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RWS Holdings plc

Results for the year ended 30 September 2021

A significant year for the Group, with profit ahead of market expectations

RWS Holdings plc ("RWS", "the Group"), a world leading provider of technology-enabled language, content and IP services, today announces its final results for the year ended 30 September 2021.

Financial highlights

	2021	2020	Change	Organic CC[3] Change
Revenue	£694.5m	£355.8m	+95%	4%
Profit before tax	£55.0m	£58.7m	-6%	
Adjusted profit before tax[1]	£116.4m	£70.2m	+66%	
Basic earnings per share	10.9p	16.9p	-36%	
Adjusted basic earnings per share[1]	23.8p	19.9p	+20%	
Dividend				
Proposed final	8.50p	7.25p	+17%	
Total for year	10.50p	9.00p	+17%	
Net cash/(debt)[2]	£45.3m	(£15.1m)		

[1] RWS uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit before tax is stated before amortisation of acquired intangibles, share based payment expense, acquisition costs and exceptional items. Adjusted earnings per share adjusts for amortisation of acquired intangibles, share based payment expense, acquisition costs and exceptional items, net of associated tax effects.

[2] Net debt comprises loans less cash and cash equivalents excluding lease liabilities.

[3] Organic CC ("OCC") - represents a like-for-like comparison between reporting periods. It is calculated by adding pre-acquisition revenues for SDL, Webdunia and Iconic on a common basis for the period in 2020 which corresponds to the post acquisition period in 2021 and by applying prior year exchange rates in both reporting periods. Additionally, Horn & Uchida's results were excluded from both years as it was acquired in July 2021.

A Year of Significant Strategic Progress

- Created a world leading provider of technology-enabled language, content and IP services following the acquisition of SDL plc ("SDL")
- The Group is in an excellent position, having doubled its size and added new client relationships and capabilities, as a result of the acquisition of SDL
- Now highly technology-enabled, which positions RWS well to deliver new solutions to clients, drive further operating efficiencies and be at the forefront of the technology-led evolution of our industry
- The integration of SDL is well progressed, with significant synergies delivered and more to be realised as we see the full year effects in FY22
- CEO transition has gone well, with a unified Executive Team
- Enhanced the Board with the appointment of three new non-executive directors
- Good progress made with implementing the Group's ESG strategy

Group Highlights

- Well progressed with integrating SDL into the Group, delivering cost synergies of £16.4m during the year.
- Revenue grew on both a reported and organic constant currency ("OCC") basis across all divisions of the Group
- Stronger than expected margin performance primarily reflecting synergies delivered proposing a final dividend of 8.50p (2020: 7.25p), representing a 17% increase in the total dividend

Language Services

- Revenues increased to £317.6m (2020: £171.3m), an 85% increase over the prior year, and were 4% higher on an OCC basis
- Adjusted operating profit increased by 92% to £47.4m (2020: £24.7m)
- Growth driven by strong sales to major global technology and commercial clients

Regulated Industries

- Revenues increased to £162.9m (2020: £71.3m), an increase of 128% over the prior year, and were 8% higher on an OCC basis
- Adjusted operating profit increased 35% to £28.4m (2020: £21.0m)
- A strong performance across Life Sciences, led by the division's higher value linguistic validation offering

IP Services

- Revenues increased to £113.6m (2020: £112.8m), an increase of 1% over the prior year, but were 2% higher on an OCC basis
- Adjusted operating profit increased by 7% to £32.3m (2020: £30.2m)
- Integration of Horn & Uchida acquisition progressing well

Language & Content Technology

- Revenues increased to £100.4m (2020: £0.4m) and were 1% higher on an OCC basis
- Adjusted operating profit was £22.6m (2020: £nil).
- Reflects planned change in licence mix towards a SaaS licensing model continuing

Current Trading and Outlook

- Now focused on capitalising on the Group's expanded scale, footprint and capabilities for clients, to drive sustainable organic growth from an efficient cost base
- Trading in line with our expectations for the full year, driven by:
    - Continued organic revenue growth at constant currency
    - Significant further operating margin expansion as we realise full year synergies and continue to enhance efficiencies following the acquisition of SDL
- Strong cash generation and balance sheet supports plans to invest for growth, including in software and internal systems, and in selective acquisitions to enhance the Group's capabilities and geographical reach
- A further update on the Group's medium term growth strategy and investment plans will be given at a Capital Markets Day in March 2022

Ian El-Mokadem, CEO of RWS, commented:

"The Group has delivered a strong set of results against the background of the Covid-19 pandemic and integrating SDL. I am proud of the manner in which our world-wide team have continued to provide our products and services to the high-quality standards expected by our broad range of world leading clients.

"All our divisions grew revenues on an organic constant currency basis and we are particularly pleased with the pace and effectiveness of our integration of SDL, which contributed to a better than expected profit performance.

"Current trading is in line with our full year expectations and I am confident that we are now in a stronger position than ever, with an excellent team in place to drive the business forward and build on its leadership of its growing, fragmented markets.

"With a healthy balance sheet to support the Group's strategy, I am excited about the plans we are developing to build on RWS's longstanding track record of delivery, as we capitalise on the Group's expanded scale, footprint and capabilities following the acquisition of SDL.

"Our expectations for the full year remain unchanged."

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About RWS

RWS Holdings plc is a world 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 realisation of their innovations.

Our vision is to help organisations 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 20 pharmaceutical companies and 19 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).

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

Forward-Looking Statements

This announcement contains certain statements that are forward-looking statements. They appear in a number of places through this announcement and 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.

CHAIRMAN'S STATEMENT

INTRODUCTION

RWS celebrated its 63rd year in business in 2021, having become the world's leading provider of language services.

This year has been dominated by the significant task of integrating the most substantial acquisition in our history, SDL plc ("SDL"), into the Group; a task that is well advanced, delivering excellent levels of synergies and opening up additional opportunities. Upon completion of the integration, we will have successfully optimised the world's leading language services and technology group. The acquisition has been a real landmark for the Group and we were delighted to be awarded "Best use of AIM", at the 2021 AIM Awards, for the SDL acquisition.

PERFORMANCE

The Group achieved revenues of £694.5m for the year, 95% ahead of 2020 (£355.8m). These revenues include an eleven-month contribution from former SDL, alongside 4% organic growth, on a constant currency basis. Within the Group numbers, there was a strong performance from the Regulated Industries division and we were pleased to see the IP Services division revenues stabilised. All of this was achieved, of course, against the background of Covid-19.

Adjusted profit before tax rose to £116.4m (2020: £70.2m), an increase of 66% representing a stronger than expected margin performance.

As a result of the SDL acquisition, the Group's balance sheet expanded significantly to net assets of £1,010.9m (2020: £408.9m). At 30 September 2021 net cash[1] was £45.3m, compared to net debt[1] of £15.1m in 2020. This strong position was achieved despite the significant one-off outlays associated with the SDL integration and an increased full-year dividend.

PEOPLE AND BOARD

The enlarged Group employed 7,674 people as at the financial year end, spread across the Americas, Europe and Asia Pacific. For the majority of FY21 we continued to work primarily from home with all of the constraints posed by the pandemic, as did our clients. I am particularly proud of the manner in which our world-wide team have continued to provide our products and services to the high-quality standards expected by our broad range of world leading clients.

We have continued to invest in training and the provision of the latest technological support to allow our colleagues to deliver a superior service. Above all, our priority has been to embrace government guidelines and keep our people safe.

As announced in June 2021, Ian El-Mokadem became the Group's CEO, and Richard Thompson stepped down from this role, with effect from 25 July 2021 following a short handover period. On behalf of the Board, I would like to reiterate our thanks to Richard for his strong leadership of the Group over the last nine years.

Ian was appointed following an extensive external succession process seeking a candidate with the necessary blend of skills and expertise to lead our ambitious, international group. He has over 20 years of experience in senior management roles in which he grew substantial, people and services businesses globally, both organically and through acquisitions. The CEO transition has gone well, with a unified Executive team having been established, supporting the Group's strong Board. As I highlighted in my statement last year, regulatory and governance developments make the role of a non-executive director ever more important and we have enhanced our Board to reflect this. I would like to extend a special welcome to the three new non-executive directors who joined the Board in November 2020. Frances Earl has been appointed as Chair of the Remuneration Committee. She served for many years as a Partner at Accenture, latterly in the most senior HR roles. As a result of the SDL acquisition, David Clayton, formerly the non-executive Chairman of SDL, and Gordon Stuart, a recently appointed non-executive director at SDL, joined the Board of RWS, bringing extensive financial, technology and listed company experience to the Board. Gordon has also been appointed Chair of the Audit Committee.

David Shrimpton stepped down from the Board at the AGM in February. David was RWS's Senior Independent Director and Deputy Chairman. He had served as a director for 10 years, and I am particularly grateful for his wise counsel. David has been appointed as Chairman of the Trustees of the RWS Foundation.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

RWS is committed to achieving and maintaining high standards of corporate sustainability in its business activities and interactions with our people, our clients, our suppliers, our investors, our community and the environment around us.

In line with this commitment, we have made significant progress recently. Having joined the United Nations Global Compact Initiative in 2020, our commitment to sustainability is channelled through specific goals which underpin our actions, operations and reputation. These goals are aligned with the United Nations' Sustainable Development Goals (SDGs), and we submitted our first Communication on Progress report in June 2021.

RWS has also chosen to evolve its sustainability reporting by disclosing sustainability topics and certain accounting metrics in line with the SASB Standards and, in 2021, we became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) and have started working towards aligning ourselves with and adopting TCFD.

We are also developing our carbon emissions reduction plan and it is our intention to develop a science-based target, aligned with the Science Based Target initiative (SBTi) criteria, and submit the plan to the SBTi for validation.

This progress sits alongside our commitment to high standards of governance, having adopted the QCA Corporate Governance Code in 2018, and our ongoing support for our broader communities through our work to improve access to careers in languages through school and university partnership programmes including the RWS Campus, the RWS Scholarship Programme with the University of Manchester and Urban Synergy; and through our commitment to philanthropic initiatives through the RWS Foundation.

In our Annual Report, we will provide an extensive update on the Group's sustainability initiatives and all aspects of our Corporate Governance.

We are pleased to have noted excellent improvement in the ratings accorded to RWS by the bodies engaged in governance and sustainability analytics and will look for further improvement in the years to come.

