RWS

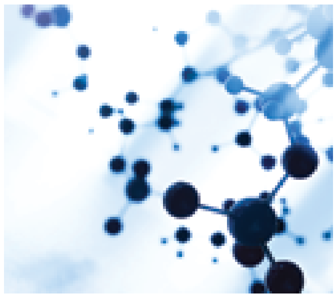
Annual Report 2019

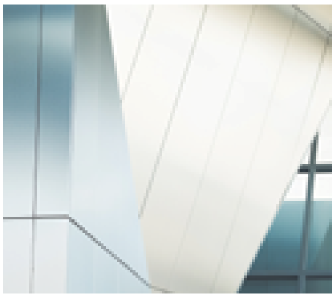
rws.com

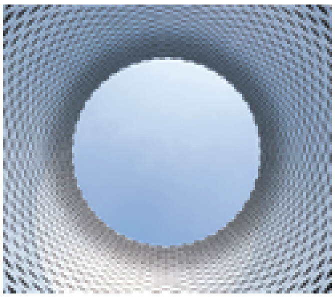
RWS

Welcome to our 2019 annual report. We are delighted we can celebrate our 16th year of unbroken growth in revenues, profits and dividends since flotation in November 2003.

Despite significant uncertainty in global markets, we have made a good start to the new financial year and we look forward to 2020 with confidence.







Contents:

Operating Highlights

£57.7m
Profit before tax ("PBT")

989
new clients

16th
successive year of growth in revenues, profits and dividends

29 offices
worldwide

Note: Unless otherwise indicated, all figures relate to FY 2019 (1 October 2018 – 30 September 2019).

STRONG CASH-GENERATIVE GROWTH DRIVING RETURNS

Revenue
£355.7m
+ 16%
+7% underlying[1]
2018: £306.0m

Adjusted PBT[2]
£74.2m
+ 20%
+ 14% underlying[1]
2018: £61.8m

Adjusted EPS[2]
21.3p
+ 22%
2018: 17.4p

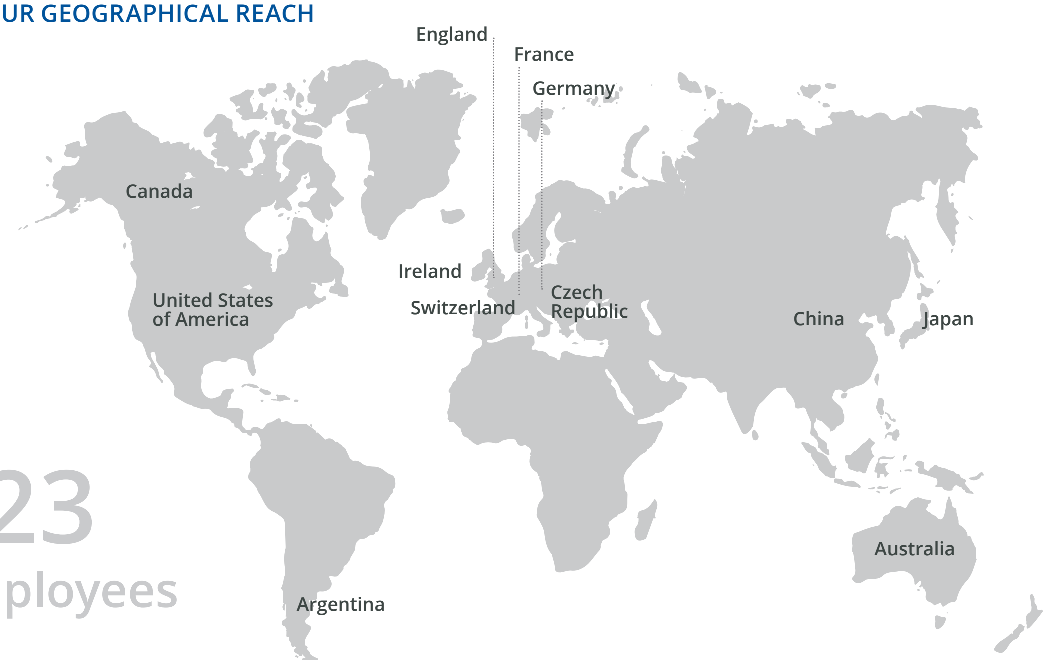
Cash
£47.0m
after £50.4m in debt, interest and dividend payments
2018: £38.2m

Final proposed dividend
7.00p
+ 17%
2018: 6.0p

Net debt
£36.8m
0.5x 2019 Adjusted PBT
2018: £65.1m

[1] Excluding the impact of acquisitions and assumes constant currency.
[2] Before amortization of acquired intangibles, acquisition costs and share based payments expenses.

EXTENDING OUR GEOGRAPHICAL REACH

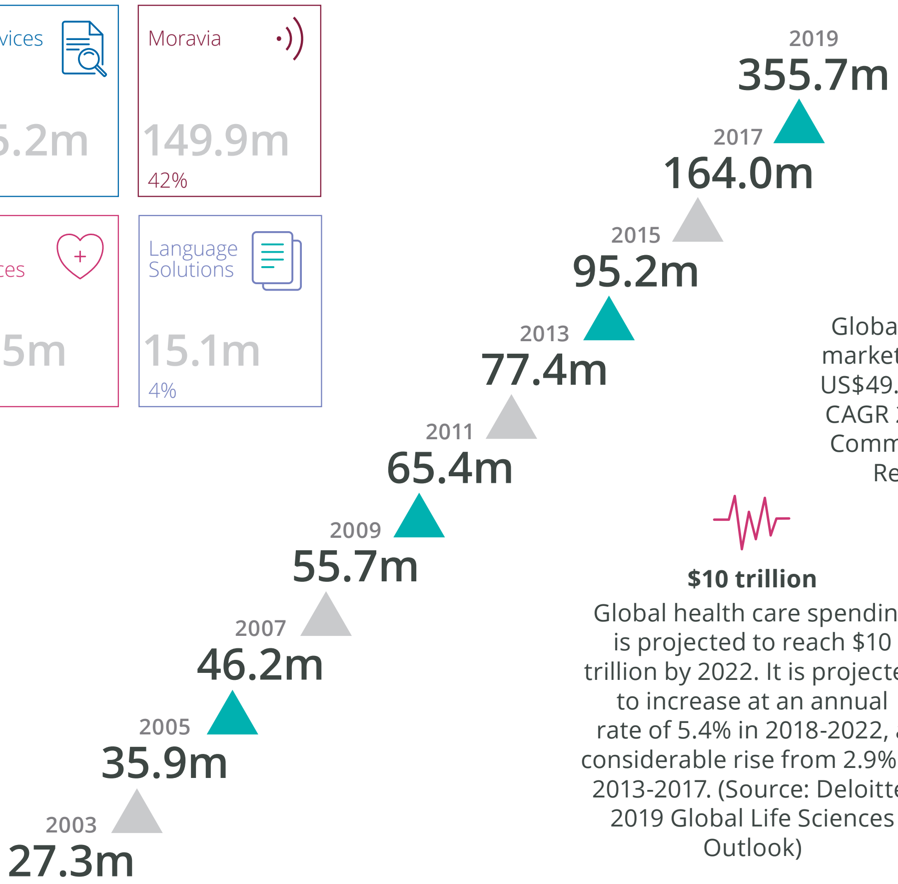


2,523
FTE employees

REVENUE SPLIT BY DIVISION (£M)

IP Services	125.2m	35%
Moravia	149.9m	42%
Life Sciences	65.5m	19%
Language Solutions	15.1m	4%

ANNUAL REVENUE (£M)

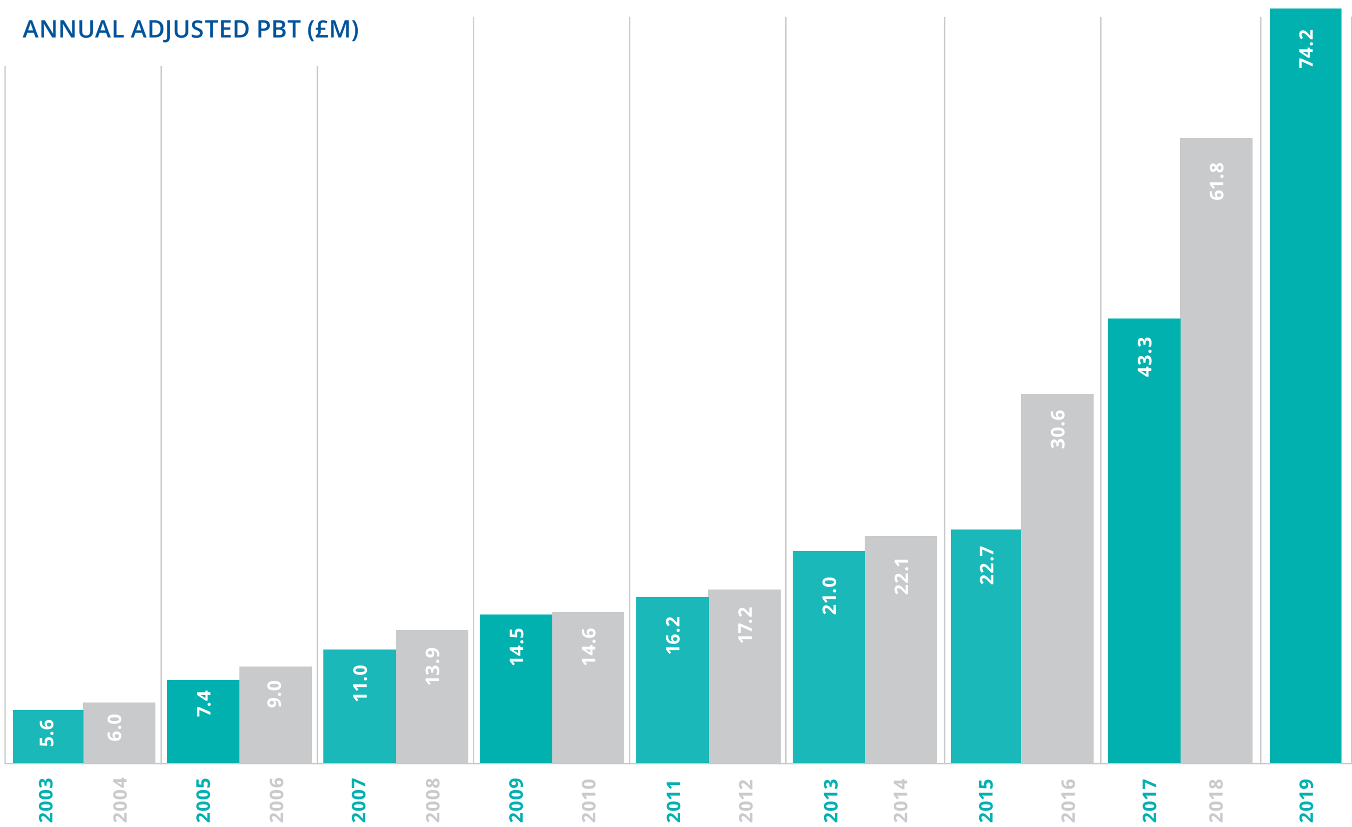


US$49.60bn
Global language services market estimated to reach US$49.60bn in 2019 (7.76% CAGR 2009-2019) (Source: Common Sense Advisory Report, July 2019)

$10 trillion
Global health care spending is projected to reach $10 trillion by 2022. It is projected to increase at an annual rate of 5.4% in 2018-2022, a considerable rise from 2.9% in 2013-2017. (Source: Deloitte, 2019 Global Life Sciences Outlook)

4.6% increase
Increase in European patent filings in 2018 (Source: European Patent Office Annual Report 2018 Statistics)

ANNUAL ADJUSTED PBT (£M)



Company Overview

RWS is a world-leading provider of translation and localization, intellectual property (IP) support solutions and life sciences language services.

Our specialist teams combine the latest technology, proven processes and highly-skilled staff to deliver complex services at each stage of the product life cycle to meet the diverse needs of a global, blue-chip client base.

Our services are delivered in accordance with ISO 9001, ISO 17100 and ISO 13485 and are trusted by world-leading companies across a range of sectors including technology, pharmaceutical, medical, chemical, automotive and telecommunications.

Over the last 61 years, we have built a reputation for quality, reliability and flexibility with our global team of linguists, searchers and technical experts.

With headquarters in the UK, we have 29 offices worldwide and are publicly listed on the Alternative Investment Market (AIM), the London Stock Exchange regulated market. We are delighted to have won the AIM Company of the Year Award 2019. The AIM Awards showcase how companies harness AIM to power their growth and fulfil their strategy.

+ 2 billion
words translated

+ 260
languages supported

74,553
hours spent on multimedia projects

The Group operated as four divisions:

IP SERVICES

RWS IP Services delivers the highest quality patent translations, seamless patent filing and unmatched IP research capability.

Our clients benefit from expert and experienced translators supported by innovative language technology which lowers costs and increases consistency. We offer the most robust intellectual property research services and tools available, from traditional to crowd based search.

IP Services enjoys a reputation for delivering solutions that support strategic decision-making through the IP lifecycle.

LIFE SCIENCES

RWS Life Sciences provides a full suite of language services exclusively for the life sciences industry.

This includes language solutions for clinical trial management and linguistic validation of Clinical Outcomes Assessments (COAs), with extensive experience in a variety of therapeutic areas, regulatory affairs, medical device documentation, marketing communications and e-learning and training programmes.

