which is why we tend to focus on gross margin as the more relevant indicator of profitability in Language Services in 2017.

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

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

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

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

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

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

Performance by Segment

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

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

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

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

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

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

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

The Group has also made good progress with its automation programme, Helix. This investment will continue in 2018 and will deliver increased productivity and improved margin from H2 2018 onwards.

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

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

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

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

Translation Productivity delivered another strong year with FY17 revenue growth of 13.3%.The launch of SDL Trados Studio 2017, SDL MultiTerm 2017 at the end of last year delivered a step change in translation memory productivity with our ground-breaking upLIFT technology. In addition, our Adaptive MT technology is directly accessible with the SDL Trados Studio interface. These 2017 releases have confirmed our competitive advantage and driven increased revenues in our Corporate and Language Service Providers (LSP) markets.

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

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

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

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

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

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

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

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

Exceptional items - £m	2017	2016
Redundancy and other staff costs	2.1	4.2
Strategy development	-	2.8
Relaunch of SDL	-	2.1
Other exceptional items	0.9	1.7
Continuing operations	**3.0**	**10.8**
Redundancy and other staff costs	0.8	2.3
Other exceptional items	1.9	-
Discontinued operations	2.7	2.3
Group exceptional items	**5.7**	**13.1**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings per share

Adjusted earnings per share from Continuing Operations (p)	2017	2016
Basic	18.9p	26.6p
Diluted	18.8p	26.3p

Earnings per share (p)	2017	2016
Basic	34.8p	(22.3)p
Diluted	34.7p	(22.1)p

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

Cash flow

£m	2017	2016
Adjusted PBTA from Continuing Operations	22.0	27.0
Depreciation	2.9	3.5
Adjusted PBTDA[9] from Continuing Operations	**24.9**	**30.5**
Working capital and share based payments charge from continued operations	(10.7)	3.5
Adjusted operating cash flow[10] from Continuing Operations	**14.2**	**34.0**
Maintenance capital expenditure	(3.0)	(2.3)
Capitalised R&D costs	(2.5)	-
Taxation	(2.9)	(6.5)
Interest	-	(0.1)
Free cash flow from Continuing Operations	**5.8**	**25.1**
Exceptional items	(7.0)	(11.0)
Investment capital expenditure	(10.4)	-
Cash consumed from Discontinued Operations	(3.7)	(4.4)
Disposal proceeds	22.2	(1.6)
Dividends paid	(5.1)	(2.5)
Other financing activities	1.2	(4.1)
FX on cash	(1.6)	2.6
Net cash flow	**1.4**	**4.1**
Opening net cash at 1 January	**21.3**	**17.2**
Closing net cash at 31 December	**22.7**	**21.3**

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

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

Capital expenditure of £15.9m includes payments for investment capital expenditure (£10.4m), maintenance capital expenditure (£3.0m) and R&D (£2.5m). These capitalised R&D costs are regarded as normal spending by the business and included within the definition of Free Cash Flow. Routine maintenance capital expenditure of £3.0m (2016: £2.3m) represents 1% of revenues. We expect maintenance capital expenditure in FY18 to be within our target of 1% of revenue, excluding capitalised R&D.

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

[9] Adjusted PBTDA – profit before tax, depreciation, amortisation and exceptional items
[10] Adjusted operating cash flow is cash generated from Continuing Operations before exceptional items and income tax paid.

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

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

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

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

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

Balance Sheet

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

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

Working capital

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

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

Funding and Capital Structure

The Group had cash balances at the year-end of £22.7m with no external borrowings (2016: £21.3m cash and no year end external borrowings). As a result, no interest costs were incurred in 2017 or 2016.