DIVIDEND

RWS first listed its shares in November 2003 and has raised its dividend in every year since the IPO. We have a highly cash generative business model with relatively low capex expenditure and have historically distributed between 40% and 60% of earnings. As at 30 September 2021, we had net cash of £45.3m.

The Board is, therefore, pleased to recommend a final dividend of 8.5p per share, which together with the interim dividend of 2.0p per share, will result in a total dividend for the year of 10.5p per share, an increase of 17% compared to 2020. Subject to final approval at the next AGM, the final dividend will be paid on 25 February 2022, to shareholders on the register as at 28 January 2022.

SUMMARY

In summary, the Group has delivered a strong set of results in spite of the challenges posed by Covid-19 and the integration of SDL.

I am confident that the Group is in a stronger position than ever, with an excellent team in place to drive the business forward and build on its leadership of its growing, fragmented markets. With a healthy balance sheet to support the Group's strategy, I am excited about the plans we are developing to build on RWS's longstanding track record of delivery.

Andrew Brode | CHAIRMAN
13 December 2021

[1] Comprises loans less cash and cash equivalents excluding lease liabilities.

CHIEF EXECUTIVE OFFICER’S REVIEW

I am delighted to have joined RWS and would like to start by thanking my predecessor, Richard Thompson, for his support during our handover.

I have spent my first few months learning the business and meeting with as many of our people, our clients and our other stakeholders as possible. Overall, I have found the Group to be in a very good place and have been most impressed by the incredibly talented team of colleagues that I have joined as well as the wonderful list of high quality clients, many leaders in their fields, who trust us to help them protect their ideas and to reach the global markets that they serve.

Under my leadership, continuing to respond to our clients' changing needs and impress them with the integrated language solutions we can offer them will remain the Group's key priority.

STRATEGY

The acquisition of SDL has strengthened the Group considerably, enhancing our position in segments we were already serving whilst also enabling us to offer a wider range of technology products. The Group is now highly technology-enabled which allows us to both operate more efficiently and positions us better than ever to offer a fuller and more tailored solution to each client's needs.

Despite our considerably increased scale, the Group's core focus remains largely unchanged. First, we continue to seek organic growth through winning new business and growing our levels of business with existing clients. Second, our unique combination of talented people, experience and technology enables us to drive operational efficiency and margin improvement whilst delivering high levels of client service and remaining responsive to our clients' changing needs. Third we continue to seek to strengthen our market position via targeted and well-integrated acquisitions which either add capabilities or increase the Group's geographic reach.

PRIORITIES AND PROGRESS

During FY21 we worked hard to ensure the successful integration of SDL, starting to use its language technology across the wider business, streamlining back-office procedures and operations, and increasing cross-selling opportunities across the Group. In parallel, we maintained focus on our clients, continuing to meet their evolving needs with the high-quality service, responsiveness and technology solutions that they trust us to deliver.

Whilst the process of evolving the Group's culture and strengthening our systems infrastructure will continue, the integration of SDL's clients, people and capabilities is now largely complete and operating under a unified leadership team. Our results reflect the delivery of over £16m of cost synergies in FY21, a figure we expect to grow as we realise the full year effect of the merger in FY22.

We are now working on plans to optimise the Group’s structure, making the most of our expanded scale, footprint and capabilities, to deliver for clients and create further shareholder value through sustainable organic growth allied to an efficient cost base. In a highly fragmented market, where clients look for partners with the scale and capacity to invest, RWS is now in an ideal position to capitalise on this opportunity as a technology-enabled services business leading in its markets.

With the benefit of a strong balance sheet, we will continue to look for selective acquisition opportunities in the intellectual property services, specialist language services and language and content technology spaces. We seek earnings enhancing acquisitions that are highly complementary, and can therefore reinforce the Group’s leading positions in the markets that we serve.

DIVISIONAL OVERVIEW

Following the acquisition of SDL on 4 November 2020, the enlarged Group has been reorganised to operate and report under four divisions, namely Language Services, Regulated Industries, IP Services, and Language & Content Technology.

The Language Services division was formed from RWS’s Moravia and SDL’s Commercial Enterprise (CE) businesses. It works with many of the world’s largest companies to manage their complex localisation needs and ensure brand consistency on a global scale. The division provides a comprehensive set of technology-enabled services and has an extensive global network of specialised resources, drawing on freelancers alongside its in-house capabilities to deliver the expertise, consistency and scalability needed by enterprises to ensure that their content connects with global audiences. Its portfolio includes translation services, linguistic quality services, AI data training services, eLearning, video localisation and interpreting services.

The Regulated Industries division focuses on the language service needs of the life science, financial, legal and managed healthcare industries, providing a range of linguistic services including high value linguistic validation which supports clinical studies of new medicines and vaccines. It was formed from the integration of SDL's Regulated Industries division with the RWS Life Sciences division.

The IP Services division is a leading supplier of patent translations and filing solutions, offering a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services. RWS differentiates itself from the competition through the quality of its translations, its high level of intellectual property expertise, its client service and its use of technology, including a global web-based patent filing platform, inovia; one of the world's largest searchable commercial patent databases, PatBase; and the world's leading IP research platform, AOP Connect.

The Language & Content Technology division is one of the world's leading technology providers in the area of language technology, linguistic AI and content management. The combination of our language and content technology – enhanced with state-of-the art Machine Learning (ML) – offers the capability to manage the 'end-to-end' translation supply chain for our clients.

OPERATING REVIEW

Language Services' operating margin improved, with growth from major technology and commercial clients

The Language Services division accounted for 46% of Group sales, with revenue of £317.6m (2020: £171.3m), an 85% increase over the prior period on a reported basis, and up 4% on an organic constant currency basis. The result includes full year revenues of the RWS Moravia business, a full year contribution from the former Webdunia business and eleven months of post-acquisition performance of the SDL CE business.

Growth was driven by strong sales to several of the division's major global technology clients and good growth in revenues from other large international commercial clients. Much of the division's focus was on expanding new solutions and offerings such as creative content, e-learning, testing, multimedia localisation and data training. This helped to offset some Covid-19 impact on revenues from automotive and travel clients, while sales to both the retail and manufacturing sectors performed strongly YoY.

The growth from technology and retail clients was underpinned by increased demand to communicate with their partners and customers during the Covid-19 pandemic. Additionally, the growth in the retail sector was also supported by a shift by some clients to online (direct to consumer) sales channels. Lastly, our small-medium market proposition (GoGlobal) continued to grow, benefitting from increased sales and marketing investment and an attractive proposition for the target clients.

The division's organic constant currency revenue growth has been achieved despite a strong focus on the integration of the RWS Moravia and SDL CE businesses, which has involved a re-routing of production to our optimal best-in-class delivery model for our clients and bringing together our client delivery teams. Employee well-being and client satisfaction remains a priority for the division.

Overall adjusted operating profit for Language Services increased 92% to £47.4m on a reported basis. The improvement was driven by increased revenue and overhead synergies realised after combining the language services operations of RWS and SDL.

Strong performance from Regulated Industries, led by higher value Linguistic Validation

The Group's Regulated Industries division accounted for 23% of the Group's sales in the year. Revenue of £162.9m represented an increase of 128% over the prior period on a reported basis (2020: £71.3m), or a 8% increase on an organic constant currency basis.

The Life Sciences' vertical has performed well, driven by our alignment around key verticals.

The Life Sciences vertical delivered a strong performance across all segments, with revenues up by 8% (in constant currency). Growth was led by the division's higher value Linguistic Validation ("LV") offering, which grew sales by 16% in constant currency terms.

Sales to the division's top 10 life sciences customers also grew significantly in constant currency.   Although medical device sales continued to be impacted by Covid-driven slow-down on elective surgeries, we saw overall positive growth in our top 10 medical device clients, partly as a result of the EU Medical Device Regulations (MDR).

Our financial and legal verticals also showed improved performance and are positioned for growth in 2022 through our increased focus on ESG and risk and compliance offerings. Our managed healthcare customers continue to grow through our sustained leadership in annual enrollment in the United States.

The impact of Covid-19 on the division was marginally positive overall. Growth driven by extra work associated with clinical trials and translation work for vaccines, anti-viral medications and antibody testing equipment was largely offset by delays in other clinical trial areas and the postponement of elective surgeries. We are immensely proud to have supported our clients as they launched vaccines and treatments to combat the effects of the pandemic.

The division's operating profit increased 35% to £28.4m (2020: £21.0m), on a reported basis. This was driven by strong gross margins and effective cost control, in line with prior years.

IP Services improved operating margins on increased H2 2021 revenues

The Group’s IP Services division represented 16% of Group sales in the year, with revenues broadly flat year-on-year at £113.6m (2020: £112.8m). Divisional performance was held back by the strengthening of the GBP against USD in particular, with revenues on an organic constant currency basis increasing by 2%. The reduction in patenting activity as a result of Covid-19, which impacted H2 of 2020, has stabilised but not yet recovered to pre-pandemic levels. In addition, the European Patent Office has granted fewer patents in 2021 compared to 2020. Tougher trading in patent translation and filing revenues was offset by a corresponding growth in IP search services, where revenue rose by 27%, reflecting a recovery from the levels in FY20 when search was the first area to experience a significant drop during the pandemic, and a 7% increase in PatBase revenues.

The Asia Pacific (“APAC”) market continues to be a key strategic focus for the division’s longer-term revenue growth ambitions, with the region continuing to attract North American and European enterprises seeking patent protection in APAC territories. In addition, the IP Services division achieved strong growth in sales to Chinese and Japanese corporates and patent attorneys. Revenue from the Chinese and Japanese IP Services businesses increased by 120% and 44% respectively over the prior year. The East Asia region was strengthened further by the acquisition of Horn & Uchida Patent Translation, Ltd for £2.3m. This acquisition gives the Group a team of in-house patent translators, facilitating deployment of technology-led workflows, and a strong roster of Japanese clients with potential to upsell additional services.

The division’s adjusted operating profit increased 7% to £32.3m (2020: £30.2m),. As a result of streamlining of operations in Q1 fiscal 2021 headcount was reduced by 24 employees, which resulted in increased gross margin, while overheads were held broadly in line with prior year.