MORAVIA

RWS Moravia works primarily with global technology companies to help them provide high-quality, localized products and content to their consumers worldwide.

Our Go Global Model offers a holistic approach to localization that ensures even the most complex products and content succeed in all locations, at scale. Its five-phase system is designed to offer flexibility while powering international expansion.

LANGUAGE SOLUTIONS

RWS Language Solutions offers a full range of translation and interpreting services to help businesses communicate globally.

With expertise across a range of different industries, our experienced teams combine the latest technology, proven processes and the best linguists to deliver the right solution to meet the different needs of each organization.

REVENUES

£355.7m
Growing 16%
from 2018

Chairman's Statement

Andrew Brode – CHAIRMAN
9 December 2019

Introduction
RWS, which celebrated its 61st year in business in 2019, has grown to become one of the world's leading providers of language services. Following the transformational acquisition of Moravia in November 2017, the Group now employs over 2,500 people with operations across five continents. In recognition of our recent progress, we were delighted to be named Company of the Year at this year's recent AIM Awards.

We announced in June 2015 that our strategy for growth would focus on the United States to 2020, and that beyond 2020 we believed that China would become an important area for growth. Since that announcement, RWS has made four acquisitions with a US focus and built market-leading activities in intellectual property support services, in life sciences and in technology-enabled localization. Looking forward, China shows every sign of fulfilling the strategic growth potential we envisaged in 2015.

Performance
The Group achieved revenues of £355.7m for the year, growing 16% from 2018 (£306.0m). All three of our major divisions delivered increased revenues and profits, contributing to 7% underlying[1] organic sales growth across the Group (excluding the impact of acquisitions and currency movements).

Adjusted profit before tax grew by 20% to £74.2m (2018: £61.8m). Adjusted profit before tax increased by 14% on an underlying[1] organic basis (excluding the impact of acquisitions and currency movements). This reflected particularly strong underlying increases in margins in our Life Sciences and Moravia divisions, due to a combination of sales growth, a greater proportion of higher margin revenues, tight cost control and positive exchange rate movements.

The Group's balance sheet expanded with net assets of £397.5m (2018: £355.3m). Net debt reduced to £36.8m (2018: £65.1m) emphasizing our cash generative business model: leverage at year-end (net debt: EBITDA[2]) was less than 0.5x EBITDA. I am again proud to report that RWS has increased revenues, profits and dividends in every year since flotation in November 2003.

People and Board
The Group could not have advanced to its current position as a leading global language service provider, without the commitment of all our colleagues, and I would like to thank them and

[1] Excludes the impact of acquisitions and assumes constant currency
[2] EBITDA is defined as the Group's profit before interest, tax, depreciation and amortization

Significant factors

Transformational acquisition of Moravia in November 2017, the Group now employs over 2,500 people with operations across five continents.

All three of our major divisions delivered increased revenues and profits, contributing to 7% underlying[1] organic sales growth across the Group.

REVENUES	ADJUSTED PROFIT BEFORE TAX	DIVIDEND
£355.7m Growing 16% from 2018	**£74.2m** Grew by 20% (2018: £61.8m)	**8.75p total dividend** An increase of 17% compared to 2018

Our three main divisions, all leaders in their respective spaces, are well positioned to take advantage of the excellent opportunities in their growing markets.

"Our strong balance sheet and minimal net debt also positions us well to compete for the most attractive acquisition opportunities in our space."

to acknowledge their part in our success. RWS epitomizes a knowledge-based "people" business, intent upon providing a superior quality of service to a large number of the world's leading and most demanding clients. The Board is committed to continuing investment in the development of our staff to enable them to realize their full potential.

My thanks are also due to my fellow directors for their advice and dedication. The role of a non-executive director, in particular, has become more onerous as they deal with increasing levels of reporting requirements, both external and internal.

Environmental, Social and Corporate Governance (ESG)

On 29 September 2018, RWS adopted the QCA Corporate Governance Code. See Corporate Governance Report on page 24.

The Group has devoted significant resources to improving its environmental responsibilities. Similarly, we have sought to engage more with our staff and the wider group of external stakeholders, including through our partnership with The University of Manchester, to sponsor students from lower income families reading for language degrees, and our sponsorship scheme for schools to send students on Outward Bound Trust events. The schools selected are in lower economic areas and were selected only if they had a firm commitment to teaching languages. We have been pleased with the reaction we have received to date. Several of our initiatives are described in more detail in later sections of this report.

Dividend

Since flotation in November 2003, RWS has pursued a progressive dividend policy. The highly cash generative business model and modest capex requirements have allowed for rapid debt repayment, acquisitions, continued organic investment in the business and an increasing dividend.

The Board therefore is pleased to recommend a final dividend of 7.00p per share, which, together with the interim dividend of 1.75p per share, will result in a total dividend for the year ended 30 September 2019 of 8.75p per share, an increase of 17% compared to 2018. Subject to shareholder approval at the next AGM, it will be paid on 21 February 2020 to shareholders on the register as at 24 January 2020.

Summary and outlook

This has been another excellent year for RWS, delivering profitable organic growth and enviable cash conversion.

The Group is now a well-balanced and integrated business with an extensive service offering and a global presence. We have strong platforms to exploit opportunities across our full suite of services and technological capabilities for new and existing clients.

The new year has begun in line with our underlying expectations, albeit with recent currency headwinds. Our three main divisions, all leaders in their respective spaces, are well positioned to take advantage of the excellent opportunities in their growing markets. Our strong balance sheet and minimal net debt also positions us well to compete for the most attractive acquisition opportunities in our space.

Despite widespread economic and political uncertainty, I take much pleasure in chairing a fast expanding Group which is an acknowledged leader in a growing business sector.

Andrew Brode – Chairman
9 December 2019

Strategic Report

Richard Thompson – CHIEF EXECUTIVE OFFICER
9 December 2019

RWS is one of the world's leading providers of language services, focusing on key market segments where the quality of its services is of critical importance to its clients. The Group has a blue-chip multinational client base spanning Europe, North America and Asia.

With effect from 1 October 2018, RWS Patent Information and RWS Patent Translation and Filing were combined to create the RWS IP Services division. As a result, the Group operated as four divisions throughout the 12 months ended 30 September 2019:

> **RWS IP Services** is the world's premier 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 customer service and its use of technology, including:

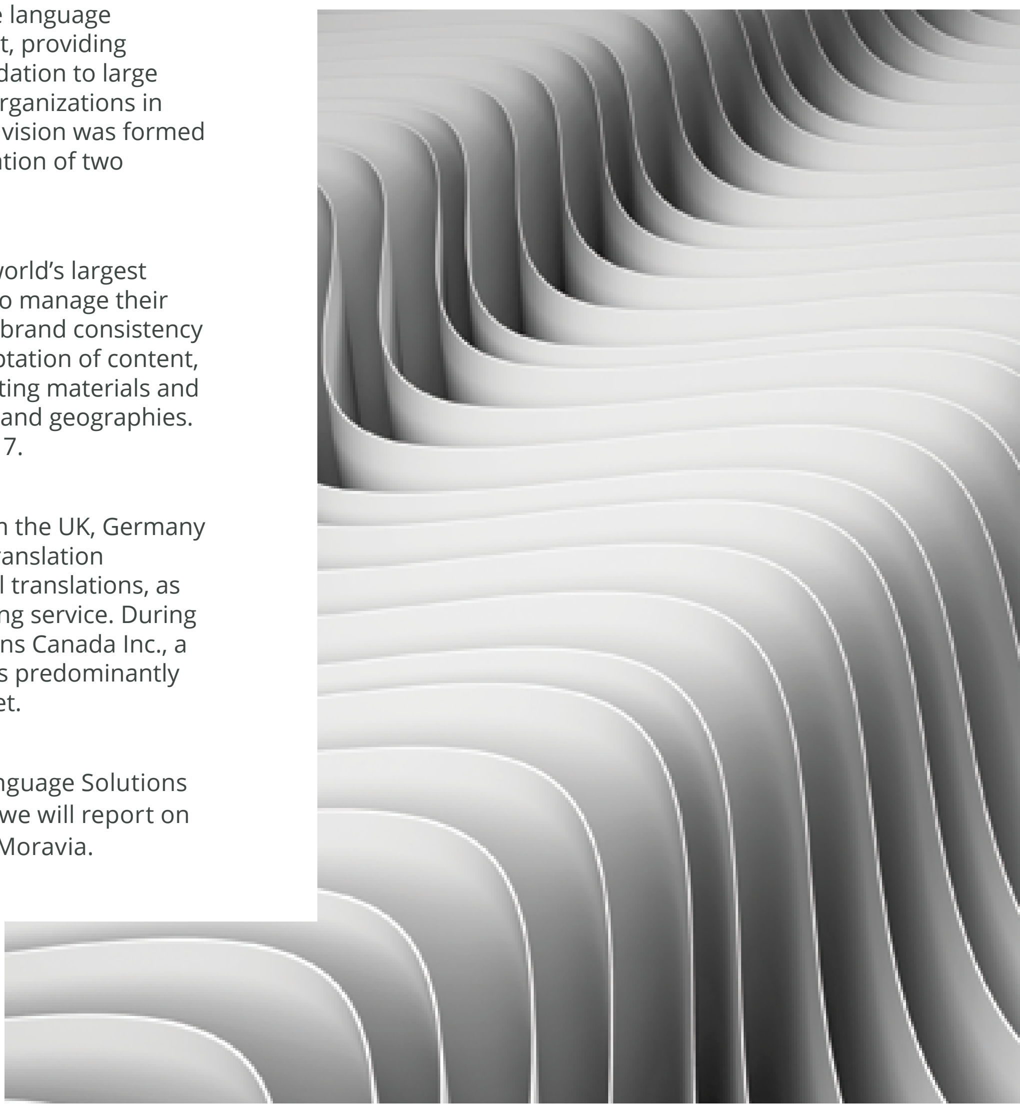
- » inovia, its international web-based patent filing platform;
- » PatBase, one of the world's largest searchable commercial patent databases, designed by professional searchers for professional searchers; and
- » AOP Connect™ our global connection to our crowd of +43,000 researchers, allowing customers to store, review, search full-text, rank, highlight and organize intellectual property prior art all in one central location.

> **RWS Life Sciences** focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America, Europe and Asia. This division was formed on 1 October 2017 following the integration of two acquired businesses, CTi and LUZ.

> **RWS Moravia** works with many of the world's largest publicly traded technology companies to manage their complex localization needs and ensure brand consistency on a global scale. This includes the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies. Moravia was acquired in November 2017.

> **RWS Language Solutions** operates from the UK, Germany and the US, and provides commercial translation solutions with an emphasis on technical translations, as well as operating the Group's interpreting service. During the year RWS acquired Alpha Translations Canada Inc., a company based in Canada that provides predominantly legal translations for the German market.

With effect from 1 October 2019, RWS Language Solutions was merged into RWS Moravia. In future, we will report on their performance as one segment, RWS Moravia.



Strategic Report continued

Our strategy
We are focused on providing an increasing range of appropriate services to existing and new clients to drive organic growth. This growth is supplemented by selective acquisitions that are complementary to our existing business and either add additional services or increase RWS's geographical coverage to support our customers and enhance shareholder value.

In terms of acquisitions, we look for selective opportunities in the intellectual property services and specialist language services spaces. We seek businesses capable of delivering above average industry levels of profitability or, are highly complementary, and are capable of reinforcing the Group's dominant position in intellectual property support and language services.

We are particularly pleased to be able to show our progress against this strategy with 16 consecutive years of growth in revenues and profits since flotation.

