7 March 2017

SDL PLC

Preliminary results for the year ended 31 December 2016

Transformation delivering results – 2016 foundations laid, 2017 the year of execution

SDL plc ("SDL", "the Group" or the "Company"), the global innovator in language translation technology, services and content management, announces its audited results for the year ended 31 December 2016.

	12 months to 31 December 2016			12 months to 31 December 2015		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Income Statement						
Revenue	264.7	25.2	289.9	240.4	26.5	266.9
Adjusted PBTA[1]	27.0	(24.5)	2.5	24.2	(3.6)	20.6
Profit/(loss) before tax	11.0	(26.8)	(15.8)	(2.9)	(22.3)	(25.2)
Earnings per ordinary share basic (pence)	10.18	(32.47)	(22.29)	(10.17)	(27.75)	(37.93)
Adjusted Earnings per ordinary Share - basic (pence)[2]	26.58	(4.20)	22.38	21.17	(5.04)	16.13

Financial highlights

- Revenue from Continuing Operations up 10% at £264.7 million (2015: £240.4 million), including some benefit from foreign exchange tailwinds.
- Adjusted PBTA for Continuing Operations of £27.0 million (2015: £24.2 million), Total £2.5 million (2015: £20.6 million)
- One-off items of £13.1 million incurred to implement the new strategy, structure and branding (2015: £39.1 million including impairment charge of £33.3 million)
- Adjusted Continuing Operations earnings per share of 26.58 pence (2015: 21.17 pence)
- Strong cash generation from operations of £18.6 million (2015: £12.0m) and year-end net cash increased to £21.3 million (2015: £12.4 million)
- Proposed full year dividend of 6.2p, double that of 2015
- As expected, reduced Language Services Adjusted PBTA margin of 11.4% due to planned investments
- Language Technologies Adjusted PBTA margin up from 2.7% to 9.7% following strong licence sales in the year
- Significant turnaround in Global Content Technologies with Adjusted PBTA margin up to 7.0% from -9.4% following new licence wins and cost control

Operational highlights

- Implementation of previously announced new strategy and organisational structure to enhance customer focus, improve agility and pursue key strategic aims
- Key appointments made to strengthen the Group's leadership team to complement the existing team, including CEO, Adolfo Hernandez
- Non-Core business disposals: Campaign complete, Fredhopper scheduled to complete during the week commencing 6 March 2017 and Social Intelligence sale process is ongoing
- Diversified client base, no single customer accounts for more than 5% of total revenue
- We secured 60 new enterprise customers with world leading brands

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[1] Adjusted PBTA is profit before tax adjusted for the impact of amortisation and one-off items. One-off items are items that in management's judgement should be disclosed separately by virtue of their size, nature or incidence to provide a better understanding of the financial performance of the Group. These items are disclosed in more detail in the Operating and Financial Review and note 4 to the preliminary financial information.

[2] Adjusted earnings per share is based on the Group's loss for the year adjusted for the post tax impact of the loss on disposal of the Campaign business, amortisation and one-off items.

- Translation Productivity secured over 580 new corporate customers and expanded its presence in over 680 existing corporate accounts
- Sales into premium sectors progressing well: 8 new Life Sciences clients added

Commenting on the business and the results, Adolfo Hernandez, CEO of SDL, said:

"2016 has been a successful year for SDL both financially and operationally. With a clear plan, revamped processes to improve operational efficiency, and a focus on injecting technology into the organisation, we are working hard to create a more scalable platform and, in turn, help our customers go global faster.

2017 is the year of execution. There is still work to do but with a new go-to-market model in place, the right leadership team, strategy and portfolio of products and services to further develop our market position, the Board remains confident of another year of profitable growth which is reflected in the proposed realignment of our dividend."

For further information please contact:

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About SDL
SDL (LSE: SDL) is the global innovator in language translation technology, services and content management. For more than 20 years, SDL has transformed business results by enabling nuanced digital experiences with customers across the globe so they can create personalised connections anywhere and on any device. Are you in the know? Find out more at SDL.com and follow us on Twitter, LinkedIn and Facebook.

CHAIRMAN'S REVIEW

Looking back on the last year, 2016 was pivotal in our transformation, and it positioned SDL to take full advantage of the opportunities available to us.

The most important development was the recruitment of Adolfo Hernandez as Chief Executive Officer in early April 2016. Adolfo brings a wealth of experience and leadership capabilities, which I believe are critical in ensuring SDL achieves its full potential in an expanding market opportunity. He refocused our strategic plans and has built an Executive Team with a deep understanding of the relevant trends at the intersection of globalisation and digital transformation and with the requisite skills and experience to deliver results. The Executive Team has been assembled with a healthy mix of people with many years of experience within SDL, carefully supplemented by the recruitment of leaders with the necessary experience of building businesses to market leadership positions.

Furthermore, in July 2016, we restructured our business so we can help our customers accelerate the global transformations of their businesses using the full portfolio of SDL's capabilities. To help convey our mission and vision, we launched a new brand identity which was well received by both customers and employees alike. The speed of delivery and the impact we were able to achieve with these initiatives is a testimony to the skills and experience of the new Executive Team.

Operational Review

Despite big changes within the executive leadership of SDL, I am pleased to report that we have been able to grow both revenue and profit. This growth in itself is a credit to all employees within our business. Their ability to continue to focus on delivering to the needs of our customers has been critical to the achievement of our goals. On behalf of the Board, I would like to record my thanks to all our employees for their dedication, professionalism and hard work during a time of considerable change.

As part of the operational review we undertook at the end of 2015, we decided to refocus our business and as a result decided to divest certain Non-Core businesses. Those businesses continued to deliver good results despite the distraction of the sale processes. We have successfully concluded the sale of our Campaign business and the completion of the sale of our Fredhopper business is expected during the week commencing 6 March 2017; I am sure the businesses will continue to perform well under their new ownership. The sale process for the Social Intelligence business is ongoing.

Our Board

In addition to welcoming Adolfo Hernandez to the Board in April 2016, Christopher Humphrey joined the Board as a non-executive Director in June 2016. I would like to formally welcome Chris to the Board. He brings extensive experience to our discussions, having recently retired as the CEO of Anite plc. We have already benefitted from his relevant and valuable insight.

At the Annual General Meeting in April 2017, Chris Batterham will not stand for re-election as a Director of our Company. Having joined the Board in October 1999 and seen the Company through significant periods of growth and change we will miss his contributions as a Director and friend of SDL. His wise and thoughtful counsel to myself, the rest of the Board and my predecessors has been hugely valued.

Dividend

The financial results and our confidence in the future performance of the business have resulted in the Board recommending that we realign our dividend through a doubling of last year's payment. Therefore we are recommending a full year dividend of 6.2p, a 100% increase. It is the Board's intention to follow a progressive dividend policy in the future.