Language & Content Technology’s operating margin improved as revenue reflects transition

The Language & Content Technology division accounted for 15% of Group sales, with reported revenue of £100.4m (2020: £0.4m) being a significant increase over the prior year following the acquisition of SDL. On an organic constant currency basis, revenue is 1% higher than the prior year. The result includes eleven months of post-acquisition performance of the SDL part of the division and a full year of the Iconic business acquired in June 2020.

Growth in revenues from our content technology product suite during the year has been partly offset by lower revenues within our language technology suite of products due to a planned change in our software license mix as the division continues to transition towards recurring SaaS licenses.

We established Trados Live Team (a product built on the Language Cloud platform and compatible with RWS’s leading CAT tool, Trados Studio) as a viable cloud solution for LSPs, corporations and enterprises with in-house translation teams.

Language Weaver, the Group’s neural machine translation product, saw a strong performance in the legal and finance sectors in North America, and there was a strong focus on product development supporting higher scalability, an improved user experience, a new self-service offering for smaller clients, and new ways for the core AI technology to adapt to diverse types of content, in order to enhance its appeal to a wider range of clients.

Tridion products generated several new wins and upsell in the year, including new Electric Vehicle market clients and we saw increased demand for regulatory and compliance content.

Strong NPS scores indicated that clients continue to be highly satisfied with our technology offering and Tridion has been recognised as a leader by industry analyst IDC in its MarketScape: Worldwide Content Management Systems for Authenticated Digital Workspaces 2021 Vendor Assessment.

The division’s adjusted operating profit was £22.6m (2020: £nil) for the year. This was the result of the anticipated change in license mix, which has more than offset the synergies realised during the year.

OUR PEOPLE

To compete effectively in our markets, it is critical that RWS is well positioned to attract, recruit and retain the best people. Our activities are highly reliant upon the skills, dedication and passion of all of our colleagues and freelancers around the world, who we rely upon to meet our clients' demands for excellent quality and timely delivery. We aim to be a destination employer in every one of our key operating territories and markets.

Throughout the pandemic and the additional challenges posed through the integration of SDL, our people have continued to perform brilliantly, remaining focused on our clients whilst also supporting each other through a very difficult period.

RWS's main priority through the pandemic has remained the safety and well-being of our colleagues. At the onset of the pandemic, we switched rapidly to a 'working from home' operating model, the nature of RWS's business allowing us to do this more readily than many other organisations. We recognised that working from home can create different stresses which impact upon mental health, so we increased our efforts to ensure the well-being of our teams through enhanced communication and engagement alongside a number of activities for colleagues, ranging from mental health sessions to nutrition and exercise opportunities.

FY21 has also seen an important consolidation of our key people platforms, processes and initiatives as the Group comes together following the SDL acquisition and the broader changes to our organisational structure that followed. We have made good progress towards our goal of establishing a new People function that is both highly responsive at a divisional and local level, and efficiently supported by a set of newly formed specialist HR teams at group-level. At the start of 2022, Jim McHugh will join RWS as Chief People Officer (and a member of the Executive Team) to ensure that we fully realise the benefits of scale in all our people processes, whilst shaping a more unified culture across the expanded Group.

CURRENT TRADING AND OUTLOOK

RWS has delivered an encouraging performance against the background of the Covid-19 pandemic. In particular, we are pleased with the pace and effectiveness of our integration of SDL.

We are now focused on capitalising on the Group's expanded scale, footprint and capabilities to drive sustainable organic growth from an efficient cost base.

The current year has started in line with our full year expectations.

The Group's strong cash generation and balance sheet supports our plans to invest for growth, both in our software products and internal systems, and to make selective, earnings enhancing acquisitions.

A further update on the Group's medium term growth strategy and investment plans will be given at a Capital Markets Day in March 2022.

Ian El-Mokadem | CHIEF EXECUTIVE OFFICER
13 December 2021

CHIEF FINANCIAL OFFICER'S REVIEW

INTRODUCTION

2021 has been a transformational year for the Group and we enter the new fiscal year with an exciting platform from which to continue to drive organic growth and a strong balance sheet which will enable the Group to continue to deploy our capital allocation strategy. Whilst the primary focus is on organic growth, we are also focused on driving cost saving efficiencies across the Group. We also continue to review selective potential acquisitions that would further accelerate growth.

The year began in earnest with the announcement that effective 4 November 2020, following the previous 27 August 2020 statement that the Group had reached agreement with SDL for an all share combination, RWS had acquired the entire issued and to be issued share capital of SDL by means of a court-sanctioned scheme of arrangement. Accordingly, 114,054,320 new ordinary shares were issued by the parent company of RWS representing a consideration of £625.5m to acquire 100% of the shares in SDL.

We are pleased to report significant progress on the subsequent integration of SDL into the wider RWS Group. Following the implementation of a detailed integration plan we have identified total cost synergies in excess of £33m, of which over £16m were realised in the current fiscal period. The total expected cost synergies are substantially greater than the original independently identified synergy projection of £15m. The cost to achieve these synergies in the current fiscal period was £10.5m which compares favourably to the original independent projection of £17m. The Group will continue to assess additional operational synergy opportunities as they arise.

The Group remains exposed to currency fluctuations and results this fiscal period have been impacted by significant FX headwinds which have materially impacted reported revenues. As a large proportion of RWS's revenue is denominated in USD, a 7% swing in the GBP/USD currency pairing formed the principal FX headwind in the period.

The Group continues to be highly cash generative, resulting in a movement from net debt (excluding lease liabilities) of £15.1m as at 30 September 2020 to a position of net cash of £45.3m as at 30 September 2021, notwithstanding significant acquisition costs, and costs associated with delivering synergies following the acquisition of SDL. Net debt, including lease liabilities, is £6.2m, significantly improved from an equivalent net debt measure of £37.9m as at 30 September 2020.

REVENUE

Group revenue increased to £694.5m an increase of 95% on the prior financial year. The results this year are materially affected by the acquisition of SDL in November 2020, as Group financials include an 11 month SDL contribution. When we adjust for the impact of this, and that of the much smaller acquisition of Horn & Uchida, on an organic basis Group revenue has decreased by 1%. This reduction is due to the impact of FX headwinds experienced this year, primarily due to the strength of Sterling, and on an organic constant currency ("OCC") basis, revenues have increased by 4%. The growth in OCC revenues was mainly due to the strong performance of our Regulated Industries division which increased by 8% and our Language Services division which grew by 4%.

Group revenue in the second half of the year increased by 5% on an OCC basis compared with a 3% increase in the first half of the fiscal year. This has led to a slight increase in the revenue weighting towards the second half of the year which now accounts for 51% of full year revenues. The acquisition of SDL has not materially impacted the organic cyclical revenue split between fiscal half year periods.

In terms of divisional revenues, Language Services recorded revenues of £317.6m, an increase of 85% on the prior fiscal period and 4% on an OCC basis. RWS Regulated industries recorded revenues of £162.9m, an increase of 128% on the prior year and 8% on an OCC basis. IP Services posted revenues of £113.6m, an increase of 1% on the prior period comparative of £112.8m and was up on an OCC basis by 2%. Finally, RWS Language & Content Technology recorded revenues of £100.4m which represented an OCC increase of 1% year on year.

Group revenue, categorised by geography, continues to migrate towards the US market which now accounts for 43% (2020: 41%) of Group revenue. Following the acquisition of SDL client concentration has reduced and no one client accounts for more than 10% of Group turnover while in the prior financial year only one client accounted for more than 10% of Group turnover.

GROSS PROFIT

Gross profit increased by 124% to £313.2m with an associated gross margin of 45.1%. Group gross margin has increased from 39.2% in the prior year mainly as a result of the change in revenue mix as a result of the relatively higher margin revenues recorded consequent to the SDL acquisition while an OCC basis gross margin has remained stable year on year.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased to £257.0m (2020: £88.4m). Administrative expenses as a percentage of revenue have increased from 25% to 37% which reflects the impact of the significantly higher structural cost base of SDL. Adjusted administrative expenses (gross profit less adjusted operating profit) increased by £128.0m to £194.7m, an increase of 192%. Exceptional items of £14.1m (2020: £7.8m) include the impact of the IPS transformation (£4.8m) and the impact of integration costs in relation to SDL (£10.5m). This is offset by proceeds from a warranty claim relating to Moravia of £1.2m.

FINANCE COSTS

Net finance costs were £2.4m (2020: £1.5m). Net finance costs have increased year on year due primarily to increased lease interest costs under IFRS16 as a result of the acquisition of SDL of £0.8m and the nonrecurrence of a debt modification gain of £1.4m recorded in the prior year. This has been partially offset by reduced bank interest payable which has fallen by £0.9m as a result of lower financing costs consequent to the Group’s reduced level of debt and favourable FX rates.

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax ("Adj PBT") is stated before amortisation of acquired intangibles, share based payment expense, acquisition costs, and exceptional items. The Group uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent and meaningful measure of the Group’s underlying performance across financial periods. Adj PBT of £116.4m (Adj PBT margin: 16.8%) recorded in the period has increased from £70.2m (Adj PBT margin: 19.7%) in the financial year ended 30 September 2020, an increase of 66%, following the acquisition of SDL. OCC adjusted profit before tax, adjusted for the pre-acquisition revenues of SDL, Webdunia and Iconic has increased by 25% and reflects the cost synergies realised of over £16m.

TAX CHARGE

The Group’s tax charge for the year was £13.8m (2020: £12.3m) representing an effective tax rate on profit before tax of 25.1% compared to 21.0% in the prior financial year. The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the UK corporate income tax rate of 19% which results in a higher effective rate than the headline UK rate.

EARNINGS PER SHARE AND DIVIDEND

Basic earnings per share for the financial year decreased from 16.9p to 10.9p, a decrease of 36%, while adjusted basic earnings per share increased from 19.9p to 23.8p representing an increase of 20% which reflects the after tax impact of significant adjusting items this fiscal year consequent to the acquisition of SDL. The weighted average number of ordinary shares in issue for basic and adjusted basic earnings increased from 275.0m to 378.5m principally due to new ordinary shares issued in connection with the SDL acquisition.

A final dividend for the financial year end 30 September 2021 of 8.5 pence per share has been proposed, equivalent to £33.1m, while an interim dividend of 2.0 pence per share, equivalent to £7.8m, was paid during the fiscal period. A comparative final dividend for the year ended 30 September 2020 of 7.25 pence per share, equivalent to £28.2m, was paid in this fiscal period.