Organic growth is driven by:

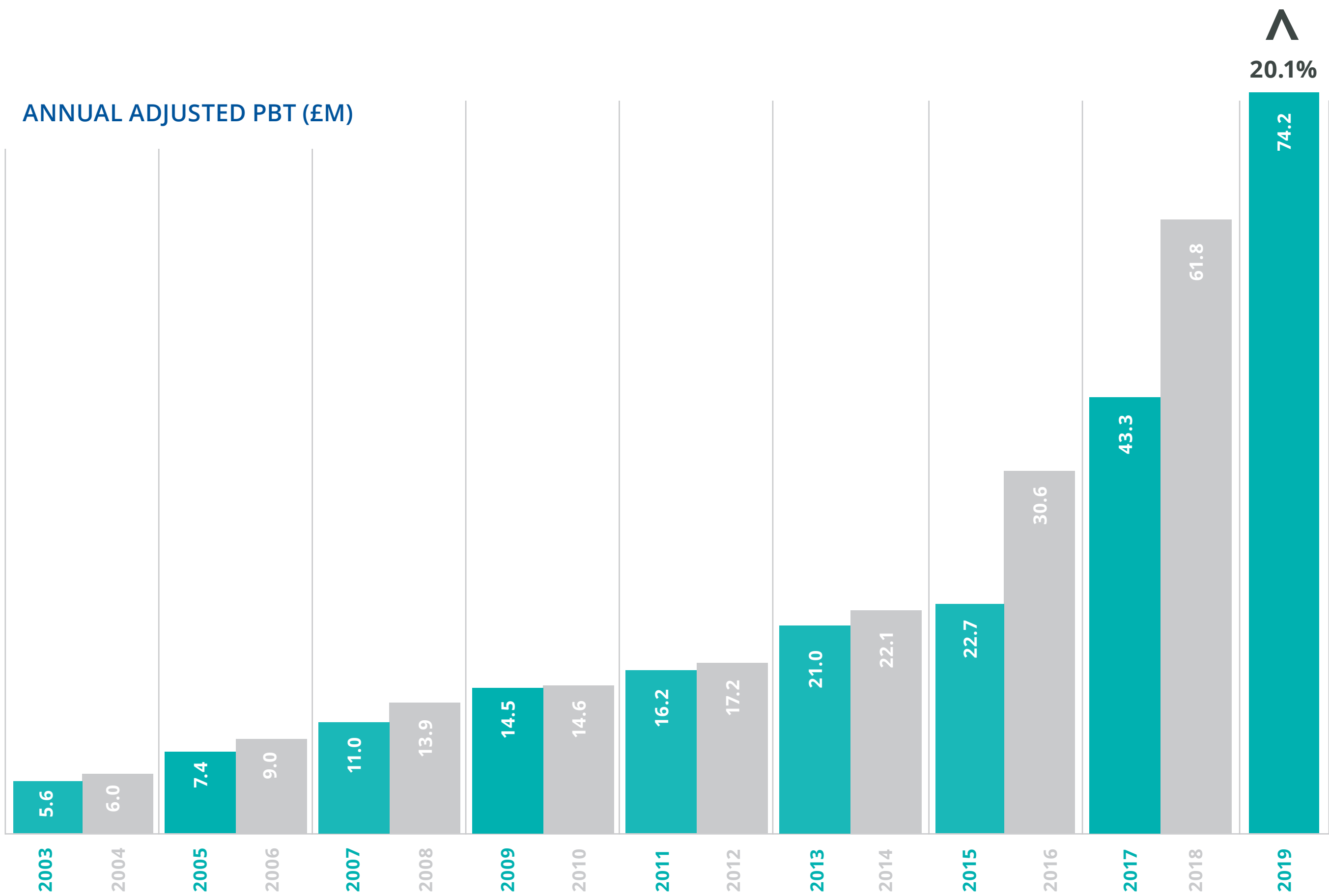
- the growing demand for language services driven by globalization and international trade
- an increase in the worldwide patent filing activities of existing multinational clients
- the development of new drugs by the pharmaceutical industry
- the outsourcing by corporates, clinical research organizations,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

RWS GROUP

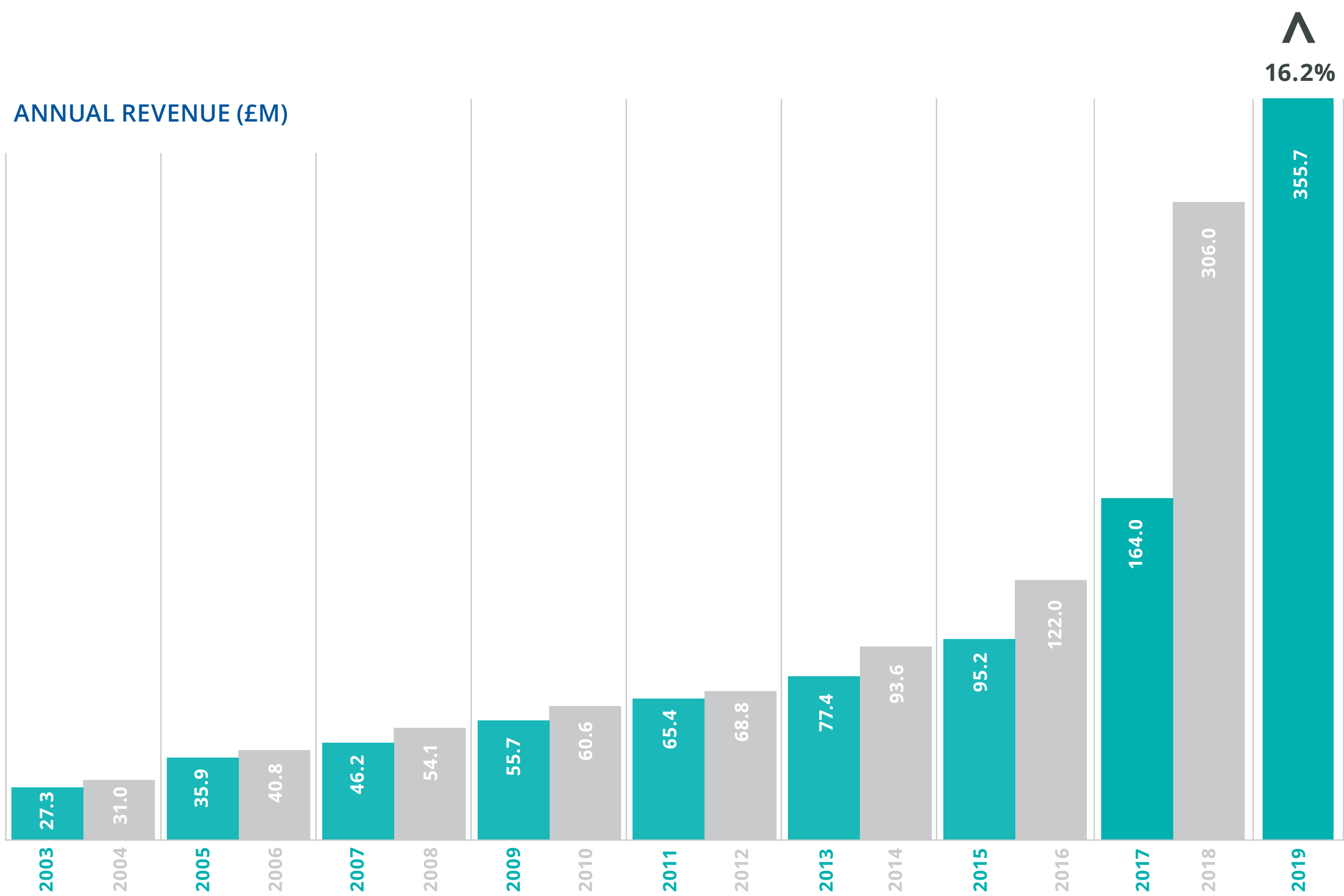
£355.7m > Revenues up 16%

IP SERVICES	LIFE SCIENCES	MORAVIA	LANGUAGE SOLUTIONS
Revenues up 12%	Revenues up 25%	Revenues up 18%	Revenues up 1%
£125.2m	£65.5m	£149.9m	£15.1m

ANNUAL ADJUSTED PBT (£M)



ANNUAL REVENUE (£M)



Strategic Report continued

Market update

Global language services market

In July 2019, Common Sense Advisory ("CSA") published its 15th study of the market for outsourced language services. This year the market is estimated to reach US$49.6bn (2018: US$46.5bn), continuing the unbroken growth record since 2009 (CAGR: 7.8%). Increased demand for content from a growing and increasingly interconnected world continues to fuel this demand for high-quality translation and localization.

For the next three years CSA is forecasting CAGR of 4.2% worldwide.

Global life sciences market

Global health care spending is projected to reach $10 trillion by 2022. It is projected to increase at an annual rate of 5.4% in 2018–2022, a considerable rise from 2.9% in 2013–2017. This increase partly reflects the expansion of health care coverage in developing markets, the growing care needs of elderly populations and advances in treatments and health technologies.

Similar with recent years, health care spending in 2020 will likely be driven by the shared factors of ageing and growing populations, developing market expansion and clinical and technology advances. In addition, the trend towards universal health care is expected to continue, with more countries expanding or deepening their public health care systems.

For pharmaceutical/biotechnology, medical device companies and contract research organizations, this will mean more content that needs to be translated. (Source: Deloitte, 2019 Global Life Sciences Outlook)

Patent filing statistics

The World Intellectual Property Organization (WIPO) has published figures showing a +3.9% worldwide increase in patent applications filed under the Patent Cooperation Treaty (PCT) in 2018. This is the ninth consecutive year of growth, with approximately 253,000 applications being received. The largest number of filers continue to be located in the United States, but the number of applications from Asia has continued to grow and, for the first time, applicants originating from this region accounted for the majority of all PCT applications (50.5%). The European Patent Office (EPO) reports European patent applications remained at record levels with 174,317 received in 2018 - an increase of 4.6%. (Sources: Patent Cooperation Treaty Yearly Review 2019, EPO Annual Report 2018)

Operating review

RWS IP Services

On 1 October 2018, RWS Patent Translation and Filing division and RWS Patent Information division were merged to form the RWS IP Services division. The comparative figures below reflect this consolidation.

The Group's IP Services division represented 35% of Group sales in the year and grew reported revenues by 12% to £125.2m (2018: £111.9m). This performance reflects the full year effect of client wins in prior periods, good new business wins in the year, strong organic growth from the established client base in both our WorldFile (+8%) and EuroFile services (+17%), as well as further strong growth in China (+21%) and Japan (+19%), offset partly by customer losses. In addition, PatBase grew revenues (+6%) through a combination of price increases and new business wins.

During the year, the division achieved several new client wins, including a notable pharmaceutical client that has generated significant new revenue for the business in the period. The Group also benefitted from a favourable exchange rate environment; the division's underlying sales growth is 10%.

The division's strong order pipeline, combined with the record numbers of new patent applications in 2018 (see Market update), provides firm grounds for confidence in the outlook for FY 2020.

The Asia market continues to be a key focus for long-term strategic revenue growth as the region continues to attract North American and European patent filers seeking patent protection. In addition, the IP Services division is seeing rapid growth in the local Asia market as we successfully develop new business with both local companies and patent attorneys. To support this growth RWS continues to invest in the region and has recently opened a new Group office in Tokyo to house the staff from all three main divisions. This investment will improve inter-divisional communication, sales collaboration, staff recruitment and facilitate the sharing of best practice.

The division's increased revenue resulted in adjusted operating profit[1] up 5% to £36.1m (2018: £34.4m), driven by revenue growth and a tight control of overheads. This was partly offset by additional investment in staffing, to both manage the growth in business, particularly Eurofile, and to create an improved working environment for the staff within the Chalfont St Peter head office, to encourage them to build long term careers with RWS and reduce staff churn.

[1]Adjusted operating profit is operating profit before charging amortization of acquired intangibles, acquisition costs and share based payment expenses.

RWS Life Sciences

The Group's Life Sciences division accounted for 19% of the Group's sales in the year. Revenue of £65.5m represented an increase of 25% over the prior period (2018: £52.3m). The 2019 reported results benefitted from favourable exchange rates and growth from the additional Life Science customers acquired with Moravia, that were transferred to RWS Life Sciences with effect from 1 October 2018 (2018: US$6.0m). The underlying sales growth of the division was 10%.

Following a slow start to the year and a change in divisional leadership, the business recovered strongly, led by sales of the division's higher margin Linguistic Validation offering, which grew by 24% in constant currency terms. Sales to the division's largest customer grew by 9% in constant currency. Sales of general Life Science services were flat (in constant currency and after excluding the Moravia Life Science business transferred in) and plans are in place to improve this in 2020. Sales to the former Moravia Life Science customers improved by 10% in the period, highlighting the value of transferring these customers into the specialist RWS Life Sciences division.

The outlook for the division is encouraging, with continued good opportunities in Linguistic Validation, good progress on the Machine Translation (MT) project with the division's largest customer and signs of improvement in the general Life Sciences business, not least with Medical Device translations, where we are beginning to see a positive impact on work volumes arising from the new European Union Medical Device requirements.

The division continues to invest and expand in Asia to capitalize on the market growth and to better serve its customers. During the year the division achieved its first contract win with a local China based pharmaceutical company.

The division improved its margin in the period reporting an adjusted operating profit of £20.3m, an increase of 40% over the prior year (2018: £14.5m). This outstanding result was driven by stronger gross margins, partly from tight operational control but also from having a higher proportion of higher margin Linguistic Validation sales, the impact of the transferred Moravia business and a positive exchange rate environment.

RWS Moravia

The RWS Moravia division accounted for 42% of Group sales, with revenue of £149.9m (2018: £126.9m), an 18% increase over the prior period. The underlying sales growth is 7%. The difference being due to a strong sales performance, particularly with customers outside the 'top 5', a shorter comparative trading period of 11 months, the transfer of Life Science customers to the RWS Life Sciences division and favorable exchange rates in the year.

The 7% underlying sales growth was achieved despite the ongoing reduction in volumes with one of the division's top five customers, excluding which sales across the rest of the division increased by 12% in constant currency terms. It was particularly encouraging to see significant growth in revenue from customers outside the 'top 5'.

The division recorded an adjusted operating profit of £25.7m an increase of 52% over the prior period (2018: £17.0m), reflecting an extra month's trading in 2019, good sales growth, significant margin improvements, tight control of overheads and a foreign exchange tailwind. The underlying profit growth in the period is estimated to be 17%.

One of the highlights of Moravia's year was the official opening of the division's new head office in Brno, Czech Republic. This investment brings together all of the Brno team under one roof for the first time since 2006 and will result in better communication, improved efficiency and innovation.

The outlook for the division for FY 2020 remains positive, and further investment is being made in technology and new services to ensure that the division remains at the forefront of the language services and localization market.

Strategic Report continued

RWS Language Solutions

The RWS Language Solutions division accounted for 4% of Group sales, with revenue of £15.1m (2018: £14.9m) reflecting a tougher year for this, the smallest of RWS's divisions and the one most exposed to competition. The business has experienced adverse trading conditions in its core markets, particularly in the German automotive and renewable energy sectors, both of which have reduced expenditure on translation services.