Outlook

We believe that we have the right leadership team, strategy and portfolio of products and services to continue growing and further develop our market position. There is much work still to be done before we can say that SDL has reached its potential. As we continue into the next phase of our journey and execute on our strategic plan, the Board remains confident of another year of profitable growth.

David Clayton
Chairman

CEO REVIEW

The vast quantity and diversity of content created and delivered through global companies is the challenge our global customers are grappling with. It includes everything from marketing collateral, user guides, to community generated content.

Market opportunity

As a Company that pioneered both managing and translating this wide array of content, I see how our business has a dramatic impact on every interaction a customer has with a product or service. And from what we can see, the amount of content delivered to worldwide customers continues to expand rapidly. About 15 years ago, Eric Schmidt of Google calculated the amount of content created from the beginning of time, and it came to 2.5 million terabytes. This same volume of content is now generated every two days.

As our world continues to transform into a more integrated global economy, the need to manage content and convey it in a meaningful way to worldwide audiences continues to grow. For SDL, this means helping companies take their digital content global, delivering it in locally relevant ways. We do this by helping companies author, manage, translate and distribute content. We also have the know-how and knowledge to help these customers go global faster and more efficiently. On top of all of this, we are adding a more robust layer of information security and confidentiality, which is growing in importance continually.

We recently commissioned Forrester Research to evaluate the shift toward global web and content operations. Forrester conducted in-depth surveys with 151 business and IT professionals in the US and their efforts revealed that more than 92 percent of enterprises still struggle with localisation. The traditional process is filled with inefficiencies and less than optimal quality. Additionally, many enterprises are still trying to come to terms with even basic global rollouts, let alone fully synchronised content to the different channels that individuals in local markets prefer and use.

SDL is uniquely positioned in the market with its breadth and depth of content and language assets. Our market will stay strong despite the increasing risk of protectionism – companies will continue to sell to a global marketplace and will continue to deliver digital content to a borderless world in multiple languages and formats. And they need to control the process to get the content translated and managed efficiently.

With language and content at its core, SDL is well positioned to take advantage of these opportunities - the opportunities for SDL are here to stay.

Business strategy

Over the past year, the Board and the Executive Team examined our model and approach to global content by taking the time to speak with and understand the needs of our customers. We learned that although we have all the ingredients to help our customers go global successfully, we need a more integrated approach to serve them better – one that brings together all of the pieces of the content globalisation puzzle.

The most fundamental change made in the last year is the way in which we have embraced our core content management and translation strengths and built around them. We recognised the diversity and breadth of the technology and services we have and created a strategy to bring everything together to solve real customer problems.

Forrester's research on Building a Global Operational Model indicates that 70 percent of global companies still don't have integrated content management and translation processes. Our mission is to help our customers go global faster by addressing this challenge. We help facilitate understanding between companies and their customers through our range of translation services and consulting, content management systems that deliver content dynamically, and unparalleled translation technology that addresses the entire translation supply chain.

By focusing on both content and language, global expansion and local relevance, human and machine translation, our portfolio of offerings helps companies humanise the digital world by making the content they offer more relevant and personal. Herein lies our competitive differentiation: we can integrate content and language processes and stakeholders together, reach global audiences through local execution, and combine software and machine learning with a great team of services professionals around the world.

One of our most significant strategic shifts is a refocus on our customers: understanding where they are and what they need to succeed. We spent significant time sharing SDL's new strategy and ambition to work with them for our mutual success. Over the coming year, our ability to cross-sell continues to be fundamental: building our relationship with happy customers who want to expand into the full range of products and services we sell.

And to keep up with the pace of the rapidly changing digital landscape, we must be committed to prioritising our investments in technology. From a technology perspective, we are focused on building software tools to automate global content creation, content management and translation processes, simplifying the content lifecycle for our clients.

Our customers benefit from these integrated solutions so we are extending the integration of our technology portfolio throughout all of our software and services to deliver even greater value – from machine translation to predictive analytics, and from translation productivity to suggestion engines.

Global Content Technologies

We continue to focus on content management technology with an emphasis on unifying content delivery, so that all digital touch points are relevant and personal. By expanding our portfolio of connectors, we will bridge any source content with our translation capabilities to simplify the user experience across the content lifecycle. Our continued investment in the cloud for our content and language technologies will ensure that any company in the world, no matter what size, can access the content management and translation solutions they need.

Furthermore, we have made it a priority to make sure that our software technology is fully integratable and integrated. As an example, we are embedding translation management functionality directly within SDL Web to enable streamlined review and editing capabilities throughout the content development lifecycle. The resulting innovative integrated solution provides translators with greater context for how their work will appear in the final website, and content owners can apply last minute edits to web pages without sacrificing translation quality or consistency. Not only do our customers benefit from this type of solution, but we are extending the integration of our extensive portfolio of technology capabilities – from machine translation, predictive analytics, translation productivity, suggestion engines – throughout all of our software and services to deliver value to our customers quicker and more efficiently.

Language Technologies

We continue to build on our position of strength in Language Technologies. Our translation productivity leadership prevails with new versions of SDL Trados Studio and SDL Trados GroupShare. With SDL Trados Studio, we are focused on driving the translation industry forward through technology that improves a translator's quality, accuracy and speed. Combined with SDL Trados GroupShare, which secures collaboration between internal and external translators and teams, translators work faster and smarter.

SDL has been at the forefront of machine translation (MT) since 2005 with the introduction of the first Statistical MT technology, and this is one of the most exciting areas of innovation I see within SDL. This year, in our latest release of SDL Trados Studio, we delivered AdaptiveMT. This innovative technology works with and not against the translator: AdaptiveMT tracks and learns from the delta between standard machine translation and personal edits, drastically speeding up translation time, improving quality and increasing usability.

We now see Neural MT as a new disruptive wave for our market, and we are significantly investing in this exciting technology. Even in its current nascent form, Neural MT offers significant quality improvements and a radically different modelling paradigm that enables new opportunities for innovation in the fields of Natural Language Processing.

Our renewed focus to commercialise MT allowed SDL to secure large wins in government entities, big enterprises and more recently even other Language Service Providers.

Language Services

To meet the demands of our customers, SDL translates over 100 million words per month through our 1,100 in-house linguists in 38 countries and our vast network of freelance translators. To maintain our status as an ISO-certified translation company, all of our in-house and freelance translators must pass the strict guidelines and tests required by this international standard.

In 2016 we also segmented the Language Services market in terms of needs and attractiveness. As a result, we started to shift our services efforts to premium segments where high value, creative and secure content is generated at scale. For the more standard market, we have embarked on a journey to fully automate the process to deliver time and cost savings at scale.