The proposed total dividend for the year of 10.5 pence per share represents a 17% increase on the total dividend relating to the prior fiscal period of 9.0 pence per share.

BALANCE SHEET AND WORKING CAPITAL

Net assets at 30 September 2021 increased by £602.0m to £1,010.9m. The main driver of this increase was the acquisition of SDL for total consideration of £625.5m and comprised total identifiable net assets of £248.1m and goodwill of £377.4m.

Current assets at 30 September 2021 of £287.8m have increased by £153.7m on the prior financial year including an increase in trade and other receivables of £109.7m. Cash balances of £92.5m have increased by £41.1m notwithstanding significant acquisition related costs and restructuring costs necessary to realise cost synergies. The increase in trade and other receivables is primarily driven by the acquisition of SDL and includes an increase in trade receivables of £72.9m and an increase in accrued income of £20.8m. This increase reflects stronger revenue in the second half of the financial year and a strong year end performance across the Group whilst the average days' sales outstanding (the calculation of which measures the number of days' billings in trade receivables) has remained stable.

Current liabilities have also increased due to the acquisition of SDL from £64.5m at 30 September 2020 to £190.9m at 30 September 2021 an increase of £126.4m primarily due to an increase in trade and other payables balances of £94.4m. Non-current liabilities have also increased by £26.3m, despite a reduction in loan balances under our RCF facility of £19.3m, due to an increase in deferred tax liabilities of £20.9m and non-current lease liabilities of £20.9m following the acquisition of SDL.

CASH FLOW

Cash generated from operations was £102.0m, £7.4m more than the prior financial year when cash generated was £94.6m. This increase has been generated notwithstanding significant cash costs including £11.2m of acquisition fees and £10.0m of restructuring and integration costs following the acquisition of SDL. Operating cash flow before movements in working capital and provisions increased from £87.5m to £125.5m. A net investment in working capital of £23.5m has been predominately driven by the timing of deals closing and the renewal cycles for our Language and Content Technology division, coupled with a strong finish to the fiscal year for the Group with record revenues in September.

Significant cash flows from investing activities included net cash acquired in connection with the acquisitions of SDL and Horn and Uchida of £53.5m partially offset by an increase in purchases of intangible software of £13.8m.

Cash flows from financing activities included £17.7m in repaid debt and associated interest and dividends paid within the financial year ended 30 September 2021 of £36.0m.

Cash balances at the financial year end amounted to £92.5m with external borrowings of £47.2m, excluding lease liabilities, resulting in a net cash position of £45.3m (2020: £51.4m cash and external borrowings of £66.5m, resulting in net debt of £15.1m). Net debt including lease liabilities was £6.2m (2020: £37.9m).

POST BALANCE SHEET EVENTS

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

Desmond Glass | CHIEF FINANCIAL OFFICER
13 December 2021

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Revenue	3	694.5	355.8
Cost of sales		(381.3)	(216.2)
Gross profit		313.2	139.6
Proceeds from warranty claim		1.2	9.0
Administrative expenses		(257.0)	(88.4)
Operating profit	4	57.4	60.2
Analysed as:			
Adjusted operating profit:		118.5	72.9
Amortisation of acquired intangibles		(34.4)	(15.3)
Acquisition costs		(11.2)	(4.1)
Share based payment expense		(1.4)	(1.1)
Exceptional items	5	(14.1)	7.8
Operating profit		57.4	60.2
Finance income		-	0.1
Net gain on debt modification		-	1.4
Amortisation of capitalised exceptional finance costs		(0.3)	(0.2)
Finance costs		(2.1)	(2.8)
Profit before tax		55.0	58.7
Taxation	6	(13.8)	(12.3)
Profit for the year		41.2	46.4
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Gain on retranslation of quasi equity loans (net of deferred tax)		(0.6)	-
(Loss) on retranslation of foreign operations		(31.8)	(14.2)
Gain on hedging (net of deferred tax)		1.6	1.9
Total other comprehensive expense		(30.8)	(12.3)
Total comprehensive income attributable to owners of the Parent		10.4	34.1
Basic earnings per ordinary share (pence per share)	8	10.9	16.9
Diluted earnings per ordinary share (pence per share)	8	10.9	16.9

Consolidated Statement of Financial Position

as at 30 September 2021

	Note	2021 £m	Restated* 2020 £m
Non-current assets			
Goodwill	9	615.8	257.2
Intangible assets	10	366.6	156.4
Property, plant and equipment		32.1	22.8
Right-of-use assets		42.4	20.1
Non-current income tax receivable		1.0	-
Deferred tax assets	6	1.5	1.9
		1,059.4	458.4
Current assets			
Trade and other receivables		191.8	82.1
Income tax receivable	6	3.5	-
Foreign exchange derivatives		-	0.6
Cash and cash equivalents	12	92.5	51.4
		287.8	134.1
Total assets		1,347.2	592.5
Current liabilities			
Trade and other payables		152.0	57.6
Lease liabilities		11.0	3.2
Foreign exchange derivatives		0.7	0.1
Income tax payable	6	22.1	3.6
Provisions		5.1	-
		190.9	64.5
Non-current liabilities			
Loans	11	47.2	66.5
Lease liabilities		40.5	19.6
Trade and other payables		2.4	0.3
Provisions		4.1	2.4
Deferred tax liabilities	6	51.2	30.3
		145.4	119.1
Total liabilities		336.3	183.6
Total net assets		1,010.9	408.9
Capital and reserves attributable to owners of the Parent			
Share capital		3.9	2.8
Share premium		54.2	53.6
Share based payment reserve		2.8	1.4
Reverse acquisition reserve		(8.5)	(8.5)
Merger reserve		624.4	-
Foreign currency reserve		(17.5)	14.9
Hedge reserve		1.2	(0.4)
Retained earnings		350.4	345.1
Total equity		1,010.9	408.9

*Balances have been retrospectively restated following completion of the Webdunia purchase price allocation from the prior year.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2021

	Notes	Share capital £m	Share premium account £m	Other reserves	Retained earnings £m	Total attributable to owners of Parent £m
At 1 October 2019		**2.7**	**51.8**	**19.0**	**324.0**	**397.5**
Adjusted for initial application of IFRS16 (net of tax)		**-**	**-**	**-**	**(0.5)**	**(0.5)**
Restated balance at 1 October 2019		**2.7**	**51.8**	**19.0**	**323.5**	**397.0**
Profit for the year		**-**	**-**	**-**	**46.4**	**46.4**
Gain on hedging		**-**	**-**	**1.9**	**-**	**1.9**
Loss on retranslation of foreign operations		**-**	**-**	**(14.2)**	**-**	**(14.2)**
Total comprehensive income for the year		**-**	**-**	**(12.3)**	**46.4**	**34.1**
Issue of shares		**0.1**	**1.8**	**-**	**-**	**1.9**
Deferred tax on unexercised share options		**-**	**-**	**-**	**(1.0)**	**(1.0)**
Dividends		**-**	**-**	**-**	**(24.1)**	**(24.1)**
Exercise of share options		**-**	**-**	**(0.3)**	**0.3**	**-**
Equity settled share based payments charge		**-**	**-**	**1.0**	**-**	**1.0**
At 30 September 2020		**2.8**	**53.6**	**7.4**	**345.1**	**408.9**
Profit for the year		**-**	**-**	**-**	**41.2**	**41.2**
Gain on hedging		**-**	**-**	**1.6**	**-**	**1.6**
Gain on retranslation of quasi equity loans		**-**	**-**	**(0.6)**	**-**	**(0.6)**
Loss on retranslation of foreign operations		**-**	**-**	**(31.8)**	**-**	**(31.8)**
Total comprehensive income for the year		**-**	**-**	**(30.8)**	**41.2**	**10.4**
Issue of shares		**-**	**0.6**	**-**	**-**	**0.6**
Issue of shares to acquire subsidiary undertaking		**1.1**	**-**	**624.4**	**-**	**625.5**
Deferred tax on unexercised share options	**6**	**-**	**-**	**-**	**0.4**	**0.4**
Dividends	**7**	**-**	**-**	**-**	**(36.0)**	**(36.0)**
Purchase of own shares		**-**	**-**	**-**	**(0.3)**	**(0.3)**
Exercise of share options		**-**	**-**	**-**	**-**	**-**
Equity-settled share based payments charge		**-**	**-**	**1.4**	**-**	**1.4**
At 30 September 2021		**3.9**	**54.2**	**602.4**	**350.4**	**1,010.9**

Other Reserves	Share based payment reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Foreign currency reserve £m	Hedge reserve £m	Total other reserves £m
At 1 October 2019	**0.7**	**(8.5)**	**-**	**29.1**	**(2.3)**	**19.0**
Other comprehensive income for the year	-	-	-	(14.2)	1.9	(12.3)
Exercise of share options	(0.3)	-	-	-	-	(0.3)
Equity-settled share based payments	1.0	-	-	-	-	1.0
At 30 September 2020	**1.4**	**(8.5)**	**-**	**14.9**	**(0.4)**	**7.4**
Other comprehensive expense for the year	-	-	-	(32.4)	1.6	(30.8)
Issue of shares to acquire subsidiary undertaking	-	-	624.4	-	-	624.4
Equity-settled share based payments charge	1.4	-	-	-	-	1.4
At 30 September 2021	**2.8**	**(8.5)**	**624.4**	**(17.5)**	**1.2**	**602.4**

Consolidated Statement of Cash Flows

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit before tax		55.0	58.7
Adjustments for:			
Depreciation of property, plant and equipment		6.2	3.0
Amortisation of intangible assets	10	47.8	18.7
Depreciation of right-of-use assets		12.7	4.5
Share-based payment expense		1.4	1.1
Net gain on debt modification		-	(1.2)
Net finance costs/(income)		2.4	2.7
Operating cash flow before movements in working capital		125.5	87.5
Decrease/(increase) in trade and other receivables		(23.8)	5.4
(Decrease)/increase in trade and other payables		0.3	1.7
Cash generated from operations		102.0	94.6
Income tax paid	6	(17.1)	(15.2)
Net cash inflow from operating activities		84.9	79.4
Cash flows from investing activities			
Interest received		-	-
Net cash acquired on acquisition of SDL Plc	13	55.0	-
Settlement of share related liabilities on acquisition of SDL Plc		(6.4)	-
Acquisition of subsidiary, net of cash acquired	13	(1.5)	(23.0)
Purchases of property, plant and equipment		(4.1)	(2.9)
Purchases of intangibles (software)	10	(19.1)	(5.1)
Net cash inflow / (outflow) from investing activities		23.9	(31.0)
Cash flows from financing activities			
Proceeds from borrowings		-	15.7
Repayment of borrowings	11	(17.1)	(29.4)
Transaction costs relating to debt refinancing		-	(0.6)
Interest paid		(0.6)	(3.2)
Lease liability payments (including interest charged of £1.5m (2020: £0.7m))		(12.6)	(4.1)
Proceeds from the issue of share capital		0.6	1.9
Purchase of own shares		(0.3)	-
Dividends paid	7	(36.0)	(24.1)
Net cash outflow from financing activities		(66.0)	(43.8)
Net increase in cash and cash equivalents	12	42.8	4.6
Cash and cash equivalents at beginning of the year		51.4	47.0
Exchange (losses)/gains on cash and cash equivalents		(1.7)	(0.2)
Cash and cash equivalents at end of the year	12	92.5	51.4

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

Basis of accounting and preparation of financial statements

The financial information is extracted from the Group's consolidated financial statements for the year ended 30 September 2021, which were approved by the Board of Directors on 13 December 2021.