During the period management have worked on standardizing and rationalizing the operational processes across the division, which will result in improved efficiencies in terms of workload balancing, which, in turn, will improve margins.

On 17 January 2019, the Group announced the acquisition of Alpha Translations Canada Inc. This business focuses on the German legal translation market and provides the division with a new North American operational centre. The acquisition is already fully integrated into RWS and has generated some strong cross selling opportunities.

On 1 October 2019, the Language Solutions division was merged into RWS Moravia and going forward financial results will be reported as one business segment. This change will more closely align these two businesses given their similar services, albeit at different scales and the relatively small size of the Language Solutions business. It is expected that Moravia's experience and knowledge of Machine Translation will further enhance the service levels and efficiencies of the Language Solutions business.

With a small increase in revenue and lower margins, the adjusted operating profit fell to £0.4m (2018: £1.6m).

Risk management

The Group considers a risk management framework as a vital tool to ensure existing and potential risks to the business are identified and mitigating actions are fully considered. The framework covers the extended business, including the Group's supply chain, from key suppliers to end-clients. The CFO is charged with both identifying the broad market related risks to the Group and collating specific potential risks from the divisional Managing Directors for further assessment via the risk management framework.

Opportunities for the Group are assessed by the CFO in terms of potential financial benefit and return on investment, where appropriate.

The risk management framework categorizes potential risks to the business, first by considering the risk area and the specific identified risk, before applying an impact analysis that ranks the significance of the risk with the probability of the risk occurring to produce a gross risk score. This is then filtered against the mitigating controls before identifying any further action that is required to minimize the potential risk to the business. At the end of this process a net risk is assessed, and a risk owner assigned, along with an expected timetable to complete any identified further action.

The deliverable from this process is an official risk register which is reviewed and assessed on a bi-annual basis by the Board. The Group believes that it has fostered an open and proactive culture to risk management throughout its divisional structure and has recently strengthened this process further through the introduction of a half yearly review of the formal risk register by the Senior Management team, with any updates approved by both the CFO and the CEO.

Currently, the key risks included within the risk register are as follows: maintaining the quality of the Group's services; a mismatch between currencies (especially between the USD and GBP); regulatory changes to patent translation requirements in Europe; the emergence of new translation technologies; and the failure to successfully integrate acquired businesses into RWS. Additionally, as with any people business delivering high-quality services, the Group depends upon its ability to attract and retain well-trained management and staff. The risk of Brexit on our ability to attract and retain staff from the European Union remains unknown.

These risks are mitigated as follows:

- Failings in service provision could arise as a result of human error. RWS was the first language services provider and the first search company to adopt ISO certification. The Group also has extensive ISO certified processes in its Life Sciences and Moravia divisions and invests in exhaustive and regularly updated procedures to minimize the risk of error, leading to consistently high levels of accuracy. In addition, the Group carries substantial professional indemnity insurance.

- Currency risk is partly mitigated via hedging operations and matching dollar denominated debt to US revenues.

- We have in the past drawn the market's attention to the proposed European Union Patent ("the Unitary Patent" or "UP") and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. It remains unclear when the UP system will start as the date is dependent upon ratification of the UP agreement by the German authorities. This ratification is being delayed by a legal appeal to the German courts, claiming the UP is unconstitutional under German law.

It is now expected that this case will be heard in the first quarter of calendar year 2020. However, even if the complaint is dismissed, this does not necessarily mean Germany will immediately complete the ratification process as the German authorities are expected to want to understand the consequences for the UP, if the UK withdraws from the European Union ("Brexit"). Broadly, if the UP agreement is not ratified by the Brexit date, the UK would be outside the UP, further reducing its benefits to RWS's clients. If it is ratified prior to the Brexit date, further discussions would need to take place to agree whether the UK could remain in the UP when it is not part of the European Union. It is worth highlighting that when eventually implemented, the territorial coverage of the proposed UP will not be as comprehensive as the current, long-established patent application procedures, and will run in parallel with this system. It will also have a different litigation process and fee structure. As such, we believe our major clients will be cautious in their take-up of this new and unproven system and will decide upon their patenting strategies as they observe the UP in action, assessing which of the two systems they prefer for their filings. As a result of the above, we do not expect the UP to have any impact on our FY 2020 financial results and a limited impact in subsequent years.

> The Group has always embraced new translation technologies, such as Translation Memory ("TMs"), and used them to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing the advances in Machine Translation technology ("MT"), we continue to monitor, trial its use and introduce MT into the business where it makes commercial sense to do so and where there is significant additional benefit beyond our existing TM. Moravia utilizes a comprehensive range of MT technologies as an integrated part of its services to its technology clients, and its extensive knowledge of these technologies is currently being leveraged across the broader Group. It is clear that the quality of MT will improve over time and as a leader in language services, RWS will continue to differentiate itself by focusing on translation work in critical areas such as intellectual property and life sciences or where the nuances of localization are highly valued by major global brands.

> In recent years, RWS has acquired and integrated several businesses into the Group successfully:

  » In October 2015, RWS acquired Corporate Translations Inc. (CTi) and subsequently integrated RWS's smaller existing life sciences businesses of PharmaQuest and its Medical Translation division into the newly acquired business. This integration work was completed in September 2016.

  » In February 2017, RWS acquired LUZ, Inc, and the integration of this business with the existing life sciences businesses to form the united RWS Life Sciences division was completed in October 2017.

  » In November 2017, RWS acquired Moravia, which included a small life sciences division, with US$6m of revenue. The integration of this business into the RWS Life Sciences division was completed in September 2018.

  » In February 2019, RWS acquired Alpha Translation Inc. This business has been fully integrated into RWS Language Solutions, which from 1 October 2019 has been integrated into RWS Moravia.

The framework developed for integrating acquired businesses is now well established at RWS and the experience and knowledge gained from the above integrations will continue to be utilized on future acquisitions.

> RWS has been successful in recruiting high calibre staff to support our growth to date. However, competition for talent in key cities, such as London, is intensifying. In order to continue to grow our global talent base, we strive to offer stability of employment, competitive salaries and an excellent working environment to our colleagues and, where appropriate, to add locations in second cities that provide access to a wider talent pool. In addition, the Group has taken steps to make RWS a better place to work, with the introduction of events such as 'well being' weeks, a green environmental week and establishing a Save as You Earn scheme for UK employees and it is pleasing to note the significant reduction in staff churn in 2019 at our Buckinghamshire head office.

Richard Thompson –
Chief Executive Officer
9 December 2019

Governance Report

Board of Directors

CHAIRMAN
Andrew Brode (79)

Appointment date: 11 April 2000

Experience:
> Member of the Remuneration Committee
> Led the management buy-in of RWS Group. A substantial shareholder in the Company
> Non-Executive Chairman of Learning Technologies Group plc and GRC plc, both AIM listed companies. Andrew is also a Non-Executive Director of a number of other private companies

Committee membership
Remuneration

CEO
Richard Thompson (57)

Appointment date: 28 November 2012

Experience:
> Appointed as CEO on 31 March 2017 having joined RWS on 28 November 2012 as CFO and Company Secretary. During his time as CFO and CEO, Richard has played a pivotal role in RWS's move into life sciences translations, spearheading the acquisitions of CTi and LUZ, and latterly localization services with the acquisition of Moravia
> Previously worked for Actix International Limited, a global supplier of software and services to the telecommunications market, where he held the position of CFO for six years

Committee membership
None

CFO AND COMPANY SECRETARY
Desmond Glass (50)

Appointment date: 6 November 2017

Experience:
> Appointed as a Director and Company Secretary on 6 November 2017
> Previously worked for GAN plc, the AIM listed internet gaming software company, where he held the role of CFO for nine years. Desmond was instrumental in preparing the company for its successful AIM public listing in November 2013, and subsequently expanding the company's operations and delivery capability across the United States and Europe
> Fellow of the Institute of Chartered Accountants in Ireland

Committee membership
None

Registered office
Europa House, Chiltern Park, Chiltern Hill, Chalfont St Peter, Buckinghamshire SL9 9FG
Company registration number 03002645

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN

David E Shrimpton (76)

Appointment date: 1 January 2010

Experience:
> Chair of the Audit Committee and Member of the Remuneration Committee
> Non-Executive Director of a number of private companies
> During his time with BDO LLP, David played a significant role in establishing BDO as a top-ranking firm through his involvement in both the Management Committee and Partnership Council

Committee membership
Audit, Remuneration

INDEPENDENT NON-EXECUTIVE DIRECTOR

Elisabeth A Lucas (63)

Appointment date: 11 November 2003

Experience:
> Chair of the Remuneration Committee and Member of the Audit Committee
> Joined RWS Group in 1977, Managing Director of Translations Division from 1992 and CEO from 1995 to 2011
> In her role as CEO, Elisabeth led the business through its successful initial public offering (IPO) on AIM and successfully managed the business post IPO through eight consecutive years of growth in sales and profits

Committee membership
Audit, Remuneration

INDEPENDENT NON-EXECUTIVE DIRECTOR

Lara Boro (52)

Appointment date: 20 September 2017

Experience:
> Member of the Audit Committee and the Remuneration Committee
> Currently Chief Executive of The Economist Group. Prior to that Lara was CEO of Informa Plc's Intelligence division

Committee membership
Audit, Remuneration

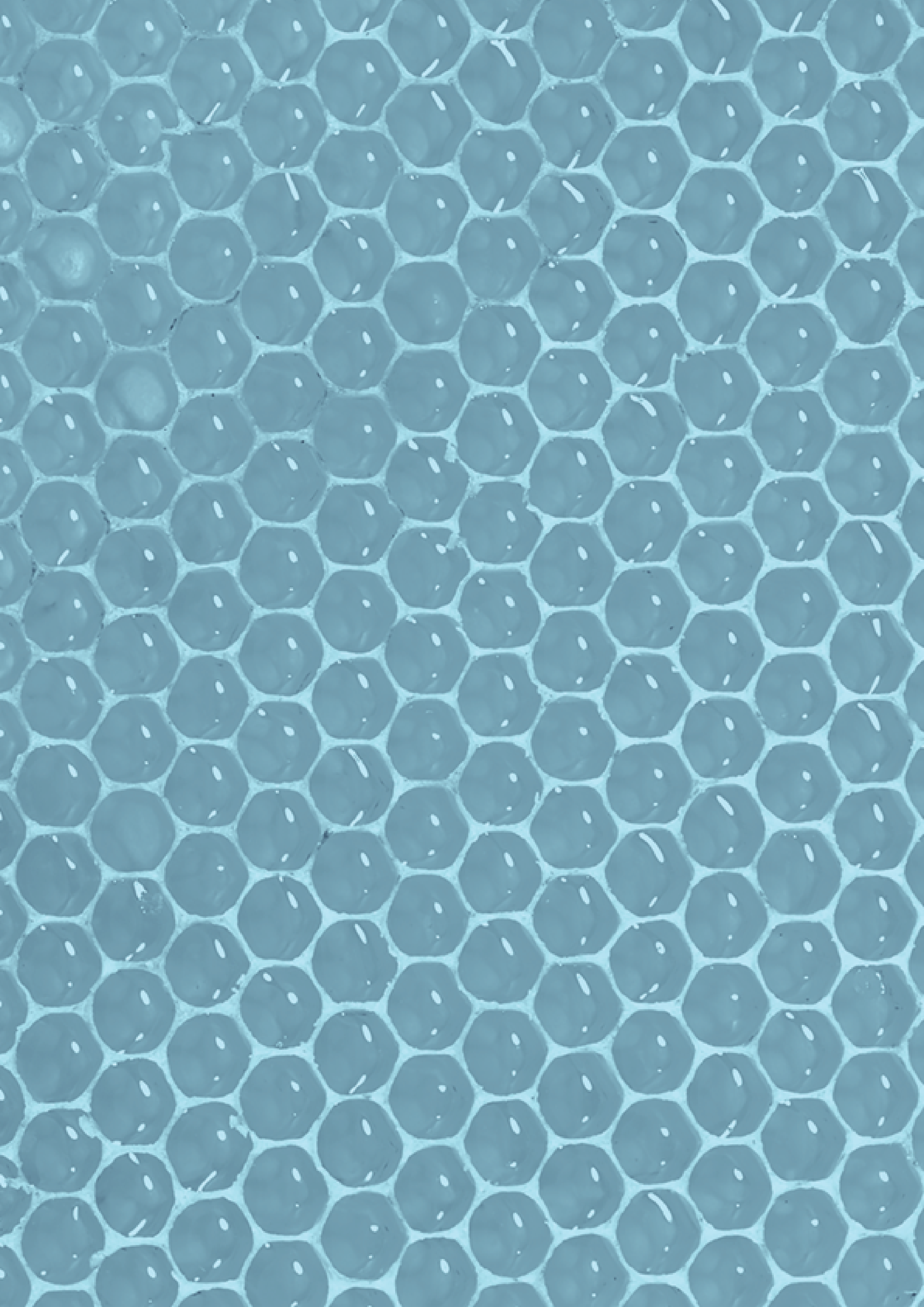
NON-EXECUTIVE DIRECTOR

Tomas Kratochvíl (53)

Appointment date: 28 March 2018

Experience:
> Member of the Remuneration Committee
> Former CEO of Moravia, acquired by RWS in November 2017, having held this position for eight years during which time he led the company to become a premier provider of localization services
> Long-term member of the CEO Collaborative Forum

Committee membership
Remuneration



Corporate Governance Statement

An introduction from our Chairman

We are strongly committed to upholding the values of good corporate governance and accountability to all of the Group's stakeholders including shareholders, staff, clients and suppliers.