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

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

Derivatives and Other Financial Instruments

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

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

	Average exchange rate *		Change	Balance Sheet rate		Change
	2017	2016		2017	2016	
USD	1.29	1.37	(5.8%)	1.34	1.22	9.8%
Euro	1.15	1.23	(7.2%)	1.13	1.17	(3.9%)

*Calculated as a simple average of month end rates across the year

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

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

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

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

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

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

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

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

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

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

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

Xenia Walters
Interim Chief Financial Officer
6 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 Continuing £m	2017 Discontinued £m	2017 **Total £m**	2016 Continuing £m	2016 Discontinued £m	2016 **Total £m**
Sale of goods		26.4	1.6	**28.0**	23.3	17.1	**40.4**
Rendering of services		259.3	0.4	**259.7**	241.4	8.1	**249.5**
REVENUE	2	285.7	2.0	**287.7**	264.7	25.2	**289.9**
Cost of sales		(136.7)	(1.9)	**(138.6)**	(120.7)	(10.8)	**(131.5)**
GROSS PROFIT		149.0	0.1	**149.1**	144.0	14.4	**158.4**
Administrative expenses	4	(134.0)	(5.8)	**(139.8)**	(133.0)	(20.2)	**(153.2)**
OPERATING PROFIT/(LOSS)		15.0	(5.7)	**9.3**	11.0	(5.8)	**5.2**
OPERATING PROFIT/(LOSS) BEFORE AMORTISATION AND EXCEPTIONAL ITEMS		22.0	(3.0)	**19.0**	27.0	(3.5)	**23.5**
Amortisation of intangible assets	4	(4.0)	-	**(4.0)**	(5.2)	-	**(5.2)**
Exceptional items	4	(3.0)	(2.7)	**(5.7)**	(10.8)	(2.3)	**(13.1)**
OPERATING PROFIT/(LOSS)		15.0	(5.7)	**9.3**	11.0	(5.8)	**5.2**
Profit / (loss) on disposal of Non-Core business	3	-	20.6	**20.6**	-	(21.0)	**(21.0)**
Finance cost		-	-	**-**	-	-	**-**
PROFIT/(LOSS) BEFORE TAX		15.0	14.9	**29.9**	11.0	(26.8)	**(15.8)**
PROFIT/(LOSS) BEFORE TAX, AMORTISATION AND EXCEPTIONAL ITEMS		22.0	17.6	**39.6**	27.0	(24.5)	**2.5**
Amortisation of intangible assets	4	(4.0)	-	**(4.0)**	(5.2)	-	**(5.2)**
Exceptional items	4	(3.0)	(2.7)	**(5.7)**	(10.8)	(2.3)	**(13.1)**
PROFIT/(LOSS) BEFORE TAX		15.0	14.9	**29.9**	11.0	(26.8)	**(15.8)**
Tax (charge) / credit (including exceptional credit of £4.6m relating to continuing operations, 2016; £nil)	5	(1.2)	(0.2)	**(1.4)**	(2.7)	0.4	**(2.3)**
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		13.8	14.7	**28.5**	8.3	(26.4)	**(18.1)**
Earnings per ordinary share – basic (pence)	7	16.9	17.9	**34.8**	10.2	(32.5)	**(22.3)**
Earnings per ordinary share – diluted (pence)	7	16.8	17.9	**34.7**	10.1	(32.2)	**(22.1)**

Adjusted earnings per ordinary share (basic and diluted) are shown in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	***2017 £m***	*2016 £m*
Profit / (Loss) for the period		**28.5**	(18.1)
Currency translation differences on foreign operations		**2.0**	21.7
Currency translation differences on foreign currency quasi equity loans to foreign subsidiaries		**(7.8)**	(0.5)
Income tax credit / (charge) on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	5	**1.3**	(0.2)
OTHER COMPREHENSIVE (EXPENSE) / INCOME		**(4.5)**	21.0
TOTAL COMPREHENSIVE INCOME		**24.0**	2.9