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

The financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 30 September 2021. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention as modified, where applicable, by the revaluation of financial assets and financial liabilities held at fair value through profit or loss or through other comprehensive income.

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

Going concern

In making their going concern assessment, the Directors have considered the Group's current financial position and forecast earnings and cashflows for the 18-month period to 31 March 2023. The business plan used to support this going concern assessment is derived from the Board-approved budget. The Directors have undertaken a rigorous assessment of going concern and liquidity taking into account key uncertainties and sensitivities, including the potential impact of Covid-19 on the future performance of the Group. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants and its ability to continue generating cash from trading activities.

As at 30 September 2021, the Group has net debt of £6.2m comprising the Group's US$120m revolving credit facility ("RCF") (US$66.1m or £49.2m drawn at year end) and lease liabilities of £51.5m, less cash and cash equivalents of £92.5m. The RCF matures in February 2024 but is extendable for a further year subject to lender consent. At year end the Group's net leverage ratio (as defined by the RCF agreement) is -0.31x of EBITDA, while its interest coverage ratio (as defined by the RCF agreement) is 168.6x of EBITDA and are well within the covenants permitted by the Group's RCF agreement.

During the year ended 30 September 2021, the Group completed the all-share combination of SDL Plc. Since acquisition, both the RWS and SDL businesses have continued to perform well, with synergies across the Group identified and actioned. At the time of the combination SDL had £55.0 million of cash reserves and no drawn debt facilities, thereby further underpinning the expanded group's balance sheet and liquidity.

In light of the Group's principal risks and uncertainties and the limited impact of Covid-19 on the Group's profitability and financial position, the Directors believe that the appropriate sensitivity in assessing the Group and Company's ability to continue as a going concern are to model a range of reasonably plausible downside scenarios, including a 10% reduction to the Group's revenues and corresponding cash flows, with mitigating actions from management limited to equivalent reductions in the Group's controllable cost base. No significant structural changes to the Group have been assumed in any of the downside scenarios modelled with all mitigating actions wholly within management's control.

In each of these modelled downside scenarios, the Group continues to have significant covenant and liquidity headroom over the period through to 31 March 2023. Consequently, the Directors are confident that the Group and Company will have sufficient cash reserves and committed debt facilities to withstand reasonably plausible downside scenarios and therefore continue to meet its liabilities as they fall due for the period to 31 March 2023 and therefore have prepared the financial statements on a going concern basis.

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

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

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

Judgements

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

Revenue - multi-element arrangements

To determine the appropriate revenue recognition for contracts containing multi-elements that include both products and services, we evaluate whether the contract should be accounted for as a single, or multiple performance obligations. Management is required to exercise a degree of judgement in setting the criteria used for determining when revenue which involves several elements should be recognised and the stand-alone selling price of each element. The Group generally determines the stand-alone selling prices of elements based on prices which are not observable and are therefore based on stand-alone list prices which are then subject to discount. Further detail involved in estimating stand-alone selling prices for the purpose of allocating the transaction price in multi-element arrangements is provided in Note 3.

The judgement could materially affect the timing and quantum of revenue and profit recognised in each period. Licence revenue in the year amounted to £34.9m (2020: £Nil)

Capitalised development costs

The Group capitalises development costs relating to product development in line with IAS 38 'Intangible Assets'. Management applies judgement in determining if the costs meet the criteria and are therefore eligible for capitalisation. Significant judgements include the technical feasibility of the development, recoverability of the costs incurred, economic viability of the product and potential market available considering its current and future customers and when, in the development process, these milestones have been met. Development costs capitalised during the year amounted to £19.7m (2020: £3.4m), the increase largely due to the acquisition of SDL in the year (see Note 10).

Estimates and assumptions

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

Impairment of goodwill and intangible assets

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

Acquisition accounting

Judgement is often required in determining the identifiable intangible assets acquired as part of a business combination that must be recognised as an asset in the Group's consolidated financial statements. Estimation is required in determining both the fair value of all identified assets, liabilities acquired, any contingent consideration and in particular intangible assets. In determining these fair values a range of assumptions are used, including forecast revenue, discount rates, and attrition rates that are specifically related to the intangible asset being valued. The useful economic lives of these assets is estimated using management's best estimates and reassessed annually. If the useful economic lives of the Group intangible assets were one year shorter, the impact on the income statement would be a reduction of £x.xm to profit before tax.

Other estimates and assumptions

Revenue - rendering of services

Management makes estimates of the total costs that will be incurred on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date. All contracts are of a short term nature. The majority of services work is invoiced on completion and the amount of year end work in progress was £34.9m (2020: £14.1m)

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

Taxation - uncertain tax positions

Uncertainties exist in respect of interpretation of complex tax regulations, including transfer pricing, and the amount and timing of future taxable income. Given the nature of the Group's operating model, the wide range of international transactions and the long-term nature and complexity of contractual agreements, differences arising between the actual results and assumptions made, or future changes to assumptions, could necessitate future adjustments to taxation already recorded. The Group considers all tax positions on a separate basis, with any amounts determined by the most appropriate of either the expected value or most likely amount on a case by case basis.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The total value of UTPs was £18.5m (2020: £Nil), see Note 6.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

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

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

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

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

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

Patent Filing Services (IP Services segment)

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

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

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

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

Perpetual and term licences (Language and Content Technology segment)

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

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

'SaaS' licences (Language and Content Technology segment)

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

Support and maintenance (Language and Content Technology segment)

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

Hosting services (Language and Content Technology segment)

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

Professional services (Language and Content Technology segment)

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

Revenue from contracts with customers

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

Timing of revenue recognition for contracts with customers	2021 £m	Restated 2020 £m
At a point in time	25.3	30.4
Over time	88.3	82.4
IP Services	**113.6**	**112.8**
At a point in time	76.4	0.4
Over time	24.0	-
Langage and Content Technology	**100.4**	**0.4**
At a point in time	-	-
Over time	317.6	171.3
Language Services (formerly Moravia)	**317.6**	**171.3**
At a point in time	-	-
Over time	162.9	71.3
Regulated Industries (formerly Life Sciences)	**162.9**	**71.3**
Total revenue from contracts with customers	**694.5**	**355.8**

Following the acquisition of SDL Plc during the period, the company has determined that an amendment to the accounting policy within the IP Services, Life Sciences and Moravia businesses was required to reflect correctly the nature of these revenue streams as being 'over time' rather than the previously disclosed 'point in time' recognition. The company has quantified the impact of this change on the FY21 balance sheet and considered the impact on the FY20 balance sheet but data needed to calculate the contract asset at FY20 with accuracy is not retrospectively available and it would be impractical to recreate the information required. While no adjustment has been made to the prior period revenue or contract assets (and hence prior period earnings per share), management is confident that this would not have a material effect on revenue in either period. The company has made a prospective adjustment in the current year and reported a contract asset of £1.7m (FY20 nil) in relation to these revenue streams in accordance with the requirements of IAS 8. Note 2 for FY20 have been restated to reflect 'over time' revenue recognition for these revenue streams in line with the corrected accounting policy.

Revenue recognised during the period that was included within deferred revenue at 1 October 2020 was £5.2m (1 October 2019: £3.1m).

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Capitalised contract costs

Capitalised contract costs primarily relate to sales commission costs capitalised under IFRS15 and are amortised over the length of the contract. The group has taken advantage of the practical expedient to recognise, as an expense, any costs which would be recognised in fewer than 12 months from being incurred. This primarily relates to the Group's language services commissions and point in time technology revenue related commissions. The value of capitalised contract costs at year end was £2.7m (2020: £Nil).

Receivables, contract assets and contract liabilities with customers

Receivables, contract assets and contract liabilities	Notes	2021 £m	2020 £m	2019 £m
Net trade receivables		133.7	60.8	69.2
Contract assets (accrued income)		34.9	14.1	9.6
Contract liabilities (deferred income)		(43.0)	(5.2)	(3.1)

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

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

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

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

4. SEGMENT INFORMATION

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

The Board have assessed the Group's structure following the acquisition of SDL Plc during the year and have revised the previously disclosed segments of IP Services, Life Sciences and Moravia. The former SDL Plc Group operated a model with three reporting segments, which were Language Services, Content Technologies and Language Technologies. The fSDL Language Services segment was split by processes and customers into Commercial Enterprises and Regulated Industries which have been combined with the fRWS segments, Moravia and Life Sciences to form respectively the new reporting segments Language Services and Regulated Industries.

A new segment entirely was created for the former SDL Content Technologies and Language Technologies segments which are now reported as a single segment as Language and Content Technology. This includes the Iconic acquisition as well which derives its revenues from technology products and services and therefore has a better strategic fit with the new RWS Technologies section. The Group's IP Services division has been entirely unaffected by the SDL acquisition but does include the results of the newly acquired Horn & Uchida business.