Our company values of integrity, innovation, agility and cooperation lie at the heart of everything we do. Established as a small family-run business in the 1950s, we have a long tradition of respecting and reinforcing the core values instilled by our founders, which continue to guide the way we work and underpin our success in the industry.

We believe firmly that success should be pursued without detriment to others or our environment. We are committed to generating prosperity for our shareholders and employees, the clients we serve, the suppliers we engage and the communities in which we operate. Our values, which are championed by the Group's Executive Directors and monitored by the Board, are aligned with good corporate governance to allow for the continued international expansion and growth of the business, while enhancing the interests of all of the Group's stakeholders. The Board understands that upholding good corporate governance is a significant factor in achieving this growth, while at the same time mitigating risks for the long-term benefit of the business.

At RWS, the Chairman and CEO roles are separate. As Chairman, I lead the Board and have overall responsibility for corporate governance and promoting the values of the Group, both internally to employees and externally to the broader stakeholder group. I am involved in developing strategy for the Group and overseeing investor relations and communication between the Group and its shareholders. I am also involved in the evaluation of potential acquisition targets that fit within prescribed selective criteria, to further grow the Group. The day-to-day operations of the Group are managed by the CEO.

The Board believes that it complies with all the principles of the QCA Corporate Governance Code.

Andrew Brode – Chairman
9 December 2019

Corporate Governance Report

Sustainability

Achieving a balance between the environment, society and the economy is considered essential to meet the needs of the present without compromising the ability of future generations to meet their needs. Whilst different stakeholders have different needs and expectations, it is important that everyone embraces the challenges to manage the company's risks and opportunities.

RWS's corporate responsibility policy encompasses the way we do business, our people, our clients, our community and the environment around us.

Our commitment to corporate responsibility is underpinned by our core values of integrity, innovation, agility and cooperation and aims to deliver continual improvement in our economic, social and environmental performance.

RWS is committed to achieving and maintaining high standards of corporate responsibility in its business activities.

Objectives

> aim for the highest standard of corporate behaviour
> conduct our business according to high ethical standards
> provide our clients with a high standard of service
> ensure the well being of our employees
> improve our environmental performance
> positively contribute to the communities in which we operate

Environment

At RWS, we recognize that our operations impact upon the environment. We are committed to improving the environmental sustainability of our operations by reducing negative environmental impacts, preventing pollution, protecting the environment and enhancing positive impacts wherever reasonably practicable.

We measure and monitor our significant environmental impacts, where we have the ability, and have set objectives and targets for their reduction. Environmental performance is reviewed six-monthly and audited annually against our objectives and targets.

We have started implementing ISO 14001:2015 Environmental Management Standard at our head office in Chalfont St Peter. We commit to the continual improvement of our environmental management system to enhance environmental performance and protect the environment. To the best of our ability, our commitment to this principle extends to the services we provide to our clients.

In accordance with our key principle of improving the environmental sustainability of our business, RWS undertakes to:

> comply with the spirit as well as the letter of all applicable environmental legislation, approved codes of practice and any other requirements not codified by law to which we subscribe
> cooperate fully and maintain open relationships with all regulatory authorities
> comply with the environmental requirements of the company's clients
> continually improve the sustainability of our operations by reducing negative environmental impacts and developing positive impacts wherever reasonably practicable

These commitments will be achieved, wherever practicable, by:

- minimizing our contribution to climate change by reducing the use of all raw materials, energy, water, and supplies
- preventing pollution of the environment including minimizing releases to air, land, and water
- implementing a waste management hierarchy to minimize the quantity of waste produced
- reducing the need for business travel and otherwise encouraging the use of more sustainable forms of transport
- providing environmental progress and performance updates to employees, clients, and other interested stakeholders
- ensuring that all employees, persons, and organizations working on our behalf are familiar with our policy


Litter picking in Chalfont St Peter.


Yoga class in China.

Social

Our People

The Group's activities are highly skilled and labour intensive and therefore highly reliant upon the skills, dedication and passion of all of our staff and contractors, who are expected to meet our clients' demand for excellent quality and timely delivery. The values that we promote include the mutual respect of peers, commitment to outstanding quality of work, trust, integrity and honesty.

RWS looks to employ individuals who reflect the diversity of the Group's communities and reinforce our ethical values and behaviours. No discrimination is tolerated, and we endeavour to give all employees an excellent working environment, the latest technology, appropriate training and development support, social opportunities and competitive benefits packages.

The regular dialogues we hold with staff are important to help us monitor corporate culture, address concerns in a timely manner and explore further initiatives to make RWS a better place to work. Dialogue is encouraged via one-to-one meetings with line managers, departmental team meetings and Town Hall meetings.

Corporate Governance Report (continued)

Community

We provide an active programme of matched funding charitable support to charities proposed by our employees. We also actively promote foreign language learning through school and university partnership programmes. Two of our initiatives this year have included the RWS Scholarship Programme with The University of Manchester and in-depth involvement with the Outward Bound Trust.

RWS Scholarship Programme with The University of Manchester

As one of the world's largest language services providers, we see the growing demand for translation and interpreting services required to support our clients' global business goals whilst witnessing a national decline in the UK of students studying languages at university. As a large employer of language graduates, we believe we have a role to play in encouraging the next generation to consider a degree in languages and support those who may not have the financial means to complete their studies.

As a result, we launched a scholarship programme in collaboration with The University of Manchester to encourage students from lower income families to complete a degree in modern languages. Named after RWS's Chairman, Andrew Brode, the 'RWS Brode Scholarship Programme' will support a total of 50 undergraduate students who join the university between 2019 and 2021 from a state school.

As part of the scholarship programme, our staff, many of whom are linguists, will act as mentors to the students, offering support with their studies and guidance on future career opportunities. To offer students first-hand experience of working in the language services industry, we will also be running summer internships and work placements, with the potential for full-time graduate roles on completion of their studies.

RWS and the Outward Bound Trust project

RWS has agreed to make a regular donation to the Trust that will enable a number of young people to go on a five-day residential course, helping them to develop through outdoor adventure in the wilderness. RWS's involvement also embraces employees acting as ambassadors, and participating in the project. The schools are in lower economic areas and were selected only if they had a firm commitment to teaching languages.

> 3 out of 4 UK children spend less time outdoors than prison inmates
> 7 out of 10 young people are victims of cyber bullying

The Outward Bound Trust was established in 1941, and is a leading educational charity that uses the great outdoors to help young people from all walks of life develop. They provide adventurous learning courses for young people to learn the social and emotional skills that will play a pivotal role in how they navigate the challenges of adolescence and beyond. The aim is for young people to return home with a stronger sense of self-belief, and empowered with the attitudes, skills and behaviors they need to make positive change in their lives.

Client responsibility

RWS strives to satisfy its clients' needs by providing services that meet and/or exceed their expectations. Our clients rely on our expertise, integrity and creativity to help them overcome their translation challenges and keep their businesses moving forward in a global environment. Our employees are aware of the role they play in achieving this which is reflected in improving and optimizing existing processes and controls, striving for:

> On-time delivery
> Right first time
> Client satisfaction

Supply chain

Maintaining a well-managed supply chain is a priority to RWS as it is essential to building a sustainable business. Our suppliers are selected on quality, service and cost criteria as part of our responsible procurement practices. We are mindful of our obligations under the Modern Slavery Act, 2015 and our commitment to eliminate slavery and human trafficking in our supply chain.

Corporate Governance Report (continued)

Governance

Good governance and business standards are essential to the success and prosperity of RWS. RWS is committed to promoting transparent, fair and timely decision-making that considers the needs of all our stakeholders – employees, shareholders, clients, suppliers and our community.

Business ethics

We take a zero-tolerance approach to bribery, corruption, and other financial crime.

The Board

The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group. It is committed to extending the values that it promotes, to include all stakeholder groups. The Board recognizes the importance of, and is committed to, ensuring that effective corporate governance procedures are in place that are appropriate for a public company of RWS's size and complexity.

The Board believes that as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities.

The Board is committed to providing specific training to Directors, be it internally sourced or via external advisers, to ensure their skillset remains relevant for the Group's requirements.

The Board currently comprises the CEO and CFO as Executive Directors, the Chairman and four Non-Executive Directors. The Executive Directors have direct responsibility for business operations, whilst the independent Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions.

The Board considers that all of the Non-Executive Directors are independent in character and that there are no relationships or circumstances which are likely to affect their independent judgement. The Board notes that Elisabeth Lucas and Tomas Kratochvíl have previously held chief executive roles with RWS and Moravia respectively, however it believes that their in-depth knowledge and experience of working within the Group gives a unique insight into the Group's operations and markets, making them valued members of the RWS Board. It also notes that Elisabeth Lucas relinquished her CEO role eight years ago.

BOARD AND COMMITTEE COMPOSITION

1 Chairman

2 Executive Directors

4 Non-Executive Directors

The Board

The operation of the Board is documented in a formal schedule of matters reserved for its approval, which is reviewed annually.

Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees.

Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities.

The Committee terms of reference are kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

Audit Committee

The Audit Committee has responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is measured and reported on properly.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Board believes that as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities. Directors keep their skillset up-to-date in a number of ways: through active membership of professional organizations and institutes and fulfilment of associated continuing professional development (CPD) requirements; through specific training; by participating in business network groups; through holding Non-Executive positions with other public and private companies; and by maintaining active and highly relevant full-time employment.

A summary of the relevant experience of each of the Directors can be found on pages 20 to 21.

Executive Roles and Responsibilities

The Chairman, Andrew Brode, leads and chairs the Board. Further details of the Chairman's role can be found in the Chairman's corporate governance introduction on page 23.

The CEO, Richard Thompson, provides leadership and management to the Group and its Senior Management team. The CEO drives the development of objectives, strategies and performance standards whilst also overseeing key risks across all divisions of the Group. The CEO also plays a lead role in devising and implementing the Group's corporate development strategy and in investor relations to ensure that communications with the Group's shareholders and financial institutions are maintained.

The CFO, Desmond Glass, is responsible for shaping and executing the financial strategy of the Group. In this role he also supports the Group's investor relations programme and corporate development efforts. The CFO also has responsibility for identifying the broad market related risks and collating specific potential risks from the divisional Managing Directors for further assessment via the established risk management framework. Due to the size of the Group and prior relevant experience, the CFO also serves as the Company Secretary and is charged with ensuring the delivery of clear and accurate management information to the Board to allow for timely deliberation and subsequent communication of agreed actions.

Corporate Governance Report (continued)

Board commitments

The Board met seven times in the year. The Board is tasked with developing the overall structure and direction of the business, ensuring that appropriate delegations of authority are communicated throughout the Group, monitoring Executive Director performance, reviewing the monthly operational and financial performance of the Group and formally approving the annual budget and audited financial statements of the Group. The Board also reviews and approves the formal risk register presented by the CFO bi-annually. Various members of the Group's Senior Management team are invited to certain Board meetings to report on their particular areas of responsibility.

Each Board meeting is preceded by a clear agenda and relevant information is provided to Directors in advance of the meeting. The Chairman and the Company Secretary have responsibility to ensure that all Directors receive relevant Board papers in a timely fashion, to facilitate a full and effective discussion of matters during Board meetings.

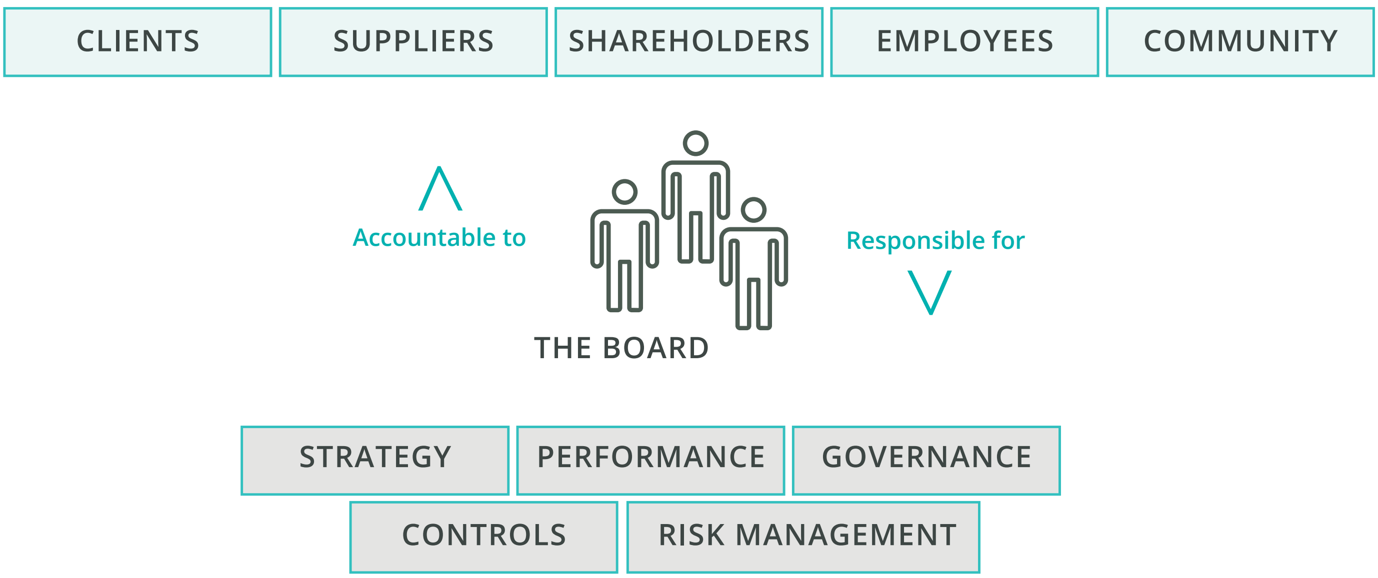
The Non-Executive Directors are expected to dedicate not less than one day per month to fulfil their duties. This includes, but is not limited to, preparation and attendance of Board meetings of the Company and, where agreed, other Group companies and the general meeting of the shareholders of the Company.