This year, to continue to deliver high quality 24/7 service we integrated all our service delivery teams into a single global organisation, sharing best practices and resources across the globe. Our newly launched Localisation Process Consulting offering helps our global customers implement these industry best-practices based on our 25 years of experience in localising and managing global content. And to support our growth into premium verticals, we built out dedicated delivery teams that specialise in delivering to premium segments including life sciences and marketing transcreation.

Humans alone are not enough to translate all the content in the world, and SDL has always played a pioneering role in technology that increases human productivity – from the adoption of translation memory technology in 2000 to introducing machine translation paired with human post editing in 2003. Since then, we have focused on continuously training our MT engines and combined this with professional post editing to deliver optimal quality for each customer. The AdaptiveMT I mentioned earlier is expected to deliver an additional 20% productivity increase.

With our investment in machine learning and services automation, we continue to push human productivity as far as possible, combining the power of humans and machines and optimising the mix to deliver the greatest efficiency and value for our customers and our business.

Our Customers

As a company focused on globalisation, we have a great base of global customers and our success relies heavily on our local presence in 55 offices in 38 countries around the world. Moving forward we will continue to gain a deeper understanding of our existing customers, how they use SDL solutions, what we can improve and how we can further enable and expand customer success and adoption of SDL products and services.

By analysing our customer data, we understand where we win and where we have opportunities to cross-sell. To build on our current successes, we are bringing our value proposition to market by industry vertical, executing an aligned target-selling and account-based marketing strategy within identified accounts in which we have a right to win.

We are also investing in adjacent opportunities that will enable us to grow our customer footprint, including life sciences, marketing solutions, machine learning, and connectors. Our global but local strategy, combined with human services and technology within a content and language focus will enable us to deliver transformative business results to our customers.

Financial Performance

Financially, SDL had many positives in 2016, including significant technology deals across all its products, the return to profitability of our Global Content Technologies segment, the significant revenue growth in Machine Technology, excellent Translation Productivity performance, a turn-around in Professional Services profitability and a diversity of business from different regions, industries and customers. These are significant achievements in a year where we went through a substantial transformation.

SDL closed out the year with revenue from Continuing Operations up 10% at £264.7 million. An 8% increase in our Language Services business, 24% increase in our Language Technologies business and 6% increase in our Global Content Technologies business drove this growth. Adjusted PBTA for Continuing Operations was £27.0 million (margin 10.2%) (2015: Group £20.6 million, Continuing Operations £24.2 million, margin: 10.0%). Machine Translation technologies grew by 72%, increasing to £9.7 million in 2016 from 2015 revenue of £5.6 million as we begin to monetise this activity more proactively.

The Group finished the year with cash balances of £21.3 million and no debt.

Looking Forward

Whilst events like Brexit and the worldwide changing political climate are expressed in a challenge to globalisation, in the end, our enterprise customers will continue to market their goods and services globally (even if they produce more goods in their own countries). Thanks to the internet, the majority of profits for many global businesses come from outside the country where those organisations are headquartered. These enterprises need support to take these products (and associated content) globally faster and while there is a climate of uncertainty, we see no other major impact to our business. We might even experience some benefits as we can own some global execution programmes on behalf of our customers

For SDL, 2016 was about assessing the business, setting the strategy and stabilising the business. 2017 is the year of execution. With a new go-to-market model in place, we will focus on key accounts and cross-selling while becoming a more agile company through our people, processes and systems. We will also focus on integrating and automating translation capabilities wherever content is managed and complete the convergence of our software stacks in the cloud.

In 2017, we continue to focus on technology innovations like machine learning, and also push the boundaries of how people use technology moving towards technology-enabled services. To ensure visibility and focus on execution and delivery of our strategy, we have deployed cascading goals and balanced scorecards across the organisation. With an aligned plan of execution, revamped processes to improve operational efficiency, and a focus on injecting technology into the organisation, we are working hard to create a more scalable platform. We have the foundations in place to transform our business and, in turn, help our customers go global faster.

Adolfo Hernandez
Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

Summary Performance

2016 has been a positive year for our Continuing Operations. In line with our plan, we have begun investing in the transformation of our Language Services business after several years of underinvestment and our Language Technologies and Global Content Technologies businesses have both delivered material increases to profitability this year.

Revenue from our Continuing Operations were up 10% at £264.7 million (2015: £240.4 million). This growth was driven by the positive benefit of foreign exchange tailwinds, an 8% increase in our Language Services business, a 24% increase in our Language Technologies business and a 6% increase in our Global Content Technologies business. Technology Annual Recurring Revenue grew 7% to £61.8 million. Total Group revenue increased by 9% to £289.9 million (2015: £266.9 million).

The business 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 20 largest customers contributing 24% (2015: 22%) of revenue in 2016. No single customer contributes more than 5% of Group revenue.

Adjusted PBTA for Continuing Operations was £27.0 million (2015: Group £20.6 million, Continuing Operations £24.2 million). Language Technologies and Global Content Technologies combined profitability increased by £12.0 million in 2016 which more than offset the impact of planned investments in the Language Services business. The Group loss after tax amounted to £18.1 million, after one-off costs of £13.1 million and the loss on sale of the Campaigns business of £21.0 million (2015: loss after tax, £30.7 million, after an impairment charge of £33.3 million and other one-off costs of £5.8 million).

Gross cash in the business at the year-end was £21.3 million with no external borrowings (2015: Gross cash £17.2 million; net cash after borrowings £12.4 million). Cash generated from operations was £18.6 million (2015: £12.0 million). Cash generation in the year has been impacted by the Group's improved underlying profitability and cash outflows associated with the restructuring programme. Capital expenditure was £2.3 million (2015: £2.7 million) and the net cash impact of the disposal of the Campaigns business was an outflow of £1.6 million. Tax paid was £6.5 million (2015: £5.8 million).

Key performance indicators

The Board reviews a number of key performance indicators (KPIs) to monitor and assess performance on an on-going basis. These KPIs include:

- Revenue growth
- Gross margin
- Adjusted PBTA and margin, and
- Cash generated from operations

The Group's performance against these KPIs in the current and prior year are included within this report. The Board believes that monitoring Adjusted PBTA and margin is the most appropriate profit measure to review because it is the most meaningful indicator of medium and long term business performance. Specifically, this profit measure excludes the impact of:

- one-off costs incurred over the past two years associated with the reorganisation of the Group; these costs are not expected to recur and these are explained in more detail below
- amortisation, a non-cash charge based on acquisition decisions taken a number of years ago, which has no impact on future performance and business valuation, and
- profits or losses arising on the sale of Non-Core businesses which, whilst material, do not reflect the future operating potential of the business.

In addition to these core metrics, the Group is now monitoring and reporting a number of additional KPIs to measure whether it is successfully executing its new strategy. These additional KPIs are set out and defined as follows:

- Technology Annual Recurring Revenue (ARR), £61.8 million (2015: £57.6 million): Annual Recurring Revenue is annualised revenue from existing contracts which includes term, SaaS and support and maintenance revenue streams. Annual Recurring Revenue current and prior year amounts are all translated at the 2016 year end foreign exchange rates
- Language Services Repeat Revenue Rate (RRR), 93%: Language Services Repeat Revenue Rate is calculated as current year revenue earned from prior year customers as a percentage of current year revenue; the difference between RRR and total revenue is current year revenue from new customers
- Premium revenue, £9.4 million: revenue arising from the sale of premium content such as Life Sciences and Transcreation; the difference between total Language Services revenue and premium revenue is non premium revenue
- Upsell deals, 176: number of further sales of existing products to existing customers
- Cross-sell deals, 52: number of sales of new products to existing customers
- Wins in Life Sciences, 8 out of 9 Global RFPs: the number of new Life Science customer wins achieved in the year
- Machine Translation wins, 38: the number of new Machine Translation contracts
- Linguistic utilisation, 48.5%: the percentage of time in house linguists are translating content and not performing other tasks such as administration of files

The ARR KPI has been measured in prior years and hence comparatives have been presented. Other strategic KPIs have only started to be calculated and reviewed in the later part of 2016 and hence comparatives are not available.

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.

The Group is no longer reporting bookings performance as a separate KPI as the Board believes revenue growth and ARR are highly correlated to bookings performance and thus it is not considered that the separate bookings KPI provides material additional insight to the user of the financial information.

Performance by Segment

Following the announcement in January 2016 of the intention of the Group to dispose of its Campaign, Fredhopper and Social Intelligence businesses, these businesses have been designated as assets held for sale and their activities have been reported as Discontinued Operations. The Group’s segmental disclosures have been adjusted so that Discontinued Operations results do not include proportionate allocations of shared costs. The impact of this change has been to reduce the costs attributed to the Non-Core segment in 2015 by £6.0 million and to increase costs attributed to the Language Services, Language Technologies and Global Content Technologies segments by £2.4 million, £0.3 million and £3.3 million respectively.

Language Services (contributing £165.3 million or 62% of revenue from Continuing Operations and £18.8 million of Adjusted PBTA) (2015: £152.7 million or 64% of revenue from Continuing Operations and £28.0 million of Adjusted PBTA).

2016 saw a solid performance with Language Services achieving an 8% increase in revenue at £165.3 million (2015: £152.7 million). Underlying growth, adjusting for the impact of the loss of the Group’s largest customer (Microsoft) at the end of 2015, was 15%. The Language Services RRR was 93%. The underlying RRR, ignoring the loss of Microsoft, was 98%.

Revenue growth in year has benefitted from the impact of foreign exchange and organic growth has been primarily driven by increased activity within large accounts in the US. The investment in customer service and quality has led to improved relationships with a number of existing customers.

The Language Services segment has won a number of new clients in the year including Basware, PSA Peugeot Citroen, Lindex, Konsberg and Yara. The impact of recent successes in premium market verticals including Life Sciences occurred late in the year and have not materially impacted the results this year.

The Language Services division in 2016 has been investing in the development of capability in premium market verticals, delivery and quality initiatives and operational infrastructure after several years of underinvestment. These planned investments have reduced gross margins to 42.8% (2015: 47.3%) and the Adjusted PBTA margin to 11.4% (2015: 18.4%). They have, however, contributed to the Language Services high Repeat Revenue Rate and significant recent wins in premium verticals. These investments will continue in 2017 as they are critical to the strategic positioning of the business and will deliver increased sales and improved margins in future years.

Language Technologies (contributing £45.4 million or 17% of revenue from Continuing Operations and £4.4 million Adjusted PBTA) (2015: contributing £36.7 million or 15% of revenue from Continuing Operations and £1.0 million Adjusted PBTA).

Language Technologies revenue in the year increased by 24% to £45.4 million including the benefit from the impact of foreign exchange. ARR increased 9% to £23.4.

The Language Technologies revenue increase was driven by a 72% increase in Machine Translation revenue, a 20% increase in Translation Productivity revenue and a 7% increase in Translation Management revenue. The refocus of Machine Translation investment last year towards increasing output quality and the release of our on premise SDL ETS 7.0 product has led to significant perpetual licence sales in 2016. Material sales have been to government customers seeking portable real time translation capability and a commercial language service provider requiring improved machine translation capability. SDL ETS 7.0 delivers increased manageability, new features and a significant improvement to the user experience.

Our Translation Productivity products have had another strong year with revenue up 20%. The launch of SDL Trados Studio 2017, SDL MultiTerm 2017 and SDL Passolo 2016 at the end of the year delivers a step change in translation memory productivity with our ground breaking upLIFT technology, and offers the AdaptiveMT technology directly accessible from the SDL Trados Studio interface to our customers. These releases had our highest ever pre-order volume and the incorporation of AdaptiveMT capability has further strengthened our competitive position.

Our Translation Management products achieved more modest growth in 2016 after a strong 2015 performance. Strong renewals activity has led to a 5% increase in ARR.

During the year, our Translation Management products were improved with significant point releases. TMS releases delivered user interface and usability improvement, translation quality metrics, API improvements and deeper integration with our SDL Trados Studio and SDL Web products. SDL WorldServer 11.1 increased security and scalability, improved usability by delivering key features like multi-search, improved project creation tools and import/export capabilities, and delivered a deep integration with our SDL Language Cloud Machine Translation services, the latest SDL Trados Studio 2017 release and the SDL Web in-context translation preview functionality.

In 2016, we also started the execution of our technology convergence program to align our technologies and increase product innovation. Alongside this convergence program, we released a significant number of new capabilities on our SDL Language Cloud platform ranging from User Experience improvements and functional enhancements, to entirely new offerings like the Universal Editor and AdaptiveMT. In addition, a wide range of connectors were released to tap directly into our Language Cloud platform from customers' existing IT application landscape.

Adjusted PBTA margin increased 7.0% to 9.7% (2015: 2.7%). The margin increase has been driven by the improved licence sales in Machine Translation and Translation Productivity products.

New client wins for the segment include Accor Hotels, AGCO, Alingo GmbH, Alticor, PSA Peugeot Citroen, and Vanilla Air.

Global Content Technologies (contributing £54.0 million or 21% of revenue from Continuing Operations and £3.8 million Adjusted PBTA) (2015: contributing £50.9 million or 21% of revenue from Continuing Operations and losses of £4.8 million Adjusted PBTA).

ARR was up 6% at £38.4 million.

Global Content Technologies revenue increased by 6% in 2016 including the benefit from the impact of foreign exchange. This increase was driven by a 38% increase in Technical Content Management revenue following a material increase in perpetual licence sales in the year. Our SDL Knowledge Center product has gone through several update cycles with specific focus on dynamic delivery scalability and performance. We also released version 5.5 of the Contenta Publishing Suite, improving the delivery of content on tablet devices as well as delivering addition security, usability and publishing enhancements.

Web Content Management software revenue fell 11% in the year due to a shift in sales from perpetual licence contracts towards SaaS contracts and a related reduction in professional services activity. For SDL Web, we have significantly increased the release pace for delivering new capabilities to the cloud based SDL Web offering and all of these new innovations have been rolled up in the SDL Web 8.5 release, for on premise deployment. This release comes with significant improvements to workflow capabilities, deployment automation, reduced total cost of ownership, upgrade efficiency and numerous new product features. This improved Web Content Management offering helped drive new term and SaaS licence sales and this helped drive a 2% increase in Annual Recurring Revenue to £22.8 million.

Adjusted PBTA increased £8.6 million in 2016 to a profit of £3.8 million (2015: Loss of £4.8 million). The actions taken in the second half of 2015 and in early 2016 to right size sales and marketing resources has transformed the profitability of the segment this year.

New client wins for the segment include AGCO, Akamai, Appatura Data Communique, China Airlines, EBSCO, Malvern Instruments Limited, Radiometer Medical ApS United States Air Force KC46A Program and Waters Corporation.

Non-Core businesses (contributing £25.2 million of revenue and losses of £24.5 million Adjusted PBTA including £21.0 million loss on disposal of the Campaigns business) (2015: contributing £26.5 million or 10% of Group revenue and losses of £3.6 million Adjusted PBTA).

Our Non-Core businesses include the full year results of our Fredhopper and Social Intelligence businesses and the results of our Campaign business to the date of its disposal on 2 November 2016. The businesses performed well given the uncertainty created by the announced disposal programme.

The Group disposed of its Campaign business to an acquisition vehicle owned by affiliates of Allomer Capital Group LLC for £2.4 million before purchase price adjustments. Further details of this disposal are provided in Note 3 of the preliminary financial information and the Group recorded a loss of £21.0 million on disposal.

On 29 January 2017 the Group signed an agreement to sell its Fredhopper business to ATTRAQT PLC for £25 million subject to ATTRAQT PLC being readmitted to the AIM market. This condition is expected to be satisfied during the week commencing 6 March 2017. The Group is expected to record a profit on disposal of approximately £22 million and this will be recorded in the Group’s 2017 financial statements.

The Group continues to pursue the sale of its Social Intelligence business.

Gross Margin

The Group's Continuing gross margin was slightly below last year at 54.4% (2015: 55.9%).

Administrative Expenses

Administrative costs of Continuing Operations excluding intangibles amortisation and one-off costs increased in 2016 to £117.0 million (2015: £110.1 million).

Research and Development costs of £25.9 million (2015: £25.9 million) are included in administrative expenses. In line with the prior year, the Group issued approximately 100 product/service updates and upgrades with greater functionality being deployed.

Development costs have been reviewed and the Board remains of the opinion that capitalisation criteria under International Accounting Standard (IAS) 38 are not met. Consequently no development costs are capitalised on the balance sheet.

Average headcount during the year was up 2% at 3,580 (2015: 3,504). Average headcount for Continuing Operations was up 3% at 3,310. Employee related costs remain the most significant component of Group costs, amounting to 59% of Group overheads (2015: 59%) excluding amortisation of intangibles and one-off costs.

Intangible assets ascribed to certain of the Group's software and customer relationships arising from acquisitions are amortised over periods of between 5 and 10 years and the carrying value is formally reviewed on an annual basis to assess whether there are indicators of impairment. The intangible asset amortisation charge in 2016 was £5.2 million (2015: £6.7 million).

One-off costs

The Group has undergone a very significant reorganisation over the past two years 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 then 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 one-off tax charges over the past two years.

As a result, the Group has incurred significant one-off costs over the past two year which are not expected to recur and therefore have been separately disclosed in the income statement to provide a better guide to underlying business performance.

In 2016, the Group has incurred £13.1 million of one-off costs (2015: £33.3 impairment write down and other one-offs of £5.8 million). These one-off costs comprise:

- redundancy and retention costs due to the reorganisation of the Group in 2016 (£6.5 million). Redundancy costs of £4.8 million generated annualised cost savings of £13.7 million (before significant reinvestment);
- professional fees and related charges associated with the strategy development (£2.8 million);
- costs 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 (£2.1 million); and
- other one-off costs includes provision for indirect tax liabilities and corporate consolidation exercises (£1.7 million).

As a result of the above, the Group now has the right strategy, brand, leadership and organisational structure to realise the full potential of our market opportunities and deliver shareholder value.

Earnings Per Share

Adjusted EPS for Continuing Operations increased by 25.6% to 26.58 pence (2015: 21.17 pence). Adjusted EPS for the Group increased to 22.38 pence (2015: 16.13 pence). Basic earnings per share was a loss of 22.29 pence (2015: loss of 37.93 pence).

Financing Costs and Borrowing Facilities

Interest costs in 2016 were £0.0 million (2015: £0.1 million). At the start of the year, drawn borrowings were £4.8 million. During 2016, all borrowings were repaid such that the Group was debt free at 31 December 2016.

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

Pricing of this £25 million 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 earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA"). Under the credit facility agreement, SDL is subject to certain financial covenants which are required to be tested quarterly. These covenants relate to Adjusted EBITDA: Net Finance Charges and Total Net Debt: Adjusted EBITDA. Adjusted EBITDA is defined within the facility agreement and is based on Adjusted PBTA.

Cash flow

The Group generated £18.6 million from operations during the year (2015: £12.0 million). This cash inflow in the year was net of £11.1 million of cash outflows arising from one–off items (2015 £3.8 million).

Surplus cash, after deducting net income tax paid of £6.5 million (2015: £5.8 million) and investing activities of £3.9 million (2015: £2.9 million), has been used to reduce the Group's bank borrowings by £4.8 million and pay a dividend of £2.5 million to shareholders. The Group's bank borrowings have been fully repaid in 2016.

As a result, net cash increased to £21.3 million at year end (2015: £12.4 million).

The Group's 2017 cash outflows will be impacted by residual one-off cash costs and material capital expenditure on the Group's infrastructure and efficiency investments.

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

We are a global business and we operate in 38 countries. The significant majority of Group revenue and costs are denominated in non-sterling currencies. Many of the Group's global customers are US based requiring translation into other worldwide languages. As such, the Group has a net long US$ position which is largely offset by short positions in other worldwide currencies. Accordingly the impact of the sterling devaluation during the year is not considered to have had a material impact on the Group's Adjusted PBTA margin percentage, year on year.

Taxation

SDL is a global business and, as such, the Group's effective tax rate is heavily influenced by the territorial mix of operating profits earned together with management judgement of the extent to which the Group's tax losses are likely to be utilised with reasonable certainty. A detailed analysis of the taxation charge is included in note 5 to the preliminary financial information.

The tax charge for Continuing Operations is £2.7 million (2015: Continuing Operations £5.3 million). The group tax charge amounted to £2.3 million (2015: £5.5 million).

These charges include tax credits associated with amortisation, deferred tax and tax on one-off costs. Excluding these impacts, the underlying effective current tax rate for Continuing Operations was 27.3%. This rate is impacted by unrelieved tax losses arising in a number of jurisdictions and the utilisation of tax losses in other territories. The underlying effective current tax rate for Continuing Operations going forward is expected to in the region of 27%.

Trados Litigation update

As previously reported, the Group has settled the litigation related to the Trados acquisition. A payment of $1.85 million was made in February 2016 in full and final settlement of all claims.

Dividend

A final dividend for the year ended 31 December 2016 of 6.2p pence per share will be proposed at the Annual General Meeting, an increase of 100% on the prior year.

Dominic Lavelle
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	Notes	2016 Continuing £m	2016 Discontinued £m	2016 **Total £m**	2015 Continuing £m	2015 Discontinued £m	2015 **Total £m**
Sale of goods		23.3	17.1	**40.4**	32.7	17.8	**50.5**
Rendering of services		241.4	8.1	**249.5**	207.7	8.7	**216.4**
REVENUE	2	264.7	25.2	**289.9**	240.4	26.5	**266.9**
Cost of sales		(120.7)	(10.8)	**(131.5)**	(106.1)	(10.8)	**(116.9)**
GROSS PROFIT		144.0	14.4	**158.4**	134.4	15.6	**150.0**
Administrative expenses	4	(133.0)	(20.2)	**(153.2)**	(137.2)	(37.9)	**(175.1)**
OPERATING PROFIT/(LOSS)		11.0	(5.8)	**5.2**	(2.8)	(22.3)	**(25.1)**
OPERATING PROFIT/(LOSS) BEFORE AMORTISATION AND ONE-OFF ITEMS		27.0	(3.5)	**23.5**	24.3	(3.6)	**20.7**
Amortisation of intangible assets	4	(5.2)	-	**(5.2)**	(5.1)	(1.6)	**(6.7)**
One-off items	4	(10.8)	(2.3)	**(13.1)**	(22.0)	(17.1)	**(39.1)**
OPERATING PROFIT/(LOSS)		11.0	(5.8)	**5.2**	(2.8)	(22.3)	**(25.1)**
Loss on disposal of Non-Core business	3	-	(21.0)	**(21.0)**	-	-	**-**
Finance cost		-	-	**-**	(0.1)	-	**(0.1)**
PROFIT/(LOSS) BEFORE TAX		11.0	(26.8)	**(15.8)**	(2.9)	(22.3)	**(25.2)**
PROFIT/(LOSS) BEFORE TAX, AMORTISATION AND ONE-OFF ITEMS		27.0	(24.5)	**2.5**	24.2	(3.6)	**20.6**
Amortisation of intangible assets	4	(5.2)	-	**(5.2)**	(5.1)	(1.6)	**(6.7)**
One-off items	4	(10.8)	(2.3)	**(13.1)**	(22.0)	(17.1)	**(39.1)**
PROFIT/(LOSS) BEFORE TAX		11.0	(26.8)	**(15.8)**	(2.9)	(22.3)	**(25.2)**
Tax expense	5	(2.7)	0.4	**(2.3)**	(5.3)	(0.2)	**(5.5)**
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		8.3	(26.4)	**(18.1)**	(8.2)	(22.5)	**(30.7)**
Earnings per ordinary share – basic (pence)	7	10.18	(32.47)	**(22.29)**	(10.17)	(27.75)	**(37.93)**
Earnings per ordinary share – diluted (pence)	7	10.08	(32.16)	**(22.08)**	(10.17)	(27.75)	**(37.93)**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	***2016*** ***£m***	*2015* *£m*
Loss for the period		**(18.1)**	(30.7)
Currency translation differences on foreign operations		**21.7**	(6.3)
Currency translation differences on foreign currency quasi equity loans to foreign subsidiaries		**(0.5)**	2.5
Income tax charge on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	5	**(0.2)**	(0.7)
OTHER COMPREHENSIVE INCOME		**21.0**	(4.5)
TOTAL COMPREHENSIVE INCOME		**2.9**	(35.2)

All the total comprehensive income is attributable to equity holders of the parent Company. Currency translation differences on foreign operation 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 2016

	Notes	***2016***	*2015*
		£m	*£m*
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		**5.3**	6.3
Intangible assets	8	**151.9**	163.1
Deferred tax asset		**8.4**	6.0
Rent and other deposits		**2.0**	1.6
		167.6	177.0
CURRENT ASSETS			
Trade and other receivables		**81.0**	73.4
Corporation tax		**0.9**	2.8
Cash and cash equivalents	9	**21.3**	17.2
Assets held for sale		**7.1**	-
		110.3	93.4
TOTAL ASSETS		**277.9**	270.4
CURRENT LIABILITIES			
Trade and other payables		**(88.5)**	(81.7)
Current tax liabilities		**(7.4)**	(9.4)
Provisions		**(1.1)**	(2.9)
Liabilities held for sale		**(7.4)**	-
		(104.4)	(94.0)
NON CURRENT LIABILITIES			
Other payables		**(1.6)**	(1.4)
Loans and overdraft	9	**-**	(4.6)
Deferred tax liability		**(1.1)**	(3.1)
Provisions		**(2.1)**	(0.4)
		(4.8)	(9.5)
TOTAL LIABILITIES		**(109.2)**	(103.5)
NET ASSETS		**168.7**	166.9
EQUITY			
Share capital		**0.8**	0.8
Share premium account		**99.2**	98.5
Retained earnings		**39.7**	59.6
Foreign exchange differences		**29.0**	8.0
TOTAL EQUITY		**168.7**	166.9

Approved by the Board of Directors on 7 March 2017

A Hernandez
Director

D Lavelle
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share Capital £m	*Share Premium Account £m*	*Retained Earnings £m*	*Foreign Exchange Differences £m*	*Total £m*
At 1 January 2015	**0.8**	**97.9**	**90.9**	**12.5**	**202.1**
Loss for the period	-	-	(30.7)	-	(30.7)
Other comprehensive income	-	-	-	(4.5)	(4.5)
Total comprehensive income	-	-	(30.7)	(4.5)	(35.2)
Deferred income taxation on share based payments* (Note 5)	-	-	0.1	-	0.1
Arising on share issues*	-	0.6	-	-	0.6
Dividend paid*	-	-	(2.0)	-	(2.0)
Share based payments*	-	-	1.3	-	1.3
At 31 December 2015	**0.8**	**98.5**	**59.6**	**8.0**	**166.9**

	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**

** 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 2016

	Notes	***2016***	*2015*
		£m	*£m*
LOSS FOR THE YEAR		**(18.1)**	(30.7)
Tax expense		**2.3**	5.5
LOSS BEFORE TAX		**(15.8)**	(25.2)
Depreciation of property, plant and equipment	4	**3.5**	3.6
Amortisation of intangible assets	4	**5.2**	6.7
Impairment losses on intangible assets		**-**	33.3
Loss on disposal of discontinued operations	3	**21.0**	-
Finance costs		**-**	0.1
Share based payments		**0.9**	1.3
Increase in trade and other receivables		**(11.8)**	(3.9)
Increase in trade and other payables		**17.4**	(1.4)
Foreign exchange gains		**(1.8)**	(2.5)
CASH GENERATED FROM OPERATIONS		**18.6**	12.0
Income tax paid		**(6.5)**	(5.8)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**12.1**	6.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant & equipment		**(2.3)**	(2.7)
Receipts from sale of property, plant & equipment		**-**	0.1
Payments to acquire intellectual property and subsidiaries		**-**	(0.3)
Payments on disposal of discontinued operations	3	**(1.6)**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(3.9)**	(2.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		**0.7**	0.2
Proceeds from borrowings		**-**	4.6
Repayment of borrowings		**(4.8)**	(9.0)
Dividends paid		**(2.5)**	(2.0)
Repayment of capital leases		**-**	(0.4)
Interest paid		**(0.1)**	(0.1)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(6.7)**	(6.7)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1.5**	(3.4)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of year		**17.2**	22.1
Increase/(decrease) in cash and cash equivalents		**1.5**	(3.4)
Effect of exchange rates on cash and cash equivalents		**2.6**	(1.5)
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**21.3**	17.2

NOTES TO THE ACCOUNTS
for the year ended 31 December 2016

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 2016 or 2015. Statutory consolidated financial statements for the Group for the year ended 31 December 2015, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2016 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 2016 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 2015 with the addition of an accounting policy for discontinued operations. 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 2016, 2017 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 Technology 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 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 one-offs.

Following the announcement of the intention of the Group to dispose of its Non-Core business segment, which includes the Fredhopper and Social Intelligence businesses, these businesses have been designated as assets held for resale and their activities have been disclosed as discontinued operations. On 2 November 2016 the Group's campaign business was disposed. The Group's segmental disclosures have been adjusted to reflect the fact that discontinued operations results do not attract proportionate allocations of shared costs. The impact of this change has been to reduce the central costs attributed to the Non-Core segment by £5.9 million and to increase costs attributed to the Language Services, Language Technology and Global Content Technology segments by £2.3 million, £0.3 million and £3.3 million respectively.

Year ended 31 December 2016

	External Revenue £m	Depreciation £m	Segment profit/ (loss) before taxation and amortisation £m
Language Services	165.3	2.0	18.8
Language Technology	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, one-off costs & finance costs			(18.3)
Loss before taxation			(15.8)

Year ended 31 December 2015 – restated

	External Revenue £m	Depreciation £m	Segment profit/(loss) before taxation and amortisation £m
Language Services	152.8	2.0	28.0
Language Technology	36.7	0.5	1.0
Global Content Technologies	50.9	0.5	(4.8)
Non-Core Businesses	26.5	0.5	(3.6)
Total	266.9	3.5	20.6
Amortisation & One-off costs			(45.8)
Loss before taxation			(25.2)

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 have therefore been disclosed as discontinued operations in this year's financial statements and prior periods have been restated to show the results of discontinued operation separately from continuing operations.

The Group completed the sale of its Campaigns business on 2 November 2016 and has signed a conditional agreement to sell its Fredhopper business to ATTRAQT PLC. It is expected that the Fredhopper sale will complete during the week commencing 6 March 2017. The sale of the Social Intelligence business is ongoing.

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. As the disposal of the group's discontinued operations has progressed, the sales process has developed into three separate transactions. As a result, as each transaction completes, there is 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. Goodwill attributed to the different businesses at 31 December 2015 was Campaign £16.9 million, Fredhopper £3.8 million and Social Intelligence £nil.

The sale of the Campaigns business resulted in a £21.0 million loss on disposal in the period. The sale of the Fredhopper business due to complete in March 2017 is expected to result in a gain on disposal of approximately £22m.

Cash Flows from / (used in) discontinued operations

	2016	**2015**
Loss for the year	(26.4)	(22.5)
Tax (credit)/expense	(0.4)	0.2
Loss before tax	(26.8)	(22.3)
Loss on disposal of discontinued operations	21.0	-
Movements in working capital	5.8	22.3
Net cash from operating activities	-	-
Net cash used in investing activities	(1.6)	-
Net cash used in financing activities	-	-
Net cash flows for the period	**(1.6)**	**-**

Movements in working capital includes Group funding to cover working capital requirements. Net cash used in investing activities includes the cash impact of the sale of the Campaigns business as set out below. In addition to the £1.6m net cash outflow recorded in 2016, the Group expects to receive a cash inflow of £0.3 million in future following the expiry of the contractual retention period. These funds are currently held in escrow and are recorded in Other Debtors.

Effect of disposal on the financial position of the group

	2016
Intangible assets	21.9
Tangible fixed assets	0.4
Trade and other receivables	2.2
Deferred income and other payables	(4.8)
Net assets	**19.7**
Net cash outflow	**(1.3)**
Loss on disposal	**(21.0)**

Financial position of assets and liabilities held for sale

The assets and liabilities held for sale consist of:

	2016
Property, plant and equipment	0.1
Intangible assets	3.8
Trade and other receivables	3.2
Cash and cash equivalents	-
Trade and other payables	(7.4)
Net assets and liabilities	**(0.3)**

4 OTHER REVENUE AND EXPENSES

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

	2016	*2015*
	£m	*£m*
Included in administrative expenses:		
Research and development expenditure	**25.9**	25.9
Bad debt charge	**0.2**	0.2
Depreciation of property, plant and equipment – owned assets	**3.5**	3.5
Depreciation of property, plant and equipment – leased assets	**-**	0.1
Amortisation of intangible assets	**5.2**	6.7
Operating lease rentals for plant and machinery	**0.2**	0.5
Operating lease rentals for land and buildings	**7.0**	6.5
Net foreign exchange gains	**(1.8)**	(3.8)
Share based payment charge	**1.5**	1.5

The net foreign exchange 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 expenditure: 2015 amount has been restated to ensure consistency with 2016 calculation.

One-off items

	2016	*2015*
	£m	*£m*
Redundancy and other staff costs	**6.5**	3.5
Strategy development	**2.8**	0.7
Relaunch of SDL	**2.1**	-
Impairment charge	**-**	33.3
Other one-off items	**1.7**	1.6
	13.1	**39.1**

The Group has undergone a very significant reorganisation over the past two years 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 then 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 one-off tax charges over the past two years.

As a result, the Group has incurred significant one-off costs over the past two years which are not expected to recur and therefore have been separately disclosed in the income statement to provide a better guide to underlying business performance.

In 2016, the Group has incurred £13.1 million of one-off costs (2015: £33.3 impairment write down and other one-offs of £5.8 million). These one-off costs comprise:

- redundancy and retention costs due to the reorganisation of the Group in 2016 (£6.5 million);
- professional fees and related charges associated with the strategy development (£2.8 million);
- costs 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 (£2.1 million); and
- other one-off costs includes provision for tax liabilities and corporate consolidation exercises (£1.7 million).

As a result of the above, the Group now has the right strategy, brand, leadership and organisational structure to realise the full potential of our market opportunities and deliver shareholder value.

5 INCOME TAX

(a) Income tax on profit:

Consolidated income statement

	2016	*2015*
	£m	*£m*
Current taxation		
UK Income tax charge		
Current tax on income for the period	**0.8**	1.9
Adjustments in respect of prior periods	**(0.4)**	0.1
	0.4	2.0
Foreign tax		
Current tax on income for the period	**5.3**	4.9
Adjustments in respect of prior periods	**0.6**	0.5
	5.9	5.4
Total current taxation	**6.3**	7.4
Deferred income taxation		
Origination and reversal of temporary differences	**(4.0)**	(1.9)
Total deferred income tax	**(4.0)**	(1.9)
Tax expense	**2.3**	5.5

Consolidated statement of other comprehensive income

	2016	*2015*
	£m	*£m*
Current taxation		
UK Income tax charge		
Income tax charge on currency translation differences on foreign currency quasi equity loans to foreign subsidiaries	**0.2**	0.7
Total current taxation	**0.2**	0.7

6 DIVIDENDS

	2016	2015
	£m	£m
Amounts recognised as distributions to equity holders in the year: Final dividend for the year ended 31 December 2015 was 3.1 pence per share. (Year ended 31 December 2014: 2.5 pence per share)	**2.5**	2.0

A final dividend for the year ended 31 December 2016 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 loss after tax of £18.2 million (2015: loss of £30.7 million) and 81,373,409 (2015: 81,101,706) 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 2016, the diluted ordinary shares were based on 82,162,157 ordinary shares that included 788,748 potential ordinary shares.

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

	2016	*2015*
	£m	*£m*
Loss for the year	**(18.2)**	(30.7)
Loss on disposal of Non-Core business	**21.0**	-
One-off items (including impairment loss in 2015)	**13.1**	39.1
Amortisation of intangible fixed assets	**5.2**	6.7
Less: tax benefit associated with the amortisation of intangible fixed assets.	**(1.0)**	(1.3)
Tax benefit associated with one-off costs	**(1.9)**	(0.6)
Adjusted profit for the year	**18.2**	13.2

Adjusted earnings per share is shown as the Directors believe that earnings before amortisation and one-off costs is reflective of the underlying performance of the business.

	2016	2015
	No.	*No.*
Weighted average number of ordinary shares for basic earnings per share	**81,373,409**	81,101,706
Effect of dilution resulting from share options	**788,748**	722,199
Weighted average number of ordinary shares adjusted for the effect of dilution	**82,162,157**	81,823,905

	Continuing	Discontinued	**2016**	Continuing	Discontinued	**2015**
Adjusted earnings per ordinary share – basic (pence)	26.58	(4.20)	**22.38**	21.17	(5.04)	**16.13**
Adjusted earnings per ordinary share – diluted (pence)	26.32	(4.16)	**22.17**	21.17	(5.04)	**16.13**

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	*Total* £m
Cost:				
At 1 January 2015	20.2	60.6	214.1	294.9
Acquisitions	-	0.3	-	0.3
Currency adjustment	0.1	(0.2)	0.3	0.2
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 31 December 2016	**18.6**	**60.6**	**212.6**	**291.8**
Amortisation and impairment				
At 1 January 2015	(14.5)	(45.2)	(32.6)	(92.3)
Provided during the year	(1.9)	(4.8)	-	(6.7)
Impairment loss	-	-	(33.3)	(33.3)
Currency adjustment	0.1	(0.1)	-	-
At 1 January 2016	(16.3)	(50.1)	(65.9)	(132.3)
Provided during the year	(1.1)	(4.1)	-	(5.2)
Impairment loss	-	-	-	-
Disposal of Non-Core business	2.1	4.2	-	6.3
Currency adjustment	(2.0)	(6.7)	-	(8.7)
At 31 December 2016	**(17.3)**	**(56.7)**	**(65.9)**	**(139.9)**
Net book value:				
At 31 December 2016	**1.3**	**3.9**	**146.7**	**151.9**
At 1 January 2016	4.0	10.6	148.5	163.1

Customer relationships and intellectual property are amortised on a straight-line basis over their estimated useful lives of between 5 and 10 years. As from 1 January 2004, the date of transition to IFRS, goodwill is no longer amortised but is now subject to annual impairment testing (see note 11).

9 ADDITIONAL CASH FLOW INFORMATION

Analysis of Group net debt:

	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**

	1 January 2015 £m	*Cash flow £m*	*Exchange differences £m*	*31 December 2015 £m*
Cash and cash equivalents	22.1	(3.4)	(1.5)	17.2
Loans and overdrafts*	(9.0)	4.2	-	(4.8)
	13.1	0.8	(1.5)	12.4

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

10 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Group announced, on 29 January 2017, an agreement to sell its Fredhopper business to ATTRAQT PLC for £25 million subject to ATTRAQT PLC being readmitted to the AIM market. This condition is expected to be satisfied during the week commencing 6 March 2017. The Group is expected to record a profit on disposal of approximately £22 million on disposal and this will be recorded in the Group's 2017 financial statements.

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