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

- Language Services: This is the Group's former Moravia segment, which has been expanded to include the SDL Group's commercial enterprises with non-regulated customers. The revenues are derived by providing localisation services which include translation and adaptation of content across a variety of media and materials to ensure brand consistency.
- Regulated Industries: The Group's Regulated Industries segment combines the former RWS Life Sciences segment with the SDL regulated industries customers. Revenue is generated through the translation and linguistic validation for customers who operate in regulated industries such as life sciences.
- IP Services: The Group's IP Services segment provides high quality patent translations, filing services and a broad range of intellectual property ('IP') search services.
- Language and Content Technology: The Group's Language and Content Technology segment represents the combined results of the former SDL Content Technologies and Language Technologies segments, as well as the results of the previously acquired Iconic Translation Machines results to create the Group's new Language and Content Technology segment.

The prior year segment information is restated for comparability, excluding the results of the newly acquired businesses in FY21, being the SDL and Horn & Uchida acquisitions.

4. SEGMENT INFORMATION (CONTINUED)

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

Segment results for the year ended 30 September 2021	Technology £m	IP Services £m	Regulated Industries £m	Language Services £m	Unallocated Costs £m	Group £m
Revenue from contracts with customers	**100.4**	**113.6**	**162.9**	**317.6**	**-**	**694.5**
Operating profit/(loss) before charging:	**22.6**	**32.3**	**28.4**	**47.4**	**(12.2)**	**118.5**
Amortisation of acquired intangibles	**(7.4)**	**(0.1)**	**(14.5)**	**(12.4)**	**-**	**(34.4)**
Acquisition costs	**-**	**-**	**-**	**-**	**(11.2)**	**(11.2)**
Exceptional items (see note 5)	**-**	**(5.0)**	**(0.2)**	**(1.6)**	**(7.3)**	**(14.1)**
Share-based payment expense	**(0.8)**	**(0.2)**	**(0.1)**	**(0.2)**	**(0.1)**	**(1.4)**
Profit from operations	**14.4**	**27.0**	**13.6**	**33.2**	**(31.2)**	**57.4**
Net finance income/(expense)						**(2.4)**
Profit before taxation						**55.0**
Taxation						**(13.8)**
Profit for the year						**41.2**

Segment results for the year ended 30 September 2020	Technology £m	IP Services £m	Regulated Industries £m	Language Services £m	Unallocated Costs £m	Group £m
Revenue from contracts with customers	**0.4**	**112.8**	**71.3**	**171.3**	**-**	**355.8**
Operating profit/(loss) before charging:	**-**	**30.2**	**21.0**	**24.7**	**(3.0)**	**72.9**
Amortisation of acquired intangibles	**(0.1)**	**(0.7)**	**(5.9)**	**(8.6)**	**-**	**(15.3)**
Acquisition costs	**-**	**-**	**(0.3)**	**(0.5)**	**(3.3)**	**(4.1)**
Exceptional items (see note 5)	**-**	**(0.8)**	**-**	**(0.4)**	**9.0**	**7.8**
Share-based payment expense	**-**	**(0.1)**	**(0.1)**	**(0.2)**	**(0.7)**	**(1.1)**
Profit/(loss) from operations	**(0.1)**	**28.6**	**14.7**	**15.0**	**1.9**	**60.2**
Net finance income/(expense)						**(1.5)**
Profit before taxation						**58.7**
Taxation						**(12.3)**
Profit for the year						**46.4**

4. SEGMENT INFORMATION (CONTINUED)

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

Revenue by client location	2021 £m	2020 £m
UK	**77.3**	**30.0**
Continental Europe	**213.8**	**104.9**
United States of America	**322.9**	**193.0**
Rest of the world	**80.5**	**27.9**
	694.5	**355.8**

No client accounted for more than 10% of Group revenue in the current year (2020: one), the customer in the prior year was in the language services segment. The following is an analysis of revenue the geographical area in which the Group's undertakings are located.

Geographical information	2021 £m	2020 £m
UK	**175.1**	**108.3**
Continental Europe	**174.1**	**88.4**
United States of America	**297.3**	**147.1**
Rest of the world	**48.0**	**12.0**
	694.5	**355.8**

Segment assets and liabilities

The Board of Directors previously reviewed the assets and liabilities at a segmental level in the prior year, however, following the acquisition of SDL Plc in the year, this is no longer the case. The former SDL Plc, employs shared assets and liabilities in the servicing of its Language Services and Regulated revenues a practice which means that it is not beneficial to the Board to separate these assets when reviewing the results of the Group. Geographical split of non current assets for the enlarged group is not provided as it is not available, provided to the Board, or feasible to develop without incurring significant cost.

Following the change in internal reporting, the Chief Operating Decision Makers primarily review and assess the assets and liabilities of the Group in aggregate and do not regularly review segmental information for the Group's assets and liabilities. Accordingly, under IFRS 8 Operating Segments, since this information is not reported internally, the Group no longer include this information in the annual report.

5. EXCEPTIONAL ITEMS

Accounting policy

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

	2021 Pre-tax £m	2021 Tax impact £m	2021 Total £m	2020 Pre-tax £m	2020 Tax impact £m	2020 Total £m
IP Services transformation programme	(4.8)	1.2	**(3.6)**	**-**	**-**	**-**
Restructuring & integration related costs	(10.5)	2.3	**(8.2)**	**(1.2)**	**0.2**	**(1.0)**
Proceeds from warranty claim	1.2	-	**1.2**	**9.0**	**-**	**9.0**
Total exceptional items - operating	**(14.1)**	**3.5**	**(10.6)**	**7.8**	**0.2**	**8.0**
Net gain on debt modification	-	-	**-**	**1.4**	**-**	**1.4**
Amortisation of exceptional finance	(0.3)	-	**(0.3)**	**(0.2)**	**-**	**(0.2)**
Total exceptional items - financing	(0.3)	-	**(0.3)**	**1.2**	**-**	**1.2**
Total exceptional items	**(14.4)**	**3.5**	**(10.9)**	**9.0**	**0.2**	**9.2**

Included within integration and restructuring costs are the severance agreements, termination payments and other costs included within the business's defined integration plan for SDL plc to deliver synergies of £33.0m which have been communicated to the market. The costs of delivering these synergies is classified as exceptional to highlight those costs incurred in delivering the integration and represent costs which are considered by the Group to be outside the normal course of business. The Group has realised synergies of £16.4m through operating profit during the period.

Severance related to on-going business activities is recognised within operating profit and is not adjusted. Severance related costs totalled £9.2m of which £9.0m was paid during the year. The remaining £1.3m relates to professional fees incurred in delivering the integration of which £1.0m has been paid in cash.

In 2020, the Group announced a major transformation programme was underway to drive improved efficiency in FY22 and beyond within the IP Services division. In 2021, £4.8m of expense was incurred and £2.5m of cash cost. The transformation programme is expected to incur further additional material costs FY22 and FY23, the ongoing benefits of the integration are included in operating profit in the statement of comprehensive income.

In the prior year, reorganisation costs of £1.2m relate to the restructuring of the sales team within the IP Services division and redundancy programmes completed in both IP Services and Moravia during the year.

On 22 September 2020, a settlement was agreed for a claim made by the Group under warranty insurance taken out as part of the Moravia acquisition in November 2017, an amount of £9.0m was agreed and received during the year. This has been treated as an operating activity in the statement of cash flows. A final amount of £1.2m was received during the year relating to the same settlement claim.

Adjusted Performance Measures are reconciled in the appendix.

6. TAXATION

	2021 £m	2020 £m
Current Tax Charge		
- UK corporation tax at 19% (2020: 19%)	**4.7**	**3.5**
- Overseas current tax (credit) / charge	**15.9**	**9.7**
Adjustment in respect of previous years	**(3.0)**	**0.2**
Deferred Tax Charge		
Origination and reversal of temporary differences	**(4.4)**	**(1.2)**
Rate change impact	**2.0**	**-**
Adjustment in respect of previous years	**(1.4)**	**0.1**
Total tax expense in profit or loss	**13.8**	**12.3**
Total tax charge in equity	**(0.4)**	1.0
Total tax in other comprehensive income	**0.2**	-
Total tax charge for the year	**13.6**	**13.3**

Reconciliation of the Group's tax charge to the UK statutory rate:	2021 £m	2020 £m
Profit before taxation	**55.0**	**58.7**
Notional tax charge at UK corporation tax rate of 19.0% (2019: 19.0%)	**10.4**	**11.2**
Effects of:		
Expenses not deductible for tax purposes	**2.4**	**(1.7)**
Adjustments in respect of previous years	**(4.4)**	**0.4**
Changes in tax rates	**2.0**	**-**
Higher/(lower) tax rates on overseas earnings	**3.4**	**2.4**
Tax charge as per the income statement	**13.8**	**12.3**
Effective tax rate	**25.1%**	**21.0%**

Factors that may affect future tax charges

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

The Group's effective tax rate for the year is higher than the UK's statutory tax rate due to the impact of non-tax deductibility of costs related to the acquisition of SDL, as well as a rate change impact to deferred tax balances following the enactment of the increase in the main rate of UK corporation tax from 19.00% to 25.00% for the year starting 1 April 2023. The Group's tax rate is also sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as Germany and Japan, a lower rate in the UK and Czech Republic with other rates that lie in between.

The Group made corrections of errors totalling £3.5m within its assessment of current and deferred tax which dates back prior to the earliest period presented within these financial statements. Of the corrections, £2.6m have been adjusted for in the current period income statement and £0.9m through an adjustment to Goodwill.

The majority of the income statement credit (£2.2m in current tax and £1.0m in deferred tax) relates to the US and arose from an exercise to reconcile the US tax numbers to US tax returns. The adjustment to goodwill (see note 9) represents a £0.9m decrease made to the deferred tax liability recognised on intangibles acquired on the Moravia acquisition in 2018 to reflect the correct blended state tax rate.

Uncertain tax provisions

The current tax liability of £22.1m on the balance sheet comprises £18.5m of uncertain tax provisions, although it is not expected that these will be cash settled within 12 months of the year end date. The deferred tax liability of £51.2m on the balance sheet is net of £11.1m of deferred tax assets relating to uncertain tax positions.