The Group believes it has effective procedures in place to monitor and deal with potential conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed by the rest of the Board.

Key Board actions during the year

- reviewed and approved acquisition of Alpha Translations Canada Inc.
- commissioned an independent appraisal of the Board's capabilities
- reviewed and approved proposed budget and business plan for fiscal year 2020
- published updated gender pay gap report
- developed, reviewed and approved significant investment in foreign language education partnership programmes at both secondary school and university levels
- reviewed continued compliance with the QCA Corporate Governance Code
- conducted bi-annual review and approval of Group risk register

GOVERNANCE FRAMEWORK



Board performance

An effective Board is critical to the success of RWS. In order to ensure that the Board continues to operate as efficiently as possible, the Board commissioned a full independent appraisal of the Board's capabilities, the results of which confirmed that the Board is capable and effective in undertaking its responsibilities and duties. The Board has committed to continue to seek periodic independent reviews to ensure its ongoing effectiveness.

The Board continues to hold formal annual performance assessments for the CEO (led by the Chairman) and CFO (led by the CEO). Factors considered in the evaluation process include, but are not limited to, commitment to the long-term development of the Group; attendance at formal meetings; meaningful and varied contributions at Board meetings; personal interaction and relationship building with the Executive Directors, other professional advisers to the Group and the Senior Management team.

Appointment and re-election of Directors

The Company's Annual General Meeting (AGM) will be held in London on 12 February 2020.

Notwithstanding that neither the Company's Articles of Association nor the QCA Guidelines (the corporate governance code to which the Company adheres) require them to do so, all of the Directors are standing for re-election as has increasingly become the market practice and standard of good corporate governance adopted by companies of equivalent standing to the Company.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors believe that the Group has internal control systems in place appropriate to the size and nature of the business. The key elements are: bi-monthly Group Board meetings with reports from and discussions with Senior Executives on performance and key risk areas in the business; monthly financial reporting, for the Group and each division, of actual performance compared to budget and previous year; annual budget setting; and a defined organizational structure with appropriate delegation of authority.

In addition, bi-annually, the Board assesses the risks facing the business and approves the steps and timetable Senior Management has established to mitigate those risks.

Our governance model

As an AIM listed company, RWS has chosen to implement The Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures laid out by the QCA Code provides a framework to ensure we have the appropriate corporate governance arrangements in place. The Board considers that RWS does not depart from any of the principles of the QCA Code and pages 20 to 44 include details of our compliance, which is reviewed annually in line with the requirements of the QCA Code.

BOARD MEETINGS

	Eligible	Attended
Andrew Brode	7	7
Richard Thompson	7	6
Desmond Glass	7	7
David E Shrimpton	7	6
Elisabeth A Lucas	7	7
Lara Boro	7	6
Tomas Kratochvíl	7	7

COMMITTEE MEETINGS
Audit

	Eligible	Attended
Andrew Brode	1	1
Richard Thompson	–	–
Desmond Glass	–	–
David E Shrimpton	2	2
Elisabeth A Lucas	2	1
Lara Boro	2	2
Tomas Kratochvíl	–	–

COMMITTEE MEETINGS
Remuneration

	Eligible	Attended
Andrew Brode	2	2
Richard Thompson	–	–
Desmond Glass	–	–
David E Shrimpton	2	2
Elisabeth A Lucas	2	2
Lara Boro	2	1
Tomas Kratochvíl	2	1

Set out below is how the Board complies with the key principles set out in the code

		Governance principles	Compliant	Explanation	Further reading
Deliver growth	1	Establish a strategy and business model which promote long-term value for shareholders	√	The strategy for RWS is decided by the Board and progress towards delivering against objectives is tracked and debated by the Board and the Senior Management team. Our objective is to continue to increase shareholder value in the medium- to long-term by growing the Group's revenue and profit before tax. Our strategy to achieve this is focused on providing an increasing range of complementary specialist translation, localization and broader language services to existing and new customers, and hence drive organic growth. This is supplemented by selective acquisitions, providing these are complementary to our existing business, enhance shareholder value and allow the Group to maintain conservative debt leverage within existing covenant requirements.	See pages 10 to 17 of the Strategic report
	2	Seek to understand and meet shareholders needs and expectations	√	Investor relations is a priority for RWS and we strive to ensure that both the investor and analyst communities understand our strategy, business model and financial and operational performance. Regular meetings are held with investors and analysts, mainly at investor roadshows and conferences. Our AGM is our main forum to meet and communicate with our wider shareholder base. Decision-making at the Board takes into consideration how its decisions would impact our shareholders.	See page 40 of the Directors' report
	3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	√	The Board has identified the main stakeholders in the business as its shareholders, employees, clients, suppliers and the community in which it operates. Decision-making takes account of how our various stakeholders may be affected by our decisions and developments. We pride ourselves on transparency and open communication. We take our corporate responsibilities seriously and aim to incorporate best practice in all our initiatives and actions.	See pages 23 and 31 of the Corporate Governance report
	4	Embed effective risk management, considering both opportunities and threats, throughout the organization	√	RWS considers a risk management framework a vital tool to ensure existing and potential risks to the business are identified and mitigating actions are considered in full. The CFO is responsible for reviewing the risks and reports to the Board bi-annually on these as well as new risks, and the processes to mitigate and contain them. Whilst the CFO is responsible for risk, all Board members and Divisional MDs are also empowered to manage risk effectively.	See pages 16 and 17 of the Strategic report
Maintain a dynamic management framework	5	Maintain the Board as a well-functioning, balanced team led by the Chairman	√	Our Board consists of our Chairman, CEO, CFO as well as four Non-Executive Directors. Our Board works well together bringing together its wealth of experience on strategy, operations and financial matters. Open communication, debate and thought leadership are encouraged whilst new proposals are challenged rigorously.	See pages 20 and 21, and 28 and 29 of the Governance Report section

		Governance principles	Compliant	Explanation	Further reading
	6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	√	The Board believes that as a collective, the Directors have the necessary blend of sector, financial and public market skills and experience, along with an effective balance of personal qualities and capabilities. All members of the Board keep their skillsets current in a variety of ways. Their skills and expertise are reviewed on an annual basis.	See pages 28 and 29 of the Corporate Governance report
	7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	√	Performance is reviewed annually. During the review, initiatives and improvements are measured against that of the previous year. New and updated actions are agreed.	See page 31 of the Corporate Governance report
	8	Promote a corporate culture that is based on ethical values and behaviours	√	The Board is committed to providing an environment and opportunities that encourage and reinforce the corporate culture of the Group. The Board is also committed to extending the values that it promotes, to include all stakeholder groups. RWS's corporate responsibility policy encompasses the way we do business, our people, our clients, our community and the environment around us. Our commitment to corporate responsibility is underpinned by our core values of integrity, innovation, agility and cooperation and aims to deliver continual improvement in our economic, social and environmental performance.	See pages 23 and 27 of the Corporate Governance report
	9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	√	The Board recognizes the importance of, and is committed to, ensuring that effective corporate governance procedures are in place that are appropriate for a public company of RWS's size and complexity. Each Board meeting is preceded by a clear agenda and relevant information is provided to Directors in advance of the meeting. The Company has properly constituted Remuneration and Audit Committees of the Board with formally delegated duties and responsibilities. In addition, various members of the Group's Senior Management team are invited to certain Board meetings to report on their particular areas of responsibility.	See pages 30 and 31 of the Corporate Governance report
Build trust	10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	√	We pride ourselves on having open communication with a range of stakeholders. This includes investor roadshows and conferences, employee briefings and one-on-one meetings with clients and suppliers.	See pages 23 to 31 of the Corporate Governance report

Audit Committee Report

David Shrimpton – **Committee Chair**

The members of the audit committee are all independent Non-Executive Directors. The Board is satisfied that the Committee Chair, David Shrimpton, has recent and relevant financial experience. He is a Chartered Accountant and was a member of both the Management Committee and Partnership Council at BDO LLP. The Committee's other members have both played an active role at Committee meetings held throughout the year.

During the period, Andrew Brode as the Group's Chairman and a substantial shareholder in the ordinary shares of the Company decided to step down from the audit committee to satisfy recommended corporate governance best practice.

Members of the audit committee
David Shrimpton (Committee Chair)
Lara Boro
Elisabeth Lucas

Members and attendance

Members	Attendance
Andrew Brode	1/1
David E Shrimpton	2/2
Elisabeth A Lucas	2/2
Lara Boro	2/2

Although not a member of the Audit Committee, the CFO is invited to attend meetings. The Committee has engaged PricewaterhouseCoopers LLP ('PwC') to act as external auditors and they are also invited to attend Committee meetings, unless they have a conflict of interest. During the year, the Committee met twice and the members attendance record at Committee meetings during the financial year is set out on this page.

Responsibilities

The Committee reviews and makes recommendations to the Board on:

- any change in accounting policies
- decisions requiring a major element of judgement and risk
- compliance with accounting standards and legal and regulatory requirements
- disclosures in the interim and annual report and financial statements
- reviewing the effectiveness of the Group's financial and internal controls
- any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group
- any matters that may significantly affect the independence of the external auditor

In addition, the Committee has oversight of the external audit process and reviews its effectiveness and approves any non-audit services provided.

External audit

The external auditors, PwC, were first appointed in the financial year to 30 September 2014. The fee to PwC for the financial year to 30 September 2019 is £330,000. The Audit Committee undertakes a comprehensive review of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the wider Board, together with relevant members of the Senior Management team.

Significant financial judgements

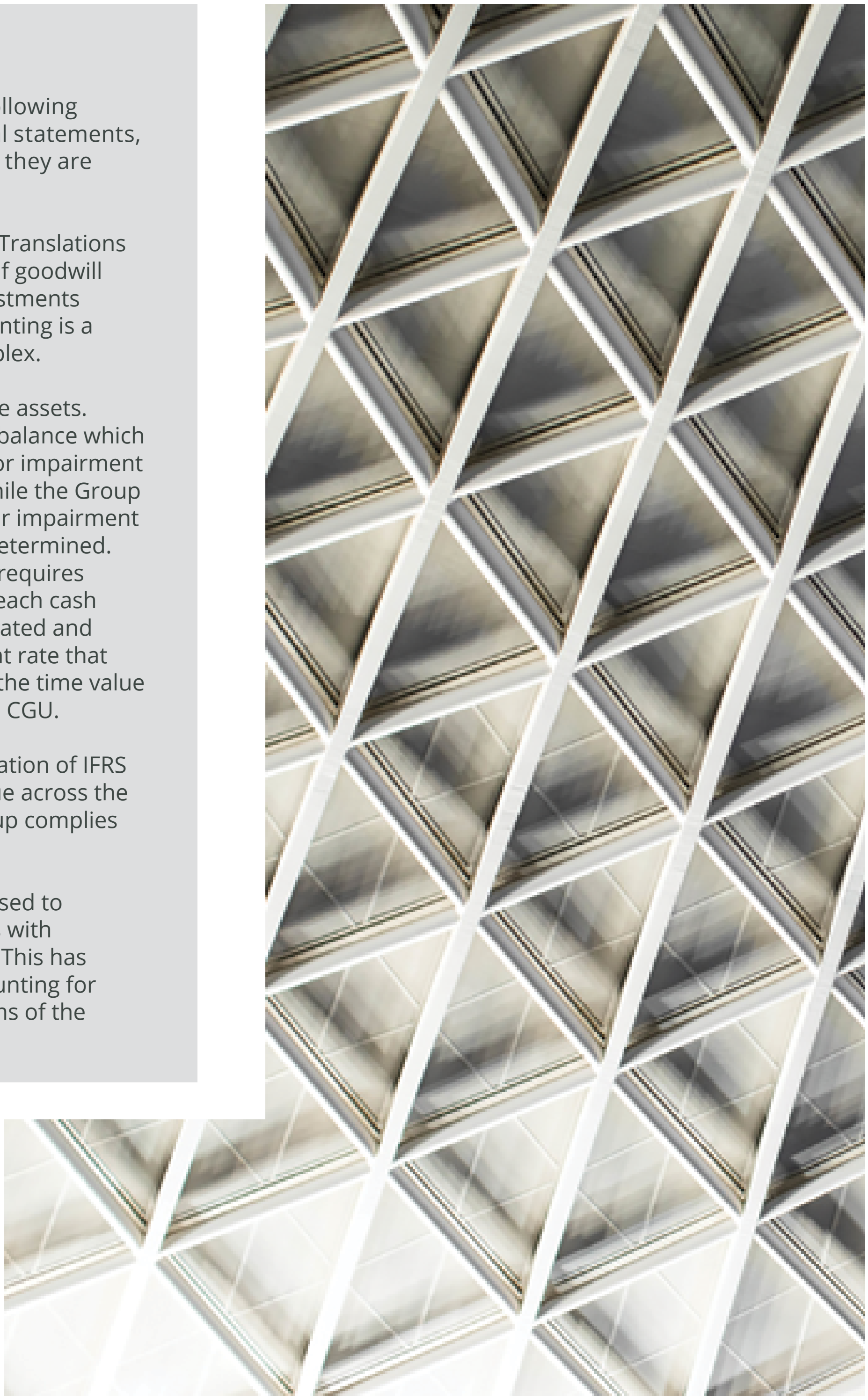
The Audit Committee considered the following significant issues regarding the financial statements, and having done so, were satisfied that they are appropriately stated:

> The acquisition accounting for Alpha Translations Canada Inc., including the valuation of goodwill and intangible assets. Fair value adjustments associated with the acquisition accounting is a judgmental area and inherently complex.

> Impairment of goodwill and intangible assets. There is a significant Group goodwill balance which is required to be assessed annually for impairment through a value in use calculation, while the Group intangible assets are also assessed for impairment when an indicator of impairment is determined. Performing value-in-use calculations requires judgement; operating cash flows for each cash generating unit (CGU) are to be estimated and discounted at an appropriate discount rate that reflects both market assessments of the time value of money and the risks specific to the CGU.

> Revenue recognition. The implementation of IFRS 15 covering the recognition of revenue across the Group is assessed to ensure the Group complies with the new standard.

> Foreign exchange. The Group is exposed to volatility in foreign exchange markets with significant exposure to the US dollar. This has increased the complexity of the accounting for foreign exchange transactions in terms of the application of hedge accounting.



On behalf of the Board

David Shrimpton
9 December 2019

Directors' Remuneration Report

Elisabeth Lucas – **Committee Chair**

With the exception of Andrew Brode, the members are Non-Executive Directors. The Board believes that Andrew Brode's interests, as the largest shareholder, are closely aligned with those of all shareholders and are therefore of the opinion that he plays an important role as a member of the Remuneration Committee.

Our policy applies to the Chairman, Executive Directors and our Senior Management team.

We aim to offer competitive remuneration packages which are designed with a significant weighting towards performance-based components. Our policy is to provide a structure which attracts and, as importantly, retains key talent in a highly competitive international marketplace.

Members of the Remuneration Committee

Elisabeth Lucas (Committee Chair)
David Shrimpton
Lara Boro
Tomas Kratochvíl
Andrew Brode

Members and attendance

Members	Attendance
Andrew Brode	2/2
David E Shrimpton	2/2
Elisabeth A Lucas	2/2
Lara Boro	1/2
Tomas Kratochvil	1/2

Remuneration policy objectives

In order to deliver the Group's strategy, the primary objectives of our remuneration policy are:

> to have a transparent, simple and effective remuneration structure which encourages the delivery of Group targets in accordance with our business plan

> to motivate and retain the best people of the highest calibre by providing appropriate short- and long-term variable pay which is dependent upon challenging performance conditions

> to promote the long-term success of the Group and ensure that our policy is aligned with the interests of, and feedback from, our shareholders

> to have a competitive remuneration structure which will attract new appropriately skilled executives to complement our teams worldwide

The Remuneration Committee follows the principles of good corporate governance in relation to the structure of its remuneration policy and, accordingly, takes account of the QCA Corporate Governance Code as adopted by the Board.

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and the Senior Executives of the Group. The remuneration of Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors. The remuneration of the Chairman is a matter for the Remuneration Committee, excluding Andrew Brode. No Director or Senior Executive is involved in any discussion or decision about his or her own remuneration. During the year, the Committee met twice, and the members' attendance is set out on this page.

The Board has confirmed that the Group's overall remuneration policy is designed to attract and retain the best people and provide appropriate incentives to encourage enhanced performance and designed to create growth in shareholder value.

Individual elements of remuneration

For Executive Directors and Senior Executives, the components contained in the total remuneration package are base salary, performance related annual bonus, long term incentive plan and other customary benefits such as holidays and health benefits, sickness benefit and pension contributions. The performance related annual bonus and share option schemes do not apply to the Chairman. For Non-Executive Directors there is only one component, a base fee.

For Executive Directors, performance related bonuses are based on a combination of adjusted profit before tax and personal targets, depending on an individual's area of responsibility.

Executive Directors' September 2019 annual bonus

The maximum bonus opportunity during the year ended 30 September 2019 was capped at 72% of base salary for the CEO and 25% for the CFO. The maximum and achieved bonus payable for the year ended 30 September 2019 are as follows:

	Maximum		Achieved	
	CEO	CFO	CEO	CFO
Total bonus payable as a % of base salary	72%	25%	46%	21%

No profit related bonus would be payable if adjusted profit before tax was below a profit threshold.

Share options and Save As You Earn ("SAYE") schemes

During the year the Board approved and launched two new share option schemes, a Save As You Earn ("SAYE") open to all UK based employees along with a new share option plan for senior management. The details of both are set out below.

On 13 May 2019 the Group announced a new Executive Share Option Plan (ESOP) for executives and selected senior management. The Board has approved the grant of options over 1,230,946 ordinary shares at an exercise price of 601 pence (being the closing mid-market price on 9 May 2019), representing approximately 0.45 per cent of the Company's issued share capital as at 30 September 2019.

These options will normally vest on the third anniversary of the grant date subject to the rules of the plan, continued employment and achievement of performance conditions. The performance conditions applicable to the options are based on the Group achieving stretched EPS targets, each option being split into three tranches, each subject to an EPS target for a reporting year, set annually in advance by RWS's Remuneration Committee.

Vested options are then subject to a two-year holding period and will be exercisable on the fifth anniversary of the grant date and will lapse on the tenth anniversary of the grant date. All options are subject to defined malus and claw-back provisions.

On 19 February 2019 the Company adopted a HMRC-approved SAYE scheme ("SAYE scheme") for all UK based employees. Under the terms of the SAYE scheme, the Board grants options to purchase ordinary shares in the Company to eligible employees who enter into the SAYE scheme for a term of three years. Options are granted at up to a 10% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the three-year term. These option grants are settled on exercise via the issue of new shares.

Previously, on 3 April 2013, the Board approved a share option scheme. The scheme was designed to incentivize Executive Directors and Senior Executives and further align the interests of senior employees and shareholders. The Committee has responsibility for supervising the scheme and the grant of options under its terms.

Service contracts

The Non-Executive Directors do not have service contracts. Their appointments will continue unless and until terminated by either party giving not less than 30 days' notice.

The service contracts of the Chairman and the Executive Directors continue unless and until terminated by either party giving at least six months' notice.

The date of the Chairman's service contract is 30 October 2003, and the service contracts of Richard Thompson and Desmond Glass are dated 1 November 2012 and 6 November 2017 respectively. In the event of early termination, the Chairman's and the Executive Directors' service contracts provide for compensation up to a maximum of the total benefits which he or she would have received during the notice period.

Directors' Remuneration Report continued

Directors' emoluments and pension contributions

The aggregate remuneration, including pension contributions - paid or accrued - for the Directors of the Company for service in all capacities during the year ended 30 September 2019 was £1,797,000 (2018: £1,203,000). The remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

Remuneration and pension contributions of individual Directors	Salary or fees £'000	Bonus £'000	Taxable benefits £'000	ESOP £'000	2019 Pension contributions £'000	2019 Total £'000	2018 Total £'000
Andrew Brode	263	–	3	–	–	266	266
Richard Thompson	415	189	–	301	17	922	552
Desmond Glass	240	50	1	108	10	409	230
Elisabeth Lucas	54	–	–	–	–	54	50
David Shrimpton	48	–	–	–	–	48	40
Lara Boro	48	–	–	–	–	48	40
Tomas Kratochvíl	50	–	–	–	–	50	25
	1,118	239	4	409	27	1,797	1,203

Directors' interest in shares

The interests of the Directors as at 30 September 2019 (including the interests of their families and related trusts), all of which were beneficial, in the ordinary shares of the Company were:

The interests of the Directors in the ordinary shares	Ordinary shares of 1 pence
Andrew Brode	90,174,060
Elisabeth Lucas	50,000
Richard Thompson	13,000
Lara Boro	2,600
	90,239,660

The interests of Directors at the year-end in options to subscribe for ordinary shares of the Company, together with details of any options granted during the year, are included in the following table. All options were granted at market value at the date of grant.

Share option schemes	Number of shares under option At 1 October 2018	Issued in the year	Exercised in the year	At 30 September 2019	Exercise price pence	First date exercisable	Last date exercisable
Richard Thompson	1,246,265	–	–	1,246,265	129.20	03.04.15	03.04.21
	23,215	–	–	23,215	129.20	03.04.16	03.04.21
	–	478,701	–	478,701	601.00	13.05.24	13.05.29
Desmond Glass	–	170,965	–	170,965	601.00	13.05.24	13.05.29

During the year, no Directors exercised any options.

The options granted under the original 3 April 2013 scheme will be exercisable at the mid-market price of 129.2p.

The options granted under the new 13 May 2019 scheme will be exercisable at the mid-market price of 601.0p.

The market price of the Company's shares as at 30 September 2019 and the highest and lowest market prices during the year were as follows:

30 September 2019	587.0 pence
Highest Market Price	659.0 pence
Lowest Market Price	397.0 pence

All participants in the share option schemes have indemnified the Company against any tax liability relating to the share option (including Class 1 employers national insurance contribution under the original 3 April 2013 scheme).

Transactions with Directors

During the year, there were no material transactions between the Company and the Directors, other than their emoluments.

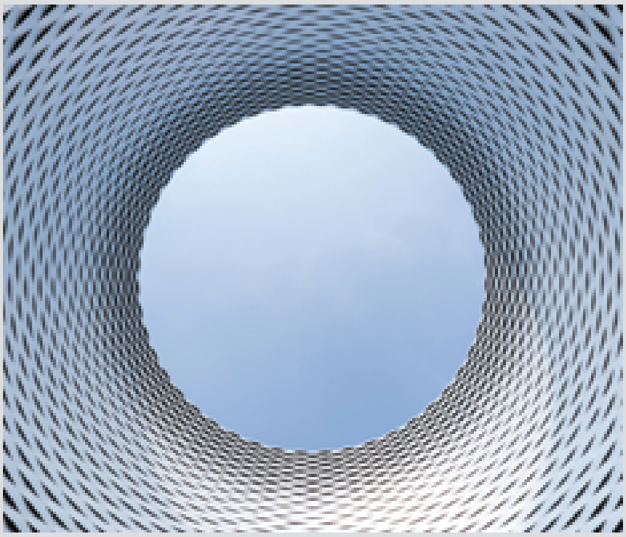
On behalf of the Board

Elisabeth Lucas
9 December 2019

Directors' Report

Introduction

The Directors present their annual report together with the audited consolidated financial statements for the year ended 30 September 2019.



Substantial shareholdings

At 25 November 2019, the following were substantial shareholders:

Substantial shareholders	% holding
Andrew Brode (Director)	32.8
Liontrust Asset Management	11.0
Aberdeen Standard Investments	7.5
Octopus Investment	5.0
Canaccord Genuity	4.7
BlackRock	2.8

Business performance and risks

The review of the business, operations, principal risks and outlook is dealt with in the Strategic Review on pages 10 to 17. The key performance indicators of the Group are revenues and adjusted pre-tax profit before amortization of acquired intangibles, share option costs, acquisition costs and any other significant one-off or non-cash items.

Financial results

The financial statements set out the results of the Group for the year ended 30 September 2019 which are shown on pages 50 to 89.

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 amortization of acquired intangibles, acquisition costs and share option costs, net of any associated tax effects.

Group revenues increased by 16% to £355.7m (2018: £306.0m) and adjusted pre-tax profit before amortization of intangibles, share option costs and acquisition costs was £74.2 million (2018: £61.8m), a rise of 20%. Statutory profit before tax is £57.7m (2018: £39.7m), an increase of 45%. The tax expense for the year was £12.6m (2018: £11.4m), equating to an effective tax rate of 21.8% (2018: 28.7%).

Basic earnings per share was 16.5 pence (2018: 10.4 pence). Adjusted earnings per share for the Group, which excludes the amortization of acquired intangible assets, acquisition costs, share based payment expenses and their associated tax effects, was 21.3 pence (2018: 17.4 pence).

Dividends

The Directors recommend a final dividend of 7.00 pence per ordinary share (see note 8) to be paid on the 21 February 2020 to shareholders on the register at 24 January 2020, which, together with the interim dividend of 1.75 pence paid in July 2019, makes a total dividend for the year of 8.75 pence (2018: 7.50 pence).

The final dividend will be reflected in the financial statements for the year ending 30 September 2020. The proposed total dividend per share is 1.9 times (2018: 1.4 times) covered by basic earnings per share.

Going concern accounting basis

The Group had cash resources of £47.0m at 30 September 2019 and an overall net debt of £36.8m. The Group was able to generate free cash flow of £58.3m in the year. The Directors have considered the recent operating results, as well as its compliance with all debt covenants, and have a reasonable expectation that the Group has adequate resources to continue in operation as a going concern for the next 12 months from the date these financial statements were approved.

Financial instruments

Information about the use of financial instruments by the Group is given in note 18 to the financial statements.

Directors

Details of members of the Board at 30 September 2019 are set out on pages 20 to 21.

Further information on Board composition, responsibilities, commitments and re-election/ election can be found on pages 28 to 31 in the Corporate Governance Report.

The interests of the Directors in shares during the year are set out on pages 38 and 39 in the Directors' Remuneration Report.

Directors' indemnities

As permitted in its articles of association, the Directors have the benefit of an indemnity - which is a third-party indemnity provision - as defined in section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year, Directors and Officers liability insurance in respect of itself and its Directors.

Corporate governance

Further information about the Audit and Remuneration Committees and details of the Company's remuneration policy are set out on pages 34 to 39 in the Directors' Remuneration Report.

Employment of disabled persons

It is Company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. People with disabilities, depending on their skills and abilities, enjoy the same career prospects as other employees and the same scope for realizing their potential.

Employee involvement

The Company's policy is to consult and discuss with employees matters likely to affect employee interests. The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability irrespective of age, sex, race or religion. All group companies endeavour to provide equal opportunities in recruiting, training, promoting and developing the careers of all employees.

Authority to allot

Under section 549 of the Companies Act 2006, the Directors are prevented, subject to certain exceptions, from allotting shares in the Company or from granting rights to subscribe for or to convert any security into shares in the Company without the authority of the shareholders in General Meeting. An ordinary resolution will be proposed at the 12 February 2020 AGM which renews, for the period ending 13 May 2021, or, if earlier, the date of the 2021 AGM, the authority previously granted to the Directors to allot shares, and to grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £916,551, representing approximately one third of the share capital of the Company in issue at 9 December 2019.

The Directors have no immediate plans to make use of this authority, except in respect of the issue of shares under the employee share option scheme. As at the date of this report, the Company does not hold any ordinary shares in the capital of the Company in treasury.

Statutory pre-emption rights

Under section 561 of the Companies Act 2006, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. A special resolution will be proposed at the 12 February 2020 AGM which renews, for the period ending on 13 May 2021 or, if earlier, the date of the 2021 Annual General Meeting, the authorities previously granted to the Directors to:
(a) allot shares of the Company in connection with a rights issue, or other pre-emptive offer; and
(b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £137,483 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 9 December 2019). The second resolution will request a further authority for the Directors to allot shares up to an aggregate nominal value of £137,483, in respect of an acquisition or capital investment. Both resolutions will ask for approval, as if the pre-emption rights of section 561 of the Act did not apply.

Rule 9 of the City Code

Under Rule 9 of the City Code, where any person acquires an interest in shares which carry 30% or more of the voting rights, that person is normally required to make a general offer to all the remaining shareholders of the Company to acquire their shares. Subject to approval by the Panel on Takeovers and Mergers, an ordinary resolution will be proposed at the 12 February 2020 Annual General Meeting which renews, for the period ending 12 May 2023, or if earlier the date of the 2023 Annual General Meeting the waiver of any requirement under Rule 9 for Andrew Brode (Chairman) and any related parties to make a general offer to the shareholders of the Company as a result of any market purchase by the Company of its own shares.

Statement of disclosure of information to auditors

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information relevant to the audit and established that the auditors are aware of that information. As far as each of the Directors is aware, the auditors have been provided with all relevant information.

PwC has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the 12 February 2020 AGM.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company, and of the profit or loss of the Group and the Parent Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs, as adopted by the European Union, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Parent Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the Parent Company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

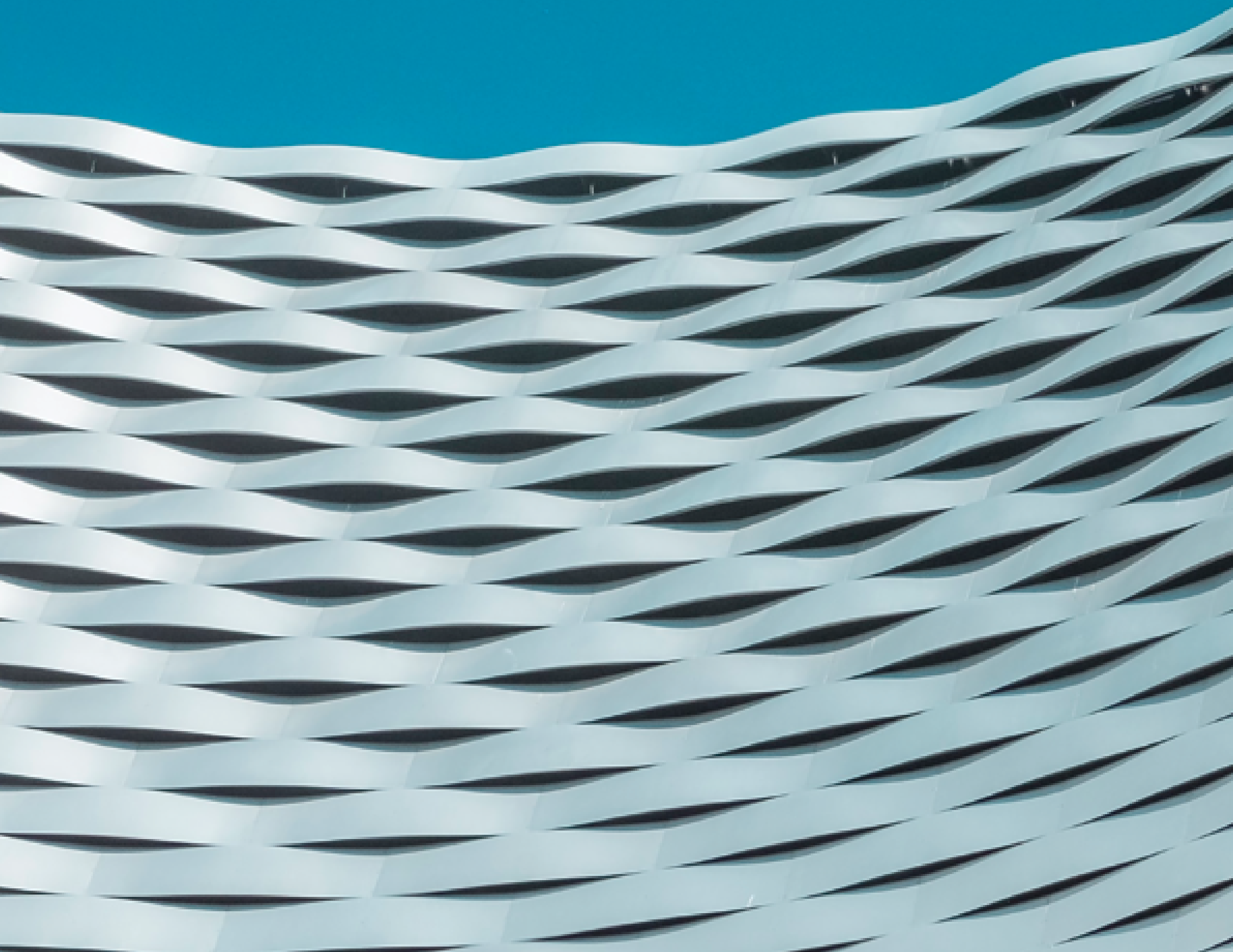
Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

On behalf of the Board

Richard Thompson – Chief Executive Officer
9 December 2019

Financial Statements



Independent Auditors' Report to the Members of RWS Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion:

> RWS Holdings plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's profit and cash flows for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
> the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and the Parent Company statements of financial position as at 30 September 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and the Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview:

> Overall group materiality: £3.7 million (2018: £3.1 million), based on 5% of adjusted profit before tax.
> Overall parent company materiality: £3.0 million (2018: £3.2 million), based on 1% of total assets.

> We performed audit work over the complete financial information for reporting units which accounted for approximately 93% (2018: 90%) of the Group's revenue and 90% (2018: 93%) of the Group's adjusted profit before tax. These reporting units comprised of three operating businesses and centralised functions.
> In addition, we conducted specific audit procedures on certain balances and transactions in respect of one other reporting unit.
> We also performed work on group-wide estimates, judgments and transactions centrally.

> Impairment of goodwill and intangible assets.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matter

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets Refer to note 1 – accounting policies (goodwill and other intangible assets) on page 56, note 2 – critical judgements and accounting estimates in applying the Group's accounting policies on page 59, note 10 – goodwill on pages 68 and 69 and note 11 – intangible assets on page 70. The Group has goodwill amounting to £249.4 million (2018: £233.2m) and intangible assets with a net book value of £169.1 million (2018: £172.5 million) as at 30 September 2019. IAS 36 'Impairment of Assets' requires that goodwill is subject to an impairment assessment at least annually, or more frequently when there is evidence of a trigger event. Impairment assessments are required to be performed at the cash generating unit ('CGU') level and therefore include the value of intangible assets. IAS 36 'Impairment of Assets' further requires that intangible assets subject to amortisation are reviewed for impairment when there is indication that the carrying value may not be recoverable. Specific disclosures in respect of the impairment assessment are also required in the financial statements. The Directors' annual impairment assessment concluded that there was headroom over the carrying amounts of each of the CGUs and that there were no impairments to goodwill and intangible assets. The key assumptions in this assessment included the forecast revenue growth, the discount rate and the perpetuity growth rate. We have focused on this area as the preparation of these assessments involves a significant degree of estimation.	Our audit procedures comprised the following: > Evaluating the Directors' designation of CGUs as being in compliance with IAS 36; > Obtaining the annual impairment assessments performed by management and comparing the carrying value of each CGU (as defined in note 10) as at 30 September 2019 with the recoverable amount, which was determined by management through the calculation of value in use; > Evaluating the Directors' assessment of impairment indicators for individual intangible assets; > Assessing the appropriateness of the methodology built into the model and the mathematical accuracy of the calculations built into the model; > Agreeing information, in particular forecast financial information, to budgets approved by senior management and the Board; and > Challenging management over the reasonableness of the key assumptions inherent in the model. In order to assess each of the key assumptions in the impairment assessment, we performed the following: > Compared the reasonableness of forecasted growth rates against management's strategic plans and third party analyst reports; > Assessed the discount rates by assessing the reasonableness of each of the underlying assumptions, including benchmarking against relevant and applicable market rates; and > Performed a retrospective review of key assumptions set out in prior accounting periods in order to assess the Directors' accuracy in their preparation of forecasts. We also performed sensitivity analysis around the key drivers of the cash flow forecasts, being: > The revenue growth rate for the first five years; > The perpetuity growth rate; and > The discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired for the CGU, we considered the likelihood of such a movement in those key assumptions arising. We did not identify any issues with management's key assumptions based on our evaluation of supporting evidence, together with management's and our own sensitivity analysis performed. We also considered the appropriateness of the related disclosures in note 10 to the financial statements. We found the disclosures to be in compliance with the requirements of IAS 36 and appropriately describing the key areas of estimation and sensitivities in the Directors' assessment.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

Independent Auditors' Report to the Members of RWS Holdings plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group's operations and reporting process are structured around four divisions represented by IP Services, Life Sciences, Language Solutions and Moravia. The Group financial statements are a consolidation of multiple reporting components including both operating businesses and central functions.

We identified three components that, in our view, required an audit of their complete financial information due to their size, being RWS Translations Limited (the main statutory entity within the IP Services division), Life Sciences and Moravia. Work was performed by the Group engagement team in respect of RWS Translations Limited and Life Sciences. Work was performed by component auditors in respect of the Moravia division for which we issued formal, written instructions to the component auditor setting out the work to be performed and maintained regular communication throughout the audit cycle. The Group engagement leader and senior members of the Group team undertook a visit of the component and attended the component's clearance meeting. During the site visit, findings reported were discussed and the Group team evaluated the sufficiency of the audit evidence obtained through discussions with, and review of the work performed by, the component auditor.

This, together with additional procedures performed at the Group level (including audit procedures over material head office entities, impairment assessments, acquisition accounting, intangible assets, financial statement disclosures, tax, treasury and consolidation adjustments), gave us the evidence we needed for our opinion on the financial statements as a whole. Taken together, our audit work accounted for 93% of the Group's revenues and 90% of the Group's adjusted profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements
Overall materiality	£3.7 million (2018: £3.1 million).
How we determined it	5% of adjusted profit before tax.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, we believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group as this best reflects the underlying performance of the Group and is the key performance indicator utilised by the users of the financial statements.

	Parent Company financial statements
Overall materiality	£3.0 million (2018: £3.2 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £2.1 million to £3.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £185,000 (Group audit) (2018: £150,000) and £150,000 (Parent company audit) (2018: £160,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

> The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
> The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> We have not received all the information and explanations we require for our audit; or
> Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> Certain disclosures of directors' remuneration specified by law are not made; or
> The Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister – (Senior Statutory Auditor)
or and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 December 2019

Consolidated Statement of

COMPREHENSIVE INCOME

for the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Revenue	3	**355,696**	306,044
Cost of sales		**(213,210)**	(187,211)
Gross profit		**142,486**	118,833
Administrative expenses		**(80,606)**	(74,702)
Operating profit	4	**61,880**	44,131
Analysed as:			
Operating profit before charging:		**78,396**	66,310
Amortization of acquired intangibles	11	**(15,414)**	(14,591)
Acquisition costs		**(791)**	(7,588)
Share based payment expense	20	**(311)**	-
Operating profit		**61,880**	44,131
Finance income	6	**105**	69
Finance costs	6	**(4,268)**	(4,541)
Profit before tