

RWS Holdings plc

Half Year Report for the Six Months ended 31 March 2021

Transformational SDL acquisition creates largest provider of Language Services and Language Technology in the world

A robust first half performance and a good start to the second half

RWS Holdings plc ("RWS", "the Group"), the world's leading provider of technology-enabled language, content management and intellectual property services, today announces its half year results for the six months ended 31 March 2021 ("the first half").

Financial overview

	H1 2021	H1 2020	Change
Revenue	£326.4m	£169.7m	92%
<i>Incl. revenue from acquisitions</i>	£155.9m		
Adjusted profit before tax ¹	£50.5m	£33.1m	53%
<i>Incl. profit from acquisitions</i>	£12.1m		
Reported profit before tax	£24.0m	£25.8m	-7%
Adjusted earnings per share ¹	10.5p	9.4p	12%
Basic earnings per share	4.2p	7.3p	-42%
Interim dividend	2.00p	1.75p	14%
Net cash/(debt)	£11.8m	(£34.5m)	£46.3m

H1 2021 highlights

- Good first half performance despite FX headwinds, with Adjusted profit before tax ahead of the Board's expectations
 - 3% underlying revenue growth on an organic constant currency basis
- Acquisition of SDL Plc on 4 November 2020 provides the Group with industry leading technology and makes RWS the largest provider of Language Services and Language Technology in the world
- SDL integration progressing well with total cost synergies of at least £33m now identified, significantly ahead of the £15m originally stated
- Strong performance from former RWS Life Science and Moravia divisions while IP Services' performance has improved significantly since FY20
- Former SDL divisions trading in line with the Board's expectations with a strong performance from the former content technology division
- Net cash of £11.8m at 31 March 2021 has substantially improved from the net debt position of £34.5m at 31 March 2020. Strong balance sheet with cash of £62.2m (H1 2020: £28.3m).
- The Board's confidence in the Group's prospects is reflected in its decision to increase the interim dividend to 2.00p, (H1 2020: 1.75p).

¹ RWS uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before amortization of acquired intangibles, acquisition costs, share-based payment expenses, net gain/loss on debt modification and exceptional items. Adjusted earnings per share adjusts for amortization of acquired intangibles, acquisitions costs, share option costs, net gain/loss on debt modification and exceptional items, net of any associated tax effects.

Current trading and outlook

- Trading performance since the H1 period end has been good, in line with the Board's expectations for the full year.
- Recent foreign exchange rates, particularly the relative weakness of the USD compared to GBP, has continued to create currency headwinds, which have strengthened since 31 March 2021. However, we are seeing recovery in our markets, particularly in the USA, which gives us confidence in our delivering good progress in the second half of the year.
- The integration of SDL with RWS continues to proceed to internal timetable and the value of identified synergies has increased to £33m.

Board changes

- We have announced separately today that Richard Thompson has decided to step down from his role as CEO of RWS and will be succeeded by Ian El-Mokadem.

Andrew Brode, Chairman of RWS, commented:

“It has been a transformational six months for the Group, with the acquisition of SDL positioning us as the global leader in language services and technology. Against the backdrop of a global pandemic, the integration has progressed rapidly, and to schedule, with a strong management team in place to complete the integration plans.

“Alongside the successful acquisition RWS has delivered a good performance in the first half of the year despite headwinds including currency movements and the impact of Covid-19, which held back demand from certain customers.

“The second half has started well, with a recovery in our core markets, particularly in the USA where our former Life Science business continues to show strong growth, leaving the Group well placed to deliver in line with our expectations for the full year.

“I would like to thank Richard for his significant contribution over the last nine years, during which time he has helped to grow RWS from a £240m market capitalisation in 2012 to over £2.5bn today, and to welcome Ian, who brings a wealth of experience growing substantial people and services businesses globally, both organically and through acquisitions.

“I look forward to working with Ian and our strong leadership team to continue to drive profitable growth, drawing on the benefits of the SDL acquisition. With our leading global position and expanded capabilities, scale and reach in our large, growing and fragmented markets, we are confident about the Group's future prospects.

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About RWS

RWS Holdings plc is the world's leading provider of technology-enabled language, content management and intellectual property services. We help our customers to connect with and bring new ideas to people globally, by communicating business critical content at scale and enabling the protection and realization of their innovations.

Our vision is to help organizations interact effectively with people anywhere in the world, by solving their language, content and market access challenges through our collective global intelligence, deep expertise and smart technology.

Customers include 90 of the globe's top 100 brands, the top 10 pharmaceutical companies and approximately half of the top 20 patent filers worldwide. Our client base spans Europe, Asia Pacific, and North and South America across the technology, pharmaceutical, medical, legal, chemical, automotive, government, and telecommunications sectors, which we serve from offices across five continents.

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

Forward-looking statements

This announcement contains certain statements that are forward-looking. These include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

RWS Holdings plc

Results for the Six Months ended 31 March 2021

Chairman's Statement

In a transformational period for the Group, during which we completed the acquisition of SDL, I am pleased to report that RWS has delivered a good performance despite a challenging set of comparatives and foreign exchange related headwinds.

Business overview

RWS is the world's leading language services and technology group, focusing on key market segments where the quality of its services and technology is of critical importance to its clients. The Group has a blue-chip multinational client base spanning Europe, Asia Pacific and North and South America that is particularly active in the technology, pharmaceutical, medical, legal, chemical, automotive, government and telecoms industries.

Following the acquisition of SDL, which completed on 4 November 2020, the Group now has four operating divisions:

- **RWS Language Services** is the combination of the fRWS Moravia business and the fSDL Commercial and Enterprise ("CE") business. This division focuses on the language service and language technology needs of many of the world's leading companies and enjoys long-term relationships with some of the largest publicly traded companies in the world, particularly in the technology sector. Its services address our clients' large, complex and time-critical localization requirements, including adapting content, software, websites and applications for local markets.
- **RWS IP Services** is the world's premier supplier of patent translations, filing solutions and IP search, retrieval and monitoring services. The division includes PatBase, the world's largest patent research database, AOP Connect™, with its crowd of over 40,000 researchers, and international web-based patent filing platform, inovia. Uniquely, this division employs over 250 full-time, highly qualified translators and over 20 full-time patent information searchers.
- **RWS Regulated Industries** is the combination of the former RWS ("fRWS") Life Sciences business and the former SDL ("fSDL") Regulated Industries business. This division focuses on the language service needs of the following markets
 - Life sciences market– providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America, Europe and Asia Pacific.
 - Legal sector & Financial services market– providing technical translations via a secure translation platform utilising the latest neural machine translation and linguistic AI.
- **RWS Language and Content Technology** is the combination of fSDL's Language Technology and Content Technology businesses.
 - The Language Technology business comprises three parts:
 - o Machine Translation – selling fSDL's and fRWS's Iconic machine translation services to enterprise customers.
 - o Translation Productivity – selling technology that enables translators to improve the efficiency of their translation process.
 - o Translation Management Systems – tools that allow enterprises to manage their end-to-end translation and localization requirements.
 - The Content Technology business also comprises three distinct parts:
 - o Tridion Docs - provides highly structured management software that allows our customers to manage their complex and high value content in a structured, cost-efficient and easily accessible manner.
 - o Tridion Sites - provides web content management capabilities, connecting people, processes, and information across teams, brands, and markets to deliver impactful online experiences globally.

- Contenta – allows our customers to deliver the most accurate and up-to-date technical content possible. Our publishing suite for S1000D is an industry-proven publishing solution for technical content.

Our strategy

Our strategy is to focus on utilising our core strengths of language and technology expertise, combined with unparalleled global reach, to provide an increasing range of language and technology services to existing and new clients. This organic growth strategy is supplemented by selective acquisitions, providing these are either complementary to our existing business or add additional services or geographical coverage, to support our customers' global aspirations and enhance shareholder value.

Organic growth is driven by:

- the growing demand for language services and technology, underpinned by globalization and international trade
- the increase in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs and vaccines by the pharmaceutical industry
- the growth in digital content generated internationally and requiring quality localization
- increasing regulatory requirements that demand high standards across all areas of our business
- the Group's use of technology that enables RWS to provide customers with a world leading augmented translation service incorporating the latest IT developments for the language services sector
- our customers' demands for highly data secure production processes
- the outsourcing by corporates, clinical research organizations, law firms and attorneys of all or part of their foreign patent search, filing, translation, localization and linguistic validation processes
- the Group's ability to attract new clients by virtue of its market-leading position and reputation in an otherwise fragmented industry
- the Group's ability to expand in new and growing geographies
- an increase in cross divisional and joint selling of the Group's suite of services

Whilst the primary focus is on organic growth, cross-selling and driving cost saving efficiencies across the Group, we continue to review selective potential acquisitions that would further accelerate growth. We seek businesses capable of delivering above industry average levels of profitability, or highly complementary businesses capable of reinforcing the Group's leading position in language services and language or content technology. Once acquired RWS would utilise its experience to drive through operational improvements and synergies in the acquired business, which would be reflected in improved margin growth.

Half year results

Despite the recent foreign exchange headwinds, the Group almost doubled revenues to £326.4m compared to £169.7m in the comparative period. This figure incorporates recent acquisitions, namely the H1 revenue of Iconic Translation Machines Ltd ("Iconic") and Webdunia.com (India) Private Limited ("Webdunia") (combined revenue £4.4m), which were acquired in July 2020 and five months' trading of SDL (£151.5m revenue). Excluding acquisitions and on a constant currency basis, the Group delivered 3% growth in underlying revenues.

The Group achieved an Adjusted PBT of £50.5m in the first half, compared with £33.1m in the prior year, which was ahead of the Board's expectations.

Adjusted profit before tax, amortization of acquired intangibles, acquisition costs, share-based payment expenses, net gain/loss on debt modification and exceptional items increased by 53% to £50.5m (H1 2020: £33.1m). On the same basis, adjusted earnings per share increased by 12% to 10.5p (H1 2020: 9.4p).

Taxation

The Group's exposure to underlying US tax rates has increased with the acquisition of SDL and the adjusted effective tax rate² has increased to 23.4% from 22.4%.

² The Adjusted effective tax rate is defined as amortisation on acquired intangible assets, exceptional items and exceptional tax items, divided by adjusted profit before tax.

Currency and FX

The Group remains exposed to movements in the US dollar exchange rate reflecting the fact that the majority of revenues (approx. two-thirds) are denominated in US dollars. The acquisition of SDL has increased this exposure in part due to the lack of historical hedging measures in place at SDL and a material surplus of US dollars generated from its global operations.

The Group continues to hedge transactional risk while relying on constant currency reporting to highlight underlying translation risk, which remains unhedged, and has taken steps to assess and mitigate the additional currency risk incurred as a result of the acquisition of SDL including entering into additional US dollar forward contracts and initiating US dollar hedges across the new divisional structure at local entity level.

Financial results in the first half of FY21 have been impacted by movements in the underlying USD-GBP exchange rate as the dollar has weakened by 5% between periods. The Group continues to focus on reducing the impact of foreign exchange movements on the financial results but there remains a significant unhedged position in line with the Group's internal foreign exchange policy, which remains exposed to fluctuations in underlying market rates.

Cashflow

During the six months ended 31 March 2021, the major cash outlays were the final dividend of £28.2m, debt repayments and loan interest of £13.9m, acquisition costs of £10.6m and tax payments of £10.0m.

Balance sheet and liquidity

As at 31 March 2021, shareholders' funds amounted to £1,004.9m (H1 2020: £394.5m). At the same date, the Group had net cash of £11.8m (H1 2020: £34.5m net debt), comprising cash of £62.2m less borrowings of £50.4m. RWS operates a significantly cash generative business model and the Board is highly confident that the Group's cash generation and liquidity put it in a strong position to further invest in organic growth opportunities as well as explore suitable acquisition opportunities.

In addition to the Group's cash reserves, it had drawn US\$72.5m of its US\$200m banking facility, leaving headroom of US\$127.5m at the period end, of which US\$47.5m is guaranteed under a Revolving Credit Facility and a further US\$80m is available under a non-committed facility.

Dividend

The Directors have approved an interim dividend of 2.00p per share, reflecting a 14% increase over the 1.75p declared in H1 2020. This reflects both the Group's strong financial position, its cash generative business model and the Board's confidence in its future prospects.

This dividend will be paid on 16 July 2021 to those shareholders on the register as at 25 June 2021, and the ex-dividend date is 24 June 2021. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in 2003.

Operating review

RWS Language Services

RWS Language Services represented 45% of Group revenues in the period, with reported sales up 84% to £145.8m (H1 2020: £79.2m) largely due to the inclusion of five months revenue from the fSDL CE business, of £63.7m, and £3.9m from Webdunia.com (India) Private Limited, purchased in June 2020, less £1.0m of legal services revenue which have been transferred to RWS Regulated Industries.

The underlying revenue of the fRWS Moravia business unit grew by 5% on a constant currency basis helped by increased revenue from one of the world's largest social media platform providers, and one of the world's largest online retailers. Strong growth here was offset by weaker sales to several of the division's other top customers.