6. TAXATION (CONTINUED)

	Share based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Acquired intangibles £m	Tax losses £m	Total £m
At 1 October 2019	**1.3**	**(0.7)**	**1.4**	**(29.2)**	**-**	**(27.2)**
Adjustments in respect of prior years	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Acquisitions (restated**)	**-**	**-**	**-**	**(2.1)**	**-**	**(2.1)**
Credited to income	**-**	**(0.4)**	**-**	**1.5**	**-**	**1.1**
Credited to equity / OCI	**(1.1)**	**-**	**(0.3)**	**-**	**-**	**(1.4)**
Foreign exchange differences	**-**	**-**	**-**	**1.3**	**-**	**1.3**
At 30 September 2020	**0.2**	**(1.1)**	**1.0**	**(28.5)**	**-**	**(28.4)**
Adjustments in respect of prior years	**(0.3)**	**(0.5)**	**1.6**	**(0.3)**	**0.9**	**1.4**
Acquisitions*	**0.1**	**0.1**	**2.6**	**(44.4)**	**15.3**	**(26.3)**
Credited to income	**0.2**	**(0.2)**	**1.8**	**0.5**	**0.1**	**2.4**
Credited to equity / OCI	**0.4**	**-**	**-**	**-**	**-**	**0.4**
Foreign exchange differences	**-**	**-**	**(0.2)**	**1.1**	**(0.1)**	**0.8**
At 30 September 2021	**0.6**	**(1.7)**	**6.8**	**(71.6)**	**16.2**	**(49.7)**

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

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

	2021 £m	Restated** 2020 £m
Deferred tax assets	**1.5**	**1.9**
Deferred tax liabilities	**(51.2)**	**(30.3)**
Net deferred tax liability	**(49.7)**	**(28.4)**

**Following the finalisation of the Webdunia Purchase Price Allocation in the year certain balances have been restated

Losses

At the balance sheet date the Group has unused tax losses of £127.6m (2020: £12.8m) available for offset against future profits. A deferred tax asset of £16.7m (2020: £Nil) has been recognised in respect of £72.6m (2020: £Nil) of such losses. These losses include corresponding adjustments that could be claimed on settlement of uncertain tax positions with overseas tax authorities as accounted for under IFRIC 23.

No deferred tax asset has been recognised in respect of the remaining £55.0m (2020: £12.8m) as these can only be used to offset limited types of profits and as it is not considered probable that there will be the required type of future trading or non-trading profits available in the correct entities necessary to permit offset and recognition. The unrecognised deferred tax asset on losses is £13.8m (2020: £2.4m).

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

The Group has recognised deferred tax assets on losses in the US which have a 20 year expiry date and expects to use these losses in this period, the earliest date these losses expire is 31 December 2033 and at the year-end losses amounted to £10.0m (2020: £Nil).

7. DIVIDENDS TO SHAREHOLDERS

	2021 £m	2020 £m
Final ordinary dividend for the year ended 30 September 2021 was 7.25p (2020: 7.25p)	**28.2**	**19.2**
Interim dividend, paid 16 July 2021 was 2.00p (2020: paid 17 July 2020)	**7.8**	**4.8**
	36.0	**24.0**

The Directors recommend a final dividend in respect of the financial year ended 30 September 2021 of 8.5 pence per ordinary share, to be paid on 25 February 2022 to shareholders who are on the register at 28 January 2022. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2021. The final proposed dividend will reduce shareholders' funds by an estimated £33.1m.

8. EARNINGS PER SHARE

Accounting policy

Basic earnings per share

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

Diluted earnings per share

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

Adjusted earnings per share

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

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

	2021 £m	2020 £m	2021 Basic earnings per share pence	2020 Basic earnings per share pence	2021 Diluted earnings per share pence	2020 Diluted earnings per share pence
Profit for the year	**41.2**	**46.4**	**10.9**	**16.9**	**10.9**	**16.9**
Adjustments:						
Amortisation of acquired intangibles	**34.4**	**15.3**				
Acquisition costs	**11.2**	**4.1**				
Share based payments expense	**1.4**	**1.1**				
Net gain of debt modification	**0.3**	**(1.2)**				
Exceptional items	**14.1**	**(7.8)**				
Tax effect of adjustments	**(7.3)**	**(3.4)**				
Tax adjustments in respect of prior years	**(4.5)**	**-**				
Adjusted earnings	**90.8**	**54.5**	**23.8**	**19.9**	**23.8**	**19.9**

	2021 Number	2020 Number
Weighted average number of ordinary shares in issue for basic earnings	**378,460,314**	**274,995,438**
Dilutive impact of share options	**648,504**	**119,359**
Weighted average number of ordinary share for diluted earnings	**379,108,818**	**275,114,797**

9. GOODWILL

Cost and net book value	2021 £m	Restated* 2020 £m
At 1 October	**257.2**	**249.4**
Additions (note 13)	**378.6**	**17.8**
Adjustments in respect of prior periods	**(1.0)**	**-**
Exchange adjustments	**(19.0)**	**(10.0)**
At 30 September	615.8	**257.2**

*The amount of goodwill is restated and does not correspond to the values in the 2020 financial statements since adjustments were made to the final valuation of Webdunia..

Accounting policy

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

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

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

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

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

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

Key assumptions for the value in use - 30 September 2021:	Long-term growth rate	Discount rate	Average revenue growth
IP Services	**2.0%**	**10.4%**	**4.0%**
Life Sciences	**2.0%**	**10.9%**	**5.5%**
Moravia	**2.0%**	**11.0%**	**5.5%**
SDL - Technology	**2.0%**	**11.4%**	**8.0%**
SDL - Language Services	**2.0%**	**11.1%**	**5.5%**
SDL - Regulated industries	**2.0%**	**12.3%**	**5.5%**

Key assumptions for the value in use - 30 September 2020			
IP Services	**2.0%**	**9.0%**	**2.8%**
Life Sciences	**2.0%**	**10.6%**	**5.2%**
Moravia	**2.0%**	**10.5%**	**5.0%**
Iconic (as formerly classified, in 2021 included as part of 'SDL - Technology')	**3.0%**	**11.0%**	**32.1%**

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

9. GOODWILL (CONTINUED)

Determination of key assumptions

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

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

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

As part of the value in use calculation, management prepares cash flow forecasts derived from the most recent financial budgets, approved by the Board of Directors for the next 12 months, and extrapolates the cash flows for a period of four years based on an estimated growth rate which is either based on management's best estimate or the expected growth rate of the market in which the CGU operates.

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

In performing the assessment of the carrying value of Goodwill, the Directors believe there are three cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to an impairment. These CGUs are Moravia, SDL - Techology and SDL - Regulated Industries.

For Moravia, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £46.1 million (2020: £87.4m). An increase in the pre-tax discount rate of 190 basis point from 11.0% to 12.9% would lead to the recoverable amount of Moravia equalling its carrying amount (2020: 260 basis points, from 10.5% to 13.1%).

For SDL - Technology, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £38.1 million. An increase in the pre-tax discount rate of 100 basis point from 11.4% to 12.4% would lead to the recoverable amount equalling its carrying amount.

For SDL - Regulated Industries, sensitivity analyses have been performed for this cash generating unit. The recoverable amount exceeds the carrying value by £32.8 million. An increase in the pre-tax discount rate of 260 basis point from 12.3% to 14.9% would lead to the recoverable amount equalling carrying amount.

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

The allocation of goodwill to each CGU is as follows:	2021 £m	Restated* 2020 £m
IP Services	**31.3**	**31.2**
Life Sciences	**67.3**	**69.9**
Moravia	**133.6**	**147.8**
Iconic (as formerly classified, in 2021 included as part of 'SDL - Technology')	**-**	**8.5**
SDL - Technology*	**242.8**	**-**
SDL - Language Services	**74.5**	**-**
SDL - Regulated Industries	**66.3**	**-**
At 30 September	**615.8**	**257.2**

*The formerly disclosed Iconic segment in the prior year is now included as part of the SDL - Technology CGU.

At 30 September 2021, a customer relationship was transferred from the Moravia CGU to SDL Language Services CGU, following the transfer of the contract between the CGUs as a result of commercial decisions made in respect of this one customer.

10. INTANGIBLE ASSETS

	Trade names £m	Clinician & supplier databases £m	Technology £m	Non-compete & Trademarks £m	Client relationships & order books £m	Software £m	Internally generated software £m	Total £m
Cost								
At 1 October 2019	**10.0**	**6.6**	**5.7**	**2.3**	**188.7**	**12.4**	**6.5**	**232.2**
Additions	-	-	-	-	-	1.7	3.4	5.1
Acquisitions (restated*)	-	0.7	0.8	-	6.5	0.2	-	8.2
Disposals	-	-	-	-	-	(1.5)	-	(1.5)
Currency translation	(0.5)	(0.7)	(0.2)	(0.1)	(7.5)	(0.3)	(0.1)	(9.4)
At 30 September 2020	**9.5**	**6.6**	**6.3**	**2.2**	**187.7**	**12.5**	**9.8**	**234.6**
Additions	-	-	10.3	-	-	1.8	9.4	21.5
Acquisitions (note 13)	-	-	107.1	-	139.4	-	-	246.5
Disposals	(9.1)	-	-	-	(3.1)	(1.6)	(3.7)	(17.5)
Currency translation	(0.4)	(0.2)	(0.3)	(0.1)	(11.0)	-	-	(12.0)
At 30 September 2021	**-**	**6.4**	**123.4**	**2.1**	**313.0**	**12.7**	**15.5**	**473.1**
Accumulated amortisation and impairment								
At 1 October 2019	**4.0**	**2.2**	**4.2**	**1.3**	**39.5**	**9.1**	**2.9**	**63.2**
Amortisation charge	1.8	0.6	0.6	0.4	11.9	1.1	2.3	18.7
Disposals	-	-	-	-	-	(1.5)	-	(1.5)
Currency translation	(0.2)	(0.1)	(0.1)	(0.1)	(1.4)	(0.2)	(0.1)	(2.2)
At 30 September 2020	**5.6**	**2.7**	**4.7**	**1.6**	**50.0**	**8.5**	**5.1**	**78.2**
Amortisation charge	3.7	0.6	15.5	0.4	23.0	1.6	3.0	47.8
Disposals	(9.1)	-	-	-	(3.1)	(1.3)	(3.7)	(17.2)
Currency translation	(0.2)	(0.1)	(0.2)	(0.1)	(1.7)	-	-	(2.3)
At 30 September 2021	**-**	**3.2**	**20.0**	**1.9**	**68.2**	**8.8**	**4.4**	**106.5**
Net book value								
At 30 September 2019	**6.0**	**4.4**	**1.5**	**1.0**	**149.2**	**3.3**	**3.6**	**169.0**
At 30 September 2020	**3.9**	**3.9**	**1.6**	**0.6**	**137.7**	**4.0**	**4.7**	**156.4**
At 30 September 2021	**-**	**3.2**	**103.4**	**0.2**	**244.8**	**3.9**	**11.1**	**366.6**

*The amount of intangibles is restated and does not correspond to the values in the 2020 financial statements since adjustments were made to the final valuation of Webdunia..

Amortisation of acquired intangibles was £34.4m (2020: £15.3m) and amortisation of other intangibles was £13.4m (2020: £3.4m). The £13.4m amortisation of other intangibles comprises £1.6m on amortisation of software (2020: £1.1m), £3.0m on internally developed intangibles (2020: £2.3m) and an additional £9.0m of technology which relates to the SDL business (2020: £Nil). The residual £34.4m of amortisation was wholly incurred on acquired intangible assets.

The Group has identified intangible assets which are individually material. Within Technology, these comprise the balance in respect of SDL technology products acquired in the year of £74.2m (2020: £Nil) and SDL's Helix platform of £18.9m (2020: £Nil). Material customer relationships from past acquisitions include Moravia of £81.1m (2020: £98.2m), Life Sciences of £11.8m (2020: £14.6m) and newly acquired SDL relationships of £124.4m (2020:£Nil). No other classes of intangible asset hold individually material items, the remaining average useful life is 12 years.

11. LOANS

	2021 £m	2020 £m
Due in more than one year		
Loan	49.2	69.1
Issue costs	(2.0)	(2.6)
At 30 September	47.2	66.5

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

Analysis of net debt - 30 September 2020	At 1 October £m	Acquired £m	Cash flows £m	Non-cash charges £m	At 30 September £m
Cash and cash equivalents	47.0	(23.0)	27.6	(0.2)	51.4
Issue costs	1.1	-	0.6	0.9	2.6
Loans (current and non-current)	(84.8)	-	13.7	2.0	(69.1)
Net debt - Excluding lease liabilities - ("Net debt")	(36.7)	(23.0)	41.9	2.7	(15.1)
Lease liabilities	(25.0)	(1.9)	4.1	-	(22.8)
Net debt - Including lease liabilities	(61.7)	(24.9)	46.0	2.7	(37.9)

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

On 10 February 2020, the Group entered into an Amendment and Restatement Agreement ("ARA") with its banking syndicate which amended its existing US$160 million term loan maturing on 18 October 2022 into a US$120 million Revolving Credit Facility ("RCF") maturing on 10 February 2024, with an option to extend maturity until 10 February 2025 under the same terms, which is accessible subject to lender consent. Details of the Group's full available facilities are included in note 1, the non-cash movements in issue costs above of £0.9m in the prior year include the modification gain.

Under the terms of the ARA, the Group's interest margin over US LIBOR, is determined by the Group's net leverage. Commitment fees are payable on all committed, undrawn funds at 35% of the applicable interest margin. The ARA also contains a US$80 million uncommitted accordion facility which is due to expire in parallel with the RCF.

12. CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank and in hand	89.6	50.1
Short-term deposits	2.9	1.3
	92.5	51.4

The fair value of cash and cash equivalents is £92.5m (2020: £51.4m). Restricted cash at 30 September 2021 was £Nil (2020: £Nil).

Short-term deposits have an original maturity of three months or less depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

13. ACQUISITIONS

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, 114,054,320 new ordinary shares were issued by the Parent Company as full consideration to acquire 100% control of SDL. Included within the consideration were shares issued in relation to SDL open share options which were subject to accelerated vesting on acquisition. These shares were issues net of relevant employee taxes of £6.4m and as a result an additional liability of £6.4m was recognised in respect of other taxes payable in the opening balance sheet.

The transaction, being a share for share exchange to acquire greater than 90% of the share capital in SDL Plc, was eligible for merger relief under the Companies Act. Accordingly, the £624.4m of share premium that would have been created on the acquisition has been recognised within a merger reserve.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	**Fair values £m**
Net assets acquired:	
Technology	**107.1**
Customer relationships	**139.4**
Property, plant and equipment	**12.0**
Right-of-use assets	**34.1**
Trade and other receivables	**87.1**
Deferred tax assets	**17.5**
Cash and cash equivalents	**55.0**
Trade and other payables	**(91.0)**
Corporation tax liabilities	**(13.9)**
Other taxes payable	**(6.4)**
Lease liabilities	**(37.7)**
Deferred tax liabilities	**(45.0)**
Provisions	**(10.1)**
Total identifiable net assets	**248.1**
Goodwill	**377.4**
Total consideration	**625.5**
Satisfied by:	
Shares	**625.5**

SDL contributed £340.0m to the Group's revenue and £23.3m to the Group's profit after tax for the period between the date of acquisition and the balance sheet date, excluding the impact of amortisation on acquired intangibles. If the acquisition had been completed on the first day of the financial year, SDL would have contributed additional revenues of £30.4m and reduced profit after tax for the year by £5.4m for the Group due to material transaction costs accrued in the month prior to the acquisition. The values disclosed above in respect of SDL Plc are considered final following the completion of the PPA exercise prior to the year end.

The goodwill of £377.4m on acquisition comprises the value of expected synergies arising from the acquisition and expected to be realised across future periods.

13. ACQUISITIONS (CONTINUED)

Acquisition Horn & Uchida

The Group acquired Horn & Uchida Patent Translation, Ltd, a specialist in patent translation based in Osaka, Japan for cash consideration of Y349m (£2.3m) on 7 July 2021 for 100% of ordinary share capital.

The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	**Fair values £m**
Net assets acquired:	
Investment securities	**0.2**
Trade and other receivables	**1.0**
Deferred tax assets	**0.1**
Cash and cash equivalents	**0.8**
Trade and other payables	**(1.0)**
Total identifiable net assets	1.1
Goodwill	**1.2**
Total consideration	**2.3**
Satisfied by:	
Cash	**2.3**

Provisional values above are stated before the finalisation of the purchase price allocation ('PPA'). The Directors expect that the PPA work will identify intangible assets and that their allocation from the goodwill value disclosed above will lead the goodwill to be different to that as disclosed above. The Directors expect that there will be associated deferred tax amounts recognisable on the intangible assets, with a compensating increase to goodwill expected to be reported in the Group's financial statements for the year ending 30 September 2022, once the purchase price allocation procedures are finalised, these adjustments are not expected to be material and will be included in the financial statements for the year ending 30 September 2022.

If the acquisition had been completed on the first day of the financial year, H&U would have contributed additional revenues of £1.4m and increased profit after tax for the year by £0.4m.

14. POST BALANCE SHEET EVENTS

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

GLOSSARY

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

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

Adjusted operating cash flow - is operating cash flow excuding the impact of acquisition costs and exceptional items.

Adjusted operating profit – is operating profit before charging amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items.

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

Amortisation of acquired intangibles - is the value of amortisation recognised on intangibles that were acquired as part of business combinations. This is reconciled to total amortisation as part of note 10 in the financial statements.

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

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

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

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

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

Underlying – underlying measures exclude the impact of acquisitions and assumes constant currencies.

ALTERNATIVE PERFORMANCE MEASURES

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

The table below reconciles the statutory profit before tax to the adjusted profit before tax.

Reconciliation of statutory profit before tax to adjusted profit before tax:	2021 £m	2020 £m
Statutory profit before tax	**55.0**	58.7
Amortisation of acquired intangibles	**34.4**	15.3
Acquisition costs	**11.2**	4.1
Share-based payment expense	**1.4**	1.1
Exceptional items (note 5)	**14.1**	(7.8)
Exceptional finance costs	**0.3**	1.2
Adjusted profit before tax	**116.4**	70.2

Reconciliation of adjusted operating profit to statutory operating profit:	2021 £m	2020 £m
Adjusted operating profit	**118.5**	72.9
Amortisation of acquired intangibles	**34.4**	(15.3)
Acquisition costs	**11.2**	(4.1)
Share-based payment expense	**1.4**	(1.1)
Exceptional items (note 5)	**14.1**	7.8
Statutory operating profit	**57.4**	60.2

Organic Revenue

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

	2020 Revenue	2020 Pre Acq Revenue[1]	2020 Organic Revenue	2021 Organic Revenue Growth/(Loss)	2021 Revenue[2]	Organic Revenue Growth
IP Services	**112.8**	**-**	**112.8**	**(0.6)**	**112.2**	**0%**
Regulated Industries	**71.3**	**85.9**	**157.2**	**5.0**	**162.2**	**3%**
Language Services	**171.3**	**157.5**	**328.8**	**(11.1)**	**317.7**	**-3%**
Language & Content Technology	**0.4**	**105.4**	**105.8**	**(3.8)**	**102.0**	**-4%**
Total	**355.8**	**348.8**	**704.6**	**(10.5)**	**694.1**	**-1%**

ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues by adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2021 foreign exchange rates to both years.

	2020 Revenue at FY 21 Rates	2020 Pre Acq Revenue at FY 21 Rates[1]	2020 Organic revenue at constant exchange rates	2021 Revenue Growth	2021 Organic Revenue[2]	Organic Constant Currency Revenue Growth
IP Services	**109.6**	**-**	**109.6**	**2.6**	**112.2**	**2%**
Regulated Industries	**66.5**	**83.9**	**150.4**	**11.8**	**162.2**	**8%**
Language Services	**160.0**	**146.8**	**306.8**	**10.9**	**317.7**	**4%**
Language & Content Technology	**0.4**	**101.1**	**101.5**	**0.5**	**102.0**	**1%**
Total	**336.5**	**331.8**	**668.3**	**25.8**	**694.1**	**4%**

1 Includes Iconic, Webdunia & SDL pre-acquisition operating results 2 Excludes Horn & Uchida FY21 operating results 3. A reconciliation of adjusted operating profit is included in Note 4.

Adjusted Operating Profit

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

Cash flow conversion calculations	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Adjusted operating profit	**43.4**	**66.3**	**78.4**	**72.9**	**118.5**
Depreciation	1.2	2.8	3.0	3.0	6.2
Amortisation from non-acquired intangibles	0.1	2.0	3.0	3.4	13.4
Net changes in working capital	(3.8)	(7.1)	(1.8)	7.1	(23.5)
Underlying cash flow from adjusted operating activities	**40.9**	**64**	**82.6**	**86.4**	**114.6**
Cash conversion	**94.2%**	**96.5%**	**105.4%**	**118.5%**	**96.7%**