All the total comprehensive income is attributable to equity holders of the parent Company. Currency translation differences on foreign operations including quasi equity loans and their related tax impacts may all be reclassified to the Income Statement upon disposal of that operation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	***2017 £m***	*2016 £m*
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		**9.6**	5.3
Intangible assets	8	**152.9**	151.9
Deferred tax asset		**11.2**	8.4
Rent and other deposits		**1.9**	2.0
		175.6	167.6
CURRENT ASSETS			
Trade and other receivables		**82.7**	81.0
Corporation tax		**2.6**	0.9
Cash and cash equivalents	9	**22.7**	21.3
Assets held for sale		**-**	7.1
		108.0	110.3
TOTAL ASSETS		**283.6**	277.9
CURRENT LIABILITIES			
Trade and other payables		**(78.3)**	(88.5)
Current tax liabilities		**(10.6)**	(7.4)
Provisions		**(1.6)**	(1.1)
Liabilities held for sale		**-**	(7.4)
		(90.5)	(104.4)
NON CURRENT LIABILITIES			
Other payables		**(0.7)**	(1.6)
Loans and overdraft		**-**	-
Deferred tax liability		**(0.4)**	(1.1)
Provisions		**(2.9)**	(2.1)
		(4.0)	(4.8)
TOTAL LIABILITIES		**(94.5)**	(109.2)
NET ASSETS		**189.1**	168.7
EQUITY			
Share capital		**0.8**	0.8
Share premium account		**100.7**	99.2
Retained earnings		**63.1**	39.7
Foreign exchange differences		**24.5**	29.0
TOTAL EQUITY		**189.1**	168.7

Approved by the Board of Directors on 6 March 2018

A Hernandez
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share Capital £m	*Share Premium Account £m*	*Retained Earnings £m*	*Foreign Exchange Differences £m*	*Total £m*
At 1 January 2016	**0.8**	**98.5**	**59.6**	**8.0**	**166.9**
Loss for the period	-	-	(18.1)	-	(18.1)
Other comprehensive income	-	-	-	21.0	21.0
Total comprehensive income	-	-	(18.1)	21.0	2.9
Deferred income taxation on share based payments* (Note 5)	-	-	(0.2)	-	(0.2)
Arising on share issues*	-	0.7	-	-	0.7
Dividend paid*	-	-	(2.5)	-	(2.5)
Share based payments*	-	-	0.9	-	0.9
At 31 December 2016	**0.8**	**99.2**	**39.7**	**29.0**	**168.7**

	Share Capital £m	*Share Premium Account £m*	*Retained Earnings £m*	*Foreign Exchange Differences £m*	*Total £m*
At 1 January 2017	**0.8**	**99.2**	**39.7**	**29.0**	**168.7**
Profit for the period	-	-	28.5	-	28.5
Other comprehensive income	-	-	-	(4.5)	(4.5)
Total comprehensive income	**-**	**-**	**28.5**	**(4.5)**	**24.0**
Deferred income taxation on share based payments* (Note 5)	-	-	(0.2)	-	(0.2)
Arising on share issues*	-	1.5	-	-	1.5
Dividend paid*	-	-	(5.1)	-	(5.1)
Share based payments*	-	-	0.2	-	0.2
At 31 December 2017	**0.8**	**100.7**	**63.1**	**24.5**	**189.1**

** These amounts relate to transactions with owners of the Company recognised directly in equity.*
The amounts above are all attributable to equity holders of the parent company.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	***2017***	*2016*
		£m	*£m*
PROFIT / (LOSS) FOR THE YEAR		**28.5**	(18.1)
Tax expense		**1.4**	2.3
PROFIT / (LOSS) BEFORE TAX		**29.9**	(15.8)
Depreciation of property, plant and equipment	4	**2.9**	3.5
Amortisation of intangible assets	4	**4.0**	5.2
(Profit) / loss on disposal of discontinued operations	3	**(20.6)**	21.0
Share based payments		**0.2**	0.9
Increase in trade and other receivables		**(1.7)**	(11.8)
(Decrease) / increase in trade and other payables		**(11.4)**	17.4
Foreign exchange loss / (gain)		**0.2**	(1.8)
Income tax paid		**(2.9)**	(6.5)
CASH GENERATED FROM OPERATIONS		**0.6**	12.1

Cash generated from continuing operations before exceptional cost		**11.3**	27.5
Cash absorbed by discontinued operations		**(3.7)**	(4.4)
Cash outflow from exceptional items		**(7.0)**	(11.0)
Cash generated from operations		**0.6**	12.1

CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant & equipment		**(6.3)**	(2.3)
Payments to acquire intangible assets		**(9.6)**	-
Receipts/(payments) on disposal of discontinued operations	3	**22.2**	(1.6)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**6.3**	(3.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		**1.2**	0.7
Repayment of borrowings		**-**	(4.8)
Dividends paid		**(5.1)**	(2.5)
Interest paid		**-**	(0.1)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(3.9)**	(6.7)
INCREASE IN CASH AND CASH EQUIVALENTS		**3.0**	1.5
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of year		**21.3**	17.2
Increase in cash and cash equivalents		**3.0**	1.5
Effect of exchange rates on cash and cash equivalents		**(1.6)**	2.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**22.7**	21.3

NOTES TO THE ACCOUNTS
for the year ended 31 December 2017

1 BASIS OF ACCOUNTING

Basis of preparation
The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 December 2017 or 2016. Statutory consolidated financial statements for the Group for the year ended 31 December 2016, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2017 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The financial information for the year ended 31 December 2017 has been prepared by the directors based upon the results and position that are reflected in the consolidated financial statements of the Group.

The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as relevant to the financial statements of SDL plc.

Significant accounting policies
The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 December 2016. Planned disposals of separate major lines of business are classified as discontinued operations and net assets reclassified as held for sale following the announcement of such divestments. In such instances, current and prior year results of the discontinued operations are disclosed separately from continuing operations

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

Enquiries included a review of performance in 2017, 2018 annual plans, the Group's 3 year long term plan, a review of working capital including the liquidity position, financial covenant compliance and a review of current cash levels. The Group continues to be cash generating and is debt free with no concerns over future cash requirements. As a result, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a 12 month period from the date of approval of these financial statements. Given this expectation, they have continued to adopt the going concern basis in preparing the financial statements.

2 SEGMENT INFORMATION

The Group operates in the global content management and language translation industries. For management purposes, the Group is organised into business units based on the nature of their products and services. The Group has four operating segments as follows:

- The Language Services segment is the provision of a translation service for customers' multilingual content in multiple languages.
- The Language Technologies segment is the sale of enterprise, desktop and statistical machine translation technologies together with associated consultancy services.
- The Global Content Technologies segment is content management and knowledge management technologies together with associated consultancy services.
- The Non-Core Businesses segment includes the sale of campaign management, social media monitoring and marketing analytic and Fredhopper technologies together with associated consultancy services.

The Chief Operating Decision Maker, the Group's Chief Executive Officer, monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, amortisation and exceptionals.

Year ended 31 December 2017

	Total Revenue £m	Depreciation £m	Segment Adjusted PBTA £m
Language Services	184.5	1.7	9.5
Language Technologies	48.6	0.7	4.9
Global Content Technologies	52.6	0.5	7.6
Non-Core Businesses	2.0	-	(3.0)
Total	287.7	2.9	19.0
Profit on disposal			20.6
Amortisation and exceptional items			(9.7)
Profit before taxation			29.9

Year ended 31 December 2016

	Total Revenue £m	Depreciation £m	Segment Adjusted PBTA £m
Language Services	165.3	2.0	18.8
Language Technologies	45.4	0.5	4.4
Global Content Technologies	54.0	0.5	3.8
Non-Core Businesses	25.2	0.5	(3.5)
Total	289.9	3.5	23.5
Loss on disposal			(21.0)
Amortisation and exceptional items			(18.3)
Loss before taxation			(15.8)

3 DISCONTINUED OPERATIONS

The board announced its decision to sell the Non-Core Businesses, which represents a separate major line of business, in January 2016. The results of the Non-Core Businesses segment continue to be disclosed as discontinued operations in this year's financial statements and prior periods show the results of discontinued operation separately from continuing operations.

The Group completed the sale of its Fredhopper and Social Intelligence businesses during the period

Following the impairment charged against the Group's Non-Core segment in 2015, the proceeds of the Non Core disposals were expected to be in line with the net book value of the related net assets and accordingly no impairment losses were recognised on classification of these operations as held for sale at 31 December 2016. As the disposal of the group's discontinued transaction completed, there was a gain or loss on disposal arising from the difference between the consideration received and the carrying value of assets in each business, including the allocation of goodwill to each business. Goodwill allocated to each business being disposed of is based upon the goodwill arising in the original business combination reduced by specific impairments recorded in prior periods.

The sale of the Fredhopper business resulted in a gain on disposal of £21.3m and the sale of the Social Intelligence business resulted in a £0.7m loss on disposal in the period.

Cash Flows generated from / (used in) discontinued operations

	2017	2016
Profit / (Loss) for the year	14.7	(26.4)
Tax charge / (credit)	0.2	(0.4)
Profit / (Loss) before tax	14.9	(26.8)
(Profit) / Loss on disposal of discontinued operations	(20.6)	21.0
Movements in working capital	2.0	1.4
Net cash from operating activities	(3.7)	(4.4)
Net cash from / (used in) investing activities	22.2	(1.6)
Net cash flows for the period	**18.5**	**(6.0)**

Net cash used in investing activities includes the cash impact of the sale of businesses as set out below.

Effect of disposal on the financial position of the group

	2017
Intangible assets	3.8
Trade and other receivables	2.7
Deferred income and other payables	(4.9)
Net assets	**1.6**
Net cash inflow	**22.2**
Profit on disposal of discontinued operations	**20.6**

4 OTHER REVENUE AND EXPENSES

Group operating profit is stated after charging/ (crediting):

	2017 ***£m***	*2016* *£m*
Included in administrative expenses:		
Research and development expenditure	**26.4**	25.9
Bad debt charge	**0.2**	0.2
Depreciation of property, plant and equipment – owned assets	**2.9**	3.5
Amortisation of intangible assets	**4.0**	5.2
Operating lease rentals for plant and machinery	**0.1**	0.2
Operating lease rentals for land and buildings	**6.9**	7.0
Net foreign exchange losses /(gains)	**0.5**	(1.8)
Share based payment charge	**0.2**	1.5

The net foreign exchange losses/(gains) above arose due to movements in foreign currencies between the time of the original transaction and the realisation of the cash collection or spend, and the retranslation of foreign currency denominated intra-group balances.

Research and development costs
Management continually review research and development expenditure to assess whether any costs meet the criteria for capitalisation. In addition to the amounts charged to the income statement shown above, the Group has capitalised £2.5m of research and development costs in the year.

The Group has invested significantly in its development processes and governance during the year. The Group now operates the SAFe methodology (an industry standard approach developed by Computer Associates) across its development streams and, as a consequence, development work is now carried out on an agile basis. The strengthening of these processes and governance means that the Group is now able to demonstrate technical and commercial feasibility of certain development activities at an earlier stage of the development cycle and consequently meets the criteria for capitalisation under IAS 38.

Exceptional Items

	2017 ***£m***	*2016* *£m*
Continuing operations		
Redundancy and other staff costs	**2.1**	4.2
Strategy development	**-**	2.8
Relaunch of SDL	**-**	2.1
Other exceptional items	**0.9**	1.7
	3.0	10.8
Discontinued operations		
Redundancy and other staff costs	**0.8**	2.3
Other exceptional items	**1.9**	-
	2.7	2.3
	5.7	13.1

2017

As a consequence of the disappointing financial results during 2017, the Group has commenced a significant restructuring programme to reduce costs. The programme will be completed in 2018 and redundancy costs associated with this programme amounted to £2.1m in 2017. Normal trading redundancy costs are charged to the income statement as incurred.

Other exceptional costs of £0.9m primarily relate to dual running costs associated with relocation of the Group's two principal UK offices. Costs associated with normal property relocations are charged to the income statement as incurred.

Discontinued exceptional items relate to redundancy costs associated with employees that did not transfer with the Non-Core businesses (£0.8m) and professional fees and onerous lease charges associated with the disposals of the Non-Core businesses (£1.9m).

These costs, excluding the finalisation of the redundancy programme set out above in 2018, are not expected to recur and have been separately disclosed in the income statement to provide a better guide to underlying business performance.

2016

The Group underwent a very significant reorganisation in 2015/6 including the departure of its then Chief Executive Officer in October 2015, the completion of the Group's operational review in January 2016 (including the announcement of the disposal of the Non-Core businesses) and the appointment of a new Chief Executive Officer in April 2016. These events led to significant changes in senior personnel, the development of the new strategy, corporate rebranding and the reorganisation of operational and corporate structures. In addition the Group has incurred exceptional tax charges over the past two years.

In 2016, the Group incurred £13.1m of exceptional costs. These exceptional costs comprised:

- Redundancy and retention costs due to the reorganisation of the Group in 2016 (£6.5m)
- Professional fees and related charges associated with the strategy development (£2.8 m)
- Cost of relaunching SDL which included the costs of internal and external conferences to communicate our new strategy and the global relaunch of SDL's brand and associated marketing collateral (£2.1m); and
- Other exceptional costs includes provision for indirect tax liabilities and corporate consolidation exercises (£1.7m).

These significant exceptional costs incurred in 2016 were not expected to recur and therefore were separately disclosed in the income statement to provide a better guide to underlying business performance.

5 INCOME TAX

(a) Income tax on profit:

Consolidated income statement

	2017	*2016*
	£m	*£m*
Current taxation		
UK Income tax charge		
Current tax on income for the period	**-**	0.8
Adjustments in respect of prior periods	**-**	(0.4)
	-	0.4
Foreign tax		
Current tax on income for the period	**5.6**	5.3
US transition tax	**2.8**	-
Adjustments in respect of prior periods	**(0.2)**	0.6
	8.2	5.9
Total current taxation	**8.2**	6.3
Deferred income taxation		
Origination and reversal of temporary differences	**(6.8)**	(4.0)
Total deferred income tax	**(6.8)**	(4.0)
Tax expense	**1.4**	2.3

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

Consolidated statement of other comprehensive income

	2017	*2016*
	£m	*£m*
Current taxation		
UK Income tax charge		
Income tax (credit) / charge on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	**(1.3)**	0.2
Total current taxation	**(1.3)**	0.2

A tax debit in respect of share based compensation for deferred taxation of £0.2m (2016: £0.2m credit) has been recognised in the statement of changes in equity in the year.

6 DIVIDENDS

	2017	2016
	£m	£m
Amounts recognised as distributions to equity holders in the year: Final dividend for the year ended 31 December 2016 was 6.2 pence per share. (Year ended 31 December 2015: 6.2 pence per share)	**5.1**	2.5

A final dividend for the year ended 31 December 2017 of 6.2 pence per share will be proposed at the Annual General Meeting and has not been included as a liability in the financial statements.

7 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on a profit after tax of £28.5m (2016: loss of £18.1m) and 81,947,503 (2016: 81,373,409) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per ordinary share is calculated by including in the weighted average number of shares the dilutive effect of potential ordinary shares related to committed share options. For 2017, the diluted ordinary shares were based on 81,947,503 ordinary shares and 193,091 additional potential ordinary.

The following reflects the income and share data used in the calculation of adjusted earnings per share computations before exceptional costs:

	Continuing	*Discontinued*	***2017***	*Continuing*	*Discontinued*	**2016**
	£m	***£m***	***£m***	*£m*	*£m*	*£m*
Profit / (Loss) for the year	**13.8**	**14.7**	**28.5**	8.3	(26.4)	(18.1)
Profit / (Loss) on disposal of Non-Core business	**-**	**(20.6)**	**(20.6)**	-	21.0	21.0
Exceptional items charged within operating profit	**3.0**	**2.7**	**5.7**	10.8	2.3	13.1
Amortisation of intangible fixed assets	**4.0**	**-**	**4.0**	5.2	-	5.2
Less: tax benefit associated with the amortisation of intangible fixed assets.	**(0.8)**	**-**	**(0.8)**	(1.0)	-	(1.0)
Less: Exceptional tax credit (see Note 5)	**(4.6)**	**-**	**(4.6)**	(1.6)	(0.3)	(1.9)
Adjusted profit for the year	**15.4**	**(3.2)**	**12.2**	21.7	(3.4)	18.3

Adjusted earnings per share is shown as the Directors believe that earnings before amortisation, exceptional costs and associated tax benefits is reflective of the underlying performance of the business.

	2017 ***No.***	2016 *No.*
Weighted average number of ordinary shares for basic earnings per share	**81,947,503**	81,373,409
Effect of dilution resulting from share options	**193,091**	788,748
Weighted average number of ordinary shares adjusted for the effect of dilution	**82,140,594**	82,162,157

	Continuing	Discontinued	**2017**	Continuing	Discontinued	**2016**
Adjusted earnings per ordinary share – basic (pence)	18.9	(4.0)	**14.9**	26.6	(4.2)	**22.4**
Adjusted earnings per ordinary share – diluted (pence)	18.8	(3.9)	**14.9**	26.3	(4.1)	**22.2**

There have been no material transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

8 INTANGIBLE ASSETS

	Customer Relationships £m	*Intellectual Property* £m	*Goodwill* £m	*Capitalised R&D* £m	*Software Development* £m	*Total* £m
Cost:						
At 1 January 2016	20.3	60.7	214.4	-	-	295.4
Acquisitions	-	-	-	-	-	-
Disposal of Non-Core business	(3.7)	(7.6)	(16.9)	-	-	(28.2)
Reclassification to assets held for sale	-	-	(3.8)	-	-	(3.8)
Currency adjustment	2.0	7.5	18.9	-	-	28.4
At 1 January 2017	18.6	60.6	212.6	-	-	291.8
Additions	-	-	-	2.5	7.1	9.6
Disposal of Non-Core business	(1.4)	-	-	-	-	(1.4)
Currency adjustment	(0.6)	(1.4)	(4.6)	-	-	(6.6)
At 31 December 2017	**16.6**	**59.2**	**208.0**	**2.5**	**7.1**	**293.4**
Amortisation and impairment						
At 1 January 2016	(16.3)	(50.1)	(65.9)	-	-	(132.3)
Provided during the year	(1.1)	(4.1)	-	-	-	(5.2)
Disposal of Non-Core business	2.1	4.2	-	-	-	6.3
Currency adjustment	(2.0)	(6.7)	-	-	-	(8.7)
At 1 January 2017	(17.3)	(56.7)	(65.9)	-	-	(139.9)
Provided during the year	(0.9)	(3.1)	-	-	-	(4.0)
Disposal of Non-Core business	1.4	-	-	-	-	1.4
Currency adjustment	0.6	1.4	-	-	-	2.0
At 31 December 2017	**(16.2)**	**(58.4)**	**(65.9)**	**-**	**-**	**(140.5)**
Net book value:						
At 31 December 2017	**0.4**	**0.8**	**142.1**	**2.5**	**7.1**	**152.9**
At 1 January 2017	1.3	3.9	146.7	-	-	151.9

Customer relationships and intellectual property are amortised on a straight-line basis over their estimated useful lives of between 5 and 10 years. As from 1 January 2004, the date of transition to IFRS, goodwill is no longer amortised but is now subject to annual impairment testing.

Management continually review research and development expenditure to assess whether any costs meet the criteria for capitalisation. The Group has capitalised £2.5m of research and development costs in the year.

The Group has invested significantly in its development processes and governance during the year. The Group now operates the SAFe methodology (an industry standard approach developed by Computer Associates) across its development streams and, as a consequence, development work is now carried out on an agile basis. The strengthening of these processes and governance means that the Group is now able to demonstrate technical and commercial feasibility of certain development activities at an earlier stage of the development cycle and consequently meets the criteria for capitalisation under IAS 38.

9 ADDITIONAL CASH FLOW INFORMATION

Analysis of Group net debt:

	1 January 2017 £m	***Cash flow £m***	***Exchange differences £m***	***31 December 2017 £m***
Cash and cash equivalents	**21.3**	3.0	(1.6)	**22.7**

	1 January 2016 £m	*Cash flow £m*	*Exchange differences £m*	*31 December 2016 £m*
Cash and cash equivalents	17.2	1.5	2.6	21.3
Loans and overdrafts*	(4.8)	4.8	-	-
	12.4	6.3	2.6	21.3

* - Loans and overdrafts are stated gross i.e. before the impact of a £0.2m arrangement fee prepayment

10 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no known events occurring after the statement of financial position date that require disclosure.