The fSDL CE business saw weaker sales on the back of slower sales to the fSDL Group's former largest customer, which was partly due to budgetary caution during the pandemic and also because the client wanted to monitor progress on the integration with Moravia before it would consider RWS for new business projects. Sales were also lower with the Group's largest South Korean customer, which last year cancelled a major software development project. This has been partly offset by growth in sales to technology customers and sports equipment manufacturers in the run up to the Olympics. Adverse exchange rate movements also had a significant impact on reported sales.

The division's gross margin is broadly in line with the prior year and tight controls on overheads, combined with the FX rates, resulted in an improved operational performance, with adjusted operating profit of £20.3m (H1 2020: £11.2m).

RWS IP Services

During the period, the division represented 17% of Group revenues, achieving sales of £56.9m (H1 2020: £57.9m), a decrease of 2%, which represents an improvement over the decline in the second half of 2020, indicating that the intellectual property market is stabilising. It is also worth noting the division suffered from a full six-month impact of Covid-19 in H1 2021 compared to a more limited impact in H1 2020.

The division's adjusted operating profit was £15.3m (H1 2020: £16.0m), with a stronger gross margin and flat overheads being offset by the impact of adverse exchange rate movements.

H1 2021 has seen continuing growth in the division's operations in Japan, as demand for patent applications in Japanese from European and North American corporates continues to grow. Pleasingly, direct sales to local companies in both China and Japan both advanced in the period, achieving double-digit growth with some good new business wins.

Sales of PatBase, the Group's patent search subscription business showed a strong 8% increase over the prior period, following the launch of its new search engine.

RWS Regulated Industries

RWS Regulated Industries, which represented 23% of Group revenues during the period, grew sales by 131% to £75.4m (H1 2020: £32.6m) principally due to the inclusion of five months sales from fSDL's regulated industries business, of £40.1m, and £1.0m of legal services related revenue transferred from RWS Language Services.

The relative weakness of the USD again negatively impacted on reported sales growth. On a constant currency basis, the fRWS Life Sciences business grew revenue by 11%, with Linguistic Validation revenue and sales to the Group's largest pharmaceutical customer continuing to see strong growth. We have also seen further sales growth in the rest of the Life Sciences business following new customer wins, further work related to Covid-19 and the re-commencement of elective surgery, as lockdown restrictions begin to ease.

The outlook for this division is encouraging and we are anticipating further increases in pharmacovigilance related work on the back of the Covid-19 vaccine rollout. The fSDL Regulated Industries business has also shown increased sales during the five months since acquisition.

The division delivered adjusted operating profit of £10.6m in the period (H1 2020: £9.2m) again reflecting the negative FX impact but also the lower margins within the fSDL Regulated Industries business which continue to be reviewed and addressed as part of the integration process.

RWS Language and Content Technology

The Language and Content Technology is a new division for RWS which recorded revenue of £48.3m in the five months to 31 March 2021. The division saw growth of 4% on a constant currency basis, compared with the same period in SDL's prior year. The growth was driven by the Content Technology businesses which saw increased revenue in all three principal areas of activity, benefitting from several good wins in the prior period and the recognition of licence revenues on new business wins in 2021.

Sales in Language Technology were largely flat compared to 2020 with growth in revenue from Machine Translation and Translation Productivity offset by a decline in Translation Management Systems, partly due to difficulties in selling during Covid-19, but also due to the Group's increased push towards selling Software as a Service ("SaaS") resulting in lower initial licence revenue recognition.

The gross margin of the division was slightly stronger at 72% and overheads, whilst still high, were lower than the prior year as we focus on tighter control on costs and start to realise operational synergies. This resulted in a significantly higher operating profit of £11.1m in the period.

SDL Integration

The integration of SDL with RWS is proceeding to plan, with the following principal integration workstreams well underway or completed:

- **Management structure** – the business now operates as four divisions, with a President of each, responsible and accountable for the profit of each division. The Group has reduced the fSDL central operations but, in line with its commitment to the fSDL Board, has maintained Group IT and Language Delivery functions.
- **Rebrand** – the fSDL business has been rebranded to RWS with a new combined website launched.
- **SDL product rationalisation** – steps are underway to rationalize the fSDL product portfolio to allow the Group to focus development resources on the products and services which deliver the greatest value to our customers. In addition, the former Iconic machine translation team has been integrated with the fSDL team.
- **Sharing of sales information & cross-selling** – sales information is being shared across the sales teams and work is continuing on a unified CRM platform. A large number of cross selling opportunities have already been identified that are being actively worked upon. A new cross-selling commission scheme has been introduced to further support organic growth across the Group.
- **Integrating the work streams of fSDL’s largest customer** – work is well underway on moving all operations onto the fSDL delivery and operating platforms.
- **Completing the integration of SDL’s Donnelley Language Systems (“DLS”)** – SDL acquired DLS in 2019 but integration had not been completed. Work is ongoing to streamline and standardise internal processes.
- **Rationalisation of communication platforms** – this has been particularly important with the majority of employees continuing to work from home. It also mitigates some of the cultural risks arising from such an integration.
- **Helix migration** - work is well advanced to enable the migration of selected customers to the SDL Helix delivery platform, which is expected to lead to improved margins
- **Synergies** - the process of identifying synergies continues and the total value of achievable synergies has increased to £33m since our update in April 2021.

ESG

The Group has increased its work in this area and communicated directly with shareholders who in aggregate hold 80% of issued share capital (excluding Directors), to discuss RWS’s approach to ESG and gather views and feedback. We are conducting a similar exercise with relevant key customers.

RWS is working with its employees globally to identify opportunities to reduce RWS’s and their own carbon footprint and standardise the management of carbon emission data across the enlarged Group.

Given the challenges of working from home during a pandemic, the Group has increased its out-reach programme of events and enhanced the Group intranet with the aim bringing people together socially online.

The Group has initiated a major Diversity and Inclusion initiative with the aim of taking positive action which will ensure that our staff are aware of the requirement for inclusivity and our offices reflect the communities in which we operate.

We continue to work collaboratively with third parties in the communities in which we operate and have welcomed an enlarged intake of language students to the RWS Brode Scholarship scheme at Manchester University as well as initiating an RWS staff mentoring program with Urban Synergy.

Following the acquisition of SDL, the Group took the opportunity to increase the number of ‘independent’ members of the Board and its operating committees and to review and enhance disclosure on the website of many of the Group’s internal governance documents.



People

RWS has always been a “people” business– without our RWS colleagues we are nothing –and this has never more true than over the past 12 months.

The Group is highly reliant upon all the skills of our staff to deliver innovative, high-quality language services to our clients globally. Their efforts to grow the business and cope with both the dreadful impact of Covid-19, and a major integration process has been nothing short of heroic.

On behalf of the Board, I would like to take this opportunity to thank all of them for the professional, skilful and positive manner in which they have continued to service and delight our customers.

As at 31 March 2021, the Group's number of full-time equivalent employees was 7,528 (H1 2020: 2,519).

Board changes

The Group has announced separately today, that after almost nine years with RWS, Richard Thompson, CEO, has decided to leave the Group. Richard has played a pivotal role in the growth of the business from a patent translation business in 2012 to become the world's leading Language Services and technology business, with a market capitalisation of more than £2.4bn.

It is with regret that we have to say goodbye and I would like to take this opportunity to thank him for his valuable contribution and help over the years and wish him well in his new ventures.

Following an extensive external succession process, which identified a number of high calibre candidates, the Board is pleased to announce that Ian El-Mokadem will become the Group's CEO, after commencing employment on 19 July 2021.

Ian brings with him a wealth of experience in senior management roles in large and international services businesses, most recently as CEO of V.Group, the world's leading ship management and marine support services business, where he oversaw a significant transformation programme, including the delivery of new digitally-enabled approaches to crewing and vessel management, international development, cultural change and acquisitions. Prior to that he was CEO of Exova Group, the global materials testing and calibration services provider, which he steered through its IPO in 2014, growing its revenues and profitability substantially, both organically and through 18 acquisitions, before executing its sale to Element Materials Technology in 2017. Prior to that he was the Managing Director, Compass Group, UK & Ireland.

Current trading and outlook

The second half has started well, with a recovery in our markets, particularly in the USA where our former Life Science business continues to show strong growth, leaving the Group well placed to deliver good progress in line with the Board's expectations for the full year, despite foreign exchange headwinds.

The integration of SDL continues to progress well, with a strong management team in place to complete the integration plans and realise the increased level of identified synergies.

Together with the leadership team, I look forward to continuing to drive the Group's profitable growth, drawing on the benefits of the SDL acquisition. With our leading global position and expanded capabilities, scale and reach in our large, growing and fragmented markets, we are confident about the Group's future prospects.

Andrew Brode
Chairman
8 June 2021

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited) 6 months ended 31 March 2021 £m	Restated ¹ (Unaudited) 6 months ended 31 March 2020 £m
Revenue	2	326.4	169.7
Cost of sales		(179.9)	(103.9)
Gross profit		146.5	65.8
Administrative expenses		(120.8)	(39.6)
Operating profit		25.7	26.2
Operating profit before charging:		52.2	34.7
Amortization of acquired intangibles		(8.4)	(7.6)
Acquisition costs		(10.6)	(0.2)
Share based payment expense		(0.7)	-
Other exceptional items	4	(6.8)	(0.7)
Operating profit		25.7	26.2
Finance costs (including an exceptional gain on debt modification of £Nil (HY20: £1.3m))	3	(1.7)	(0.4)
Profit before tax		24.0	25.8
Taxation		(8.5)	(5.8)
Profit for the period attributable to the equity holders of the parent company	2	15.5	20.0
Other comprehensive expense			
(Loss) on retranslation of foreign operations (net of deferred tax)		(4.8)	(2.4)
(Loss) on cash flow hedges (net of deferred tax)		(2.7)	(2.9)
Total other comprehensive expense		(7.5)	(5.3)
Total comprehensive income		8.6	14.7
Basic earnings per ordinary share (pence per share)	6	4.2	7.3
Diluted earnings per ordinary share (pence per share)	6	4.2	7.3

Total comprehensive income is attributable to the equity holders of the parent company.

¹The gain on debt modification relating to the 6 month period ending 31 March 2020 has been re-presented as finance income in these interim financial statements having previously been included within exceptional items. See note 1 for further details.

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	(Unaudited) at 31 March 2021 £m	(Unaudited) at 31 March 2020 £m	(Audited) at 30 September 2020 £m
Assets				
Non-current assets				
Goodwill		777.2	247.5	253.9
Intangible assets		191.7	160.4	157.8
Property, plant and equipment		35.8	22.5	22.8
Right-of-use assets		42.9	21.0	20.1
Deferred tax assets		10.3	2.3	1.9
Capitalised commissions		0.5	-	-
		1,058.4	453.7	456.5
Current assets				
Trade and other receivables		173.1	85.6	82.1
Capitalised commissions		1.9	-	-
Foreign exchange derivatives		2.2	-	0.6
Cash and cash equivalents	7	62.2	28.3	51.4
		239.4	113.9	134.1
Total assets		1,297.8	567.6	590.6
Liabilities				
Current liabilities				
Trade and other payables		141.2	52.0	57.5
Lease liabilities		12.2	4.5	3.2
Foreign exchange derivatives		-	3.0	0.1
Income tax payable		8.1	3.5	3.6
Provisions		1.1	0.1	0.1
		162.6	63.1	64.5
Non-current liabilities				
Borrowings	8	50.4	62.7	66.5
Lease liabilities		36.5	17.9	19.6
Trade and other payables		2.1	-	0.3
Provisions		7.1	0.7	2.4
Deferred tax liabilities		34.2	28.7	28.4
		130.3	110.0	117.2
Total liabilities		292.9	173.1	181.7
Total net assets		1,004.9	394.5	408.9
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		3.9	2.8	2.8
Share premium		668.4	53.6	53.6
Share based payment reserve		2.1	0.4	1.4
Reverse acquisition reserve		(8.5)	(8.5)	(8.5)
Foreign currency reserve		10.1	26.7	14.9
Hedge reserve		(3.1)	(5.2)	(0.4)
Retained earnings		332.0	324.6	345.1
Total equity		1,004.9	394.5	408.9

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of parent £m
At 1 October 2019	2.7	51.8	19.0	323.6	397.1
Profit for the period	-	-	-	20.0	20.0
Loss on cash flow hedges	-	-	(2.9)	-	(2.9)
Loss on retranslation of foreign operations	-	-	(2.4)	-	(2.4)
Total comprehensive income for the period to 31 March 2020	-	-	(5.3)	20.0	14.7
Issue of shares	0.1	1.9	-	-	2.0
Dividends	-	-	-	(19.3)	(19.3)
Exercise of share options	-	-	(0.3)	0.3	-
Equity-settled share-based payments	-	-	-	-	-
At 31 March 2020	2.8	53.7	13.4	324.6	394.5
At 30 September 2020	2.8	53.6	7.4	345.1	408.9
Profit for the period	-	-	-	15.5	15.5
Loss on cash flow hedges	-	-	(2.7)	-	(2.7)
Loss on retranslation of foreign operations	-	-	(4.8)	-	(4.8)
Total comprehensive income for the period to 31 March 2020	-	-	(7.5)	15.5	8.0
Issue of shares (net of issue costs)	1.1	614.8	-	-	615.9
Purchase of own shares	-	-	-	(0.4)	(0.4)
Dividends	-	-	-	(28.2)	(28.2)
Exercise of share options	-	-	-	-	-
Equity-settled share-based payments	-	-	0.7	-	0.7
At 31 March 2021 (unaudited)	3.9	668.4	0.6	332.0	1,004.9

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share based payment reserve	Reverse acquisition reserve	Hedge reserve	Foreign currency reserve	Total other reserves
	£m	£m	£m	£m	£m
Other reserves					
At 1 October 2019	0.7	(8.5)	(2.3)	29.1	19.0
Other comprehensive income for the period at 31 March 2020	-	-	(2.9)	(2.4)	(5.3)
Exercise of share options	(0.3)	-	-	-	(0.3)
Equity-settled share-based payments	-	-	-	-	-
At 31 March 2020 (unaudited)	0.4	(8.5)	(5.2)	26.7	13.4
At 30 September 2020 (audited)	1.4	(8.5)	(0.4)	14.9	7.4
Other comprehensive loss for the period to 31 March 2020	-	-	(2.7)	(4.8)	(7.5)
Exercise of share options	-	-	-	-	-
Equity-settled share-based payments	0.7	-	-	-	0.7
At 31 March 2021 (unaudited)	2.1	(8.5)	(3.1)	10.1	0.6

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) 6 months ended 31 March 2021 £m	(Unaudited) 6 months ended 31 March 2020 £m
Cash flows from operating activities			
Profit before tax		24.0	25.8
Adjustments for:			
Depreciation of property, plant and equipment		3.1	1.5
Amortization of right-of-use asset		5.4	2.7
Amortization of intangible assets		14.3	9.1
Share-based payment expense		0.7	-
Net gain on debt modification	4	0.1	(1.3)
Finance expense		1.6	1.7
Foreign exchange		(0.5)	-
Fair value movement on derivatives		(1.8)	-
Operating cash flow before movements in working capital and provisions		46.9	39.5
(Increase) in trade and other receivables		(9.2)	(0.2)
(Decrease) in trade and other payables		(11.0)	(5.1)
Cash generated from operating activities		26.7	34.2
Income tax paid		(10.0)	(8.7)
Net cash inflow from operating activities		16.7	25.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		55.0	-
Purchases of property, plant and equipment		(4.2)	(1.0)
Purchases of intangible assets		(5.7)	(1.9)
Net cash outflow from investing activities		45.1	(2.9)
Cash flows from financing activities			
Repayment of borrowings		(12.5)	(18.0)
Transaction costs relating to debt refinancing		-	(0.6)
Interest paid		(1.4)	(1.3)
Lease liability payments		(5.8)	(3.0)
Proceeds from the issue of share capital, net of share issue costs		0.5	2.0
Purchase of own shares		(0.4)	-
Dividends paid	6	(28.2)	(19.3)
Net cash (outflow)/inflow from financing activities		(47.8)	(40.2)
Net (decrease)/increase in cash and cash equivalents		14.0	(17.6)
Cash and cash equivalents at beginning of the period		51.4	47.0
Exchange (losses)/gains on cash and cash equivalents		(3.2)	(1.1)
Cash and cash equivalents at end of the period	7	62.2	28.3
Free cash flow			
Analysis of free cash flow			
Net cash generated from operations		26.7	34.2
Net interest paid		(1.4)	(1.3)
Income tax paid		(10.0)	(8.7)
Purchases of property, plant and equipment		(4.2)	(1.0)
Purchases of intangibles		(5.7)	(1.9)
Free cash flow		5.3	21.3

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

General information

The half year condensed consolidated financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2020 were approved by the Board of Directors on 9 December 2020 and have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months to 31 March 2021 were approved by the Directors on 7 June 2021.

Basis of preparation

The annual financial statement of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU. The interim condensed consolidated financial statements for the six months ended 31 March 2021 have been prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting.

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Prior period adjustment

The Group has re-presented the gain on debt modification of £1.3m in the prior period from exceptional items (included as part of administrative expenses) to finance expense. The impact of this reclassification has been to reduce operating profit by £1.3m and to decrease net finance expense by £1.3m. There is no impact on profit before tax or profit after tax and there is no impact on the cash flows of the Group. Earnings per share metrics are also not impacted by this change.

Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are those as set out in the Group's financial statements for the year ended 30 September 2020.

New accounting standards and interpretations

There have not been any new standards or interpretations adopted in the period which would have a material financial impact on, or disclosure requirement for, the Group's interim report.

Going concern

As at 31 March 2021, the Group's balance sheet reflects a net asset position of £1,004.9 million and the liquidity of the Group remains strong with £62.2m of cash reserves. Our US\$120 million revolving debt facility (RCF) has a maturity date of February 2024 and is extendable for a further year subject to lender consent. At period end, US\$47.5 million of this RCF facility is undrawn, while the RCF also offers an accordion facility of US\$80 million, subject to lender consent.

At 31 March 2021, the Group is in a net cash position excluding lease liabilities of £11.8m (see note 9), and the Group's two debt covenants under its RCF being the ratio of Net Debt to trailing 12-month Adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both well within the covenant limits permitted by the Group's RCF.

On the basis set out above, the Directors consider it appropriate to conclude that the Group has adequate resources to continue as a going concern for the foreseeable future and for a period of at least 12 months from the date of authorizing these interim financial statements. Therefore, the Group continues to adopt the going concern basis for preparing its interim financial statements.

Principal risks and uncertainties

The principal risks and uncertainties were disclosed in the Group's annual report and financial statements for the year ended 30 September 2020 and remain broadly unchanged. RWS has an established process both to manage risk and to seek to mitigate the impact of risk as much as possible should it materialise. Operational risks include management succession, system interruption and business continuity, data protection, compliance, contract management, integration of acquisitions, maintaining technology leadership and intellectual property. Financial risks include liquidity, credit risk, interest rates and financial reporting.

Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual future outcomes may differ from these estimates and give rise to material adjustments to the reported results and financial position of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future periods affected.

The Group's significant estimates and judgements noted below have been updated following the acquisition of SDL in November 2020 from those reported in the financial statements for the year ended 30 September 2020. These are:

Significant areas of judgement:

- The allocation of transaction price to the identified performance obligations within the Group's contracts containing multi-element arrangements (note 2).
- The eligibility of the Group's R&D expenditure for capitalisation under IAS38 Intangible Assets.
- The determination of the expected lease term over which to recognise a lease liability.

Areas of estimation uncertainty:

- Value in use estimation for the Group's Cash Generating Units ('CGUs'),
- Interpretation of applicable tax legislation and the recoverability of the Group's resulting deferred tax assets.
- The incremental borrowing rate used to discount the Group's lease liabilities.
- Estimates of cost to complete for the rendering of services delivered on an over time basis and by extension the associated accrued income.

2 Revenue from contracts with customers and segment information

The Group generates revenue from contracts with its customers for the provision of translation and localization, intellectual property support solutions, life sciences language services and language and content technology. Revenue from providing these services during the year is recognized either at a point in time and over time as shown in the table below.

Timing of revenue recognition for contracts with customers	(Unaudited) 6 months ended 31 March 2021 £m	(Unaudited) 6 months ended 31 March 2020 £m
At a point in time	158.8	142.5
Over time	167.6	27.2
Total revenue from contracts with customers	326.4	169.7

Segmental reporting

Following the acquisition of SDL the Board divided the Group into four reportable segments. The Board assesses the performance of the segments based on revenue and adjusted profit / (loss) from operations. These are measured on a basis consistent with the Condensed Consolidated Statement of Comprehensive Income. The four reportable segments are:

- RWS IP Services: provides the highest quality patent translations, a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services.
- RWS Regulated Services: provides a full suite of language services, including technical translations and linguistic validation, exclusively for the life sciences, legal and banking industries.
- RWS Language Services: provides language solutions and localization services including the adaptation of content, software, websites, applications, marketing material and audio/video to ensure brand consistency.
- RWS Technology: provides a full range of language and content technology solutions for both enterprise and individual customers.

The unallocated segment relates to corporate overheads.

Segment results for the 6 months ended 31 March 2021 - (Unaudited)	RWS IP Services £m	RWS Regulated Industries £m	RWS Language Services £m	RWS Technology £m	Unallocated £m	Group £m
Revenue	56.9	75.4	145.8	48.3	-	326.4
Operating profit/(loss) before charging:	15.3	10.6	20.3	11.1	(5.1)	52.2
Amortization of acquired intangibles	(0.1)	(4.3)	(4.0)	-	-	(8.4)
Acquisition costs	-	-	-	-	(10.6)	(10.6)
Share-based payments expense	-	-	-	-	(0.7)	(0.7)
Other exceptional items	-	-	-	-	(6.8)	(6.8)
Operating profit/(loss)	15.2	6.3	16.3	11.1	(23.2)	25.7
Finance expense						(1.7)
Profit before taxation						24.0
Taxation						(8.5)
Profit for the period						15.5

Segment information below represents the reportable segments as identified by the Board prior to the acquisition of SDL:

Segment results for the 6 months ended 31 March 2020 - (Unaudited)	RWS IP Services £m	RWS Life Sciences £m	RWS Language Services £m	Unallocated £m	Group £m
Revenue	57.9	32.6	79.2	-	169.7
Operating profit/(loss) before charging:	16.0	9.2	11.2	(1.7)	34.7
Amortization of acquired intangibles	(0.3)	(3.0)	(4.3)	-	(7.6)
Acquisition costs	-	-	-	(0.2)	(0.2)
Share-based payments expense	-	-	-	-	-
Other exceptional items	(0.7)	-	-	-	(0.7)
Operating profit/(loss)	15.0	6.2	6.9	(1.9)	26.2
Finance expense					(0.4)
Profit before taxation					25.8
Taxation					(5.8)
Profit for the period					20.0

Capitalised contract costs, contract asset and contract liabilities

The Group holds material asset balances in respect of contract costs capitalised as they meet the criteria under IFRS 15 as incremental costs to obtain a contract. These primarily relate to the commissions paid on the acquisition of new contracts, the value of these balances at the balance sheet date was £2.4m (HY20: £Nil).

Contract assets and liabilities are recognised at the point in which the Group's right to consideration is unconditional, the Group uses the term 'Trade Receivables' for these financial asset balances. Contract assets are recognised where performance obligations are satisfied over time until the point of final invoicing when these are classified as

'Trade Receivables'. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income', below is a summary of contract balances held by the Group:

	(Unaudited) At 31 March 2021 £m	(Unaudited) At 31 March 2020 £m
Trade receivables (included in trade and other receivables)	115.7	62.4
Accrued income (included in trade and other receivables)	31.9	15.5
Total contract assets	147.6	77.9
Deferred income (included in trade and other payables)	45.1	4.7
Total contract liabilities	45.1	4.7

3 Finance expense

	(Unaudited) 6 months ended 31 March 2021 £m	Restated ¹ (Unaudited) 6 months ended 31 March 2020 £m
Finance expense		
- Net gain on debt modification (<i>considered as part of exceptional finance costs</i>)	(0.1)	1.3
- Bank interest payable	(0.4)	(1.2)
- Interest payable on lease obligations	(1.0)	(0.3)
- Amortized borrowing costs	(0.2)	(0.2)
Net finance expense	(1.7)	(0.4)

4 Exceptional items

Exceptional items are items of financial significance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. The Group separately reports the cost of restructuring programmes, acquisition costs and other exceptional items:

	(Unaudited) 6 months ended 31 March 2021 £m	Restated ¹ (Unaudited) 6 months ended 31 March 2020 £m
Other exceptional items	(6.8)	(0.7)
Acquisition related costs	(10.6)	(0.2)
Total exceptional items	(17.4)	(0.9)

Other exceptional items

Other exceptional items include costs of £6.8m relating to the restructuring and integration costs incurred following the acquisition of SDL. Restructuring costs relate to the costs of organisational change associated with the Group's integration programme. Normal trading redundancy costs are charged to the income statement as incurred. The results of cost savings will be shown within operating profit.

These restructuring costs include identifying further synergies and integration opportunities as a result of the acquisition of SDL and the exit of certain legacy teams.

In the prior period, other exceptional items included redundancy costs of £0.7m related to the restructuring of the sales team within the IP Services division.

Acquisition related costs

Acquisition costs of £10.6m (HY20: £0.2m) include deal fees associated with the acquisition of SDL.

The Directors are of the view that each of these items meet the requirements to be considered exceptional as they are non-recurring and by their nature do not form part of the Group's ongoing operating activities.

5 Taxation

	(Unaudited) 6 months ended 31 March 2021 £m	(Unaudited) 6 months ended 31 March 2020 £m
Total current taxation	8.1	7.3
Deferred taxation	0.4	(1.5)
Tax expense	8.5	5.8

Effective tax rate

The effective tax rate on reported profit before tax was 35.4% (HY20: 22.5%). The Group's effective tax rate for the period is higher than the UK's statutory tax rate mainly due to the impact of non-tax deductibility of exceptional costs related to the acquisition of SDL.

The adjusted tax charge was £11.8m (HY20: £7.4m) giving an effective tax rate of 23.4% (HY20: 22.4%) on adjusted profit before tax of £50.5m (HY20: £33.1m) Adjusted profit before tax is an adjusted measure which, is reconciled as part of the APMs section at the end of this report.

The adjusted tax charge is the total tax charge as disclosed in the Condensed Consolidated Income Statement less the tax effects of exceptional expenses and amortisation of acquired intangible assets. The effective income tax rate represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2021 adjusted for discrete items as required.

The Group's adjusted effective tax rate going forward is expected to be in the region of 22% to 25%. The rate is higher than the effective UK rate principally due to the impact of higher tax rates in overseas countries and to a lesser extent disallowable expenditure. There are some countries in which the tax rate is lower than the UK, but the impact is small either because the countries are not significant contributors to Group profit, or the tax rate difference is not significant.

Uncertain tax provisions

The Group holds uncertain tax provisions in relation to historic transfer pricing arrangements between the UK, Ireland, the US as well as other tax risks across the Group. These provisions total £7.7m at 31 March 2021 (HY20: £0.4m).

6 Dividends

An interim dividend of 2.0p (HY20: 1.75p) per ordinary share will be paid on 16 July 2021 to shareholders on the register at 25 June 2021.

This dividend, declared by the Directors after the balance sheet date, has not been recognized in these financial statements as a liability at 31 March 2021. The interim dividend will reduce shareholders' funds by an estimated £7.8m (HY20: £4.9m).

Dividends paid in the period were £28.2m (HY20: £19.3m).

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

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

Adjusted earnings per share is a trend measure, which presents the long-term profitability of the Group excluding the impact of specific transactions that management considers affects the Group's short-term profitability. The Group presents this measure to assist investors in their understanding of trends. Adjusted profit before tax is the numerator used for this measure. The Group has identified the following items to be excluded when arriving at adjusted profit before tax: amortisation of acquisition intangible assets, acquisition costs, share based payment expenses and other exceptional items.

	6 months ended 31 March 2021	6 months ended 31 March 2020
Earnings per ordinary share – basic (p)	4.2	7.3
Earnings per ordinary share – diluted (p)	4.2	7.3
Adjusted earnings per ordinary share – basic (p)	10.5	9.4
Adjusted earnings per ordinary share – diluted (p)	10.5	9.4

	6 months ended 31 March 2021 Earnings £m	6 months ended 31 March 2020 Earnings £m
Profit for the period	15.5	20.0
<i>Adjustments:</i>		
Amortization of acquired intangibles	8.4	7.6
Acquisition costs	10.6	0.2
Share based payment expense	0.7	-
Other exceptional items	6.8	(0.6)
Net expense on debt modification	(0.1)	(1.3)
Tax effect of adjustments	(3.4)	(1.5)
Adjusted profit attributable to equity holders of the parent	38.5	25.7

	6 months ended 31 March 2021	6 months ended 31 March 2020
Weighted average number of ordinary shares in issue for basic earnings	367,537,066	274,802,384
Dilutive impact of share options	13,871	118,744
Weighted average number of ordinary shares for diluted earnings	367,550,937	274,921,128

8 Cash and cash equivalents

	(Unaudited) 31 March 2021 £m	(Unaudited) 31 March 2020 £m	(Audited) 30 September 2020 £m
Cash at bank and in hand	50.6	28.3	50.1
Short-term deposits	11.6	-	1.3
Cash and cash equivalents in the cash flow statement	62.2	28.3	51.4

Short-term deposits include deposits with a maturity of three months or less, or deposits that can be readily converted into cash. The fair value of these assets supports their carrying value.

9 Loans

	At 1 October 2020 £m	Effects of cash flows £m	Non-cash movements £m	Acquired with subsidiary £m	(Unaudited) 31 March 2021 £m
Cash	51.4	(41.0)	(3.2)	55.0	62.2
Non-current loans and borrowings	(69.2)	14.5	2.0	-	(52.7)
Net costs to acquire borrowings	2.7	-	(0.4)	-	2.3
Net debt (excluding lease liabilities)	(15.1)	(26.5)	(1.6)	55.0	11.8
Lease liabilities	(22.8)	5.9	1.7	(33.5)	(48.7)
Net debt (including lease liabilities)	(37.9)	(20.6)	0.1	21.5	(36.9)

At 31 March 2021, the Group is in a net cash position excluding lease liabilities of £11.8m and the Group's two debt covenants under its RCF being the ratio of Net Debt to trailing 12-month Adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both well within the covenant limits permitted by the Group's RCF.

10 Share-based compensation grants

On 22 January 2021, 1,730,173 Long Term Incentive Plan ('LTIP') shares were awarded to certain key senior executives and employees of the Group.

The LTIPs consist of shares based on market conditions and are split between Earnings per Share ('EPS') and total shareholder return ('TSR') conditions.

On 22 February 2021, 253,707 share options were granted under the Group's SAYE scheme, which in normal circumstances will not be exercisable until the completion of a three year savings period ending on 1 April 2024 and will be exercisable for a period of six months thereafter.

11 Related party transactions

On 23 February 2021 Ocorian Limited, acting as trustee of the RWS Holdings plc Employee Benefit Trust (EBT) purchased in the market a total of 55,896 Ordinary Shares of 1p each at an average price of 637.43p pence per share. The shares will be held in the EBT, a discretionary trust, and are intended to be used to satisfy the exercise of share options by employees. Following this transaction the EBT holds a total of 55,896 shares, representing approximately 0.01% of the RWS's issued share capital. Costs of £356k relating to this purchase have been deducted from retained earnings.

During the year, in the normal course of business, the Group provided translation services worth £97k (HY20: £64k) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode, the Group's Chairman, has a significant interest. An amount of £83k (HY20: £31k) was due from LTG at the reporting date.

12 Acquisitions

Acquisition of Webdunia

On 9 June 2020, the Group acquired the localization and software services business units of Webdunia.com (India) Private Limited ("Webdunia") as well as the technology solutions component of its affiliated Company, Diaspark Inc. The total cash consideration was US\$21.0m. Webdunia is a leader in translation, localization and technology services to technology and digital companies in the Indian and North American markets. The acquisition will be highly complementary to RWS's existing Moravia business, will strengthen our Indian-based translation and localization market share, support our customers' growth aspirations in India, as well as complement our digital technology services.

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

	Fair values £m
Net assets acquired:	
Customer relationships	6.0
Databases	0.7
Software	0.2
Property, plant and equipment	0.3
Right-of-use assets	1.9
Trade and other receivables	2.3
Cash and cash equivalents	1.0
Trade and other payables	(0.8)
Lease liabilities	(1.9)
Deferred tax liabilities	(2.0)
Provisions	(0.3)
Total identifiable net assets	7.4
Goodwill	9.4
Total consideration	16.8
Satisfied by:	
Cash	16.8

All cash flows incurred on the acquisition of Webdunia were recorded in the year ended 30 September 2020, there were no cash outflows in the current period (HY20: None).

During the measurement period the Group has identified total intangible assets (excluding goodwill) on acquisition of £6.0m and £0.7m for customer relationships and databases respectively. These assets have given rise to additional deferred tax liabilities for the opening balance sheet of £2.0m from the provisional net assets on acquisition as disclosed in the financial statements for the year ending 30 September 2020. This gave rise to total goodwill of £9.4m on acquisition.

Acquisition of SDL Plc

As disclosed in the Group's financial statements for the year ending 30 September 2020 as a post balance sheet event, On 27 August 2020, the Parent Company announced it had reached agreement with SDL plc ("SDL") for an all-share combination, pursuant to which RWS would acquire the entire issued and to be issued share capital of SDL by means of a court-sanctioned scheme of arrangement.

Subsequent to 30 September 2020, following the shareholders of both SDL and the Parent Company voting in favour of the proposed all-share combination, a court-sanctioned scheme of arrangement was effective on 4 November 2020. Accordingly, 113,338,511 new ordinary shares were issued by the Parent Company as full consideration to acquire 100% control of SDL.

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

	Fair values £m
Net assets acquired:	
Intangible assets	41.5
Software	13.0
Property, plant and equipment	12.0
Right-of-use assets	30.0
Trade and other receivables	87.5
Deferred tax assets	7.3
Cash and cash equivalents	55.0
Trade and other payables	(99.0)
Lease liabilities	(33.5)
Deferred tax liabilities	(7.1)
Provisions	(7.1)
Total identifiable net assets	99.6
Goodwill	522.6
Total consideration	622.2
Satisfied by:	
Shares	622.2

Provisional values above are stated before purchase price allocation due to the size and complexity of the acquisition and the size of the values relative to the Group's financial statements. The Directors expect that the PPA work will identify material intangible assets and their allocation from the goodwill value disclosed above will lead the goodwill to be materially different to that as disclosed above. Intangible assets as included above are those which were acquired with SDL before adjustments for fair values on purchase price allocation and include both internally generated intangibles (R&D) and acquired intangibles from acquisitions undertaken by the former SDL Group. The value of Goodwill held by SDL on the opening balance sheet has been removed from net assets and is included in the value of goodwill as disclosed above.

The Directors expect the associated deferred tax amounts recognisable on the intangible assets will also be material, with a compensating material increase to goodwill expected to be reported in the Group's financial statements for the year ending 30 September 2021, once the purchase price allocation procedures are finalised.

Appendix – Alternative performance measures

Alternative performance measures

The Board uses a number of alternative performance measures which, are measures that can be directly reconciled to GAAP measures. The Board primarily uses 'adjusted' measures as they exclude the impact of non-recurring transactions which are not part of the normal course of business. Adjusted measures therefore are calculated by removing the impact of exceptional items, share based payment expenses and amortisation of acquired intangibles.

Adjusted measures used by the Board include:

- **Adjusted profit before tax:** Profit before tax before exceptional items, share based payment expenses and amortisation of acquired intangibles (reconciled on the face of the income statement).
- **Adjusted profit after tax:** profit after tax before exceptional items, share based payment expenses and amortisation of acquired intangibles (reconciled in note 7 as the numerator for adjusted EPS and adjusted diluted EPS).
- **Adjusted operating cash flows:** operating cash flows before exceptional items (reconciled below).
- **Adjusted effective tax rate:** effective tax rate before exceptional items, amortisation of acquired intangibles and exceptional tax (reconciled below).
- **Adjusted earnings per share:** earnings per share before exceptional items net of tax, amortisation of acquired intangibles net of tax, share-based payments and exceptional tax amounts (reconciled in note 7).
- **Constant currency:** Prior period underlying measures, including revenue are retranslated at the current period exchange rates to neutralise the effect of currency fluctuations.

Adjusted profit before tax reconciliation	HY21 £m	HY20 £m
Statutory profit before tax	24.0	25.8
Exceptional items	6.8	0.7
Acquisition related costs	10.6	0.2
Exceptional finance gain	-	(1.3)
Share-based payments	0.7	-
Amortisation of acquired intangibles	8.4	7.6
Adjusted profit before tax	50.5	33.1

Adjusted operating cash flows reconciliation	HY21 £m	HY20 £m
Adjusted operating profit	52.2	34.7
Depreciation and amortisation from non-acquired intangibles	14.4	5.7
Share based payment expense	0.7	-
Net working capital changes	(20.2)	(5.3)
Adjusted operating cash flows	47.1	35.1

Operating cash conversion reconciliation	HY21 £m	HY20 £m
Adjusted operating profit	52.2	34.7
Adjusted operating cash flows	47.1	35.1
Operating cash conversion	90%	101%

	HY21 £m	HY20 £m
Adjusted effective tax rate		
Tax charge	8.5	5.8
Tax on amortisation of acquired intangibles	2.1	1.3
Tax on exceptional items	1.2	0.3
Adjusted tax charge	11.8	7.4
Adjusted profit before tax	50.5	33.1
Adjusted effective tax rate	23.4%	22.4%

KPIs

KPIs are those key performance indicators used by management and the Board to monitor the success of the Group. These differ from the Group's alternative performance measures as they are measures that cannot necessarily be calculated from GAAP measures.

The KPIs, reviewed by the Board include revenue growth, gross margin and Free Cash Flow. Free cash flow is defined as cash generated from operations after interest and tax costs, maintenance capital expenditure and capitalised research and development costs. Maintenance capital expenditure is the recurring level of capital expenditure required for the business in its current form to operate in medium term and excludes non-recurring investment in capitalised system and infrastructure costs.

Net debt comprises cash and cash equivalents and external borrowings. Net debt excludes lease liabilities but is reconciled to a measure including lease liabilities in note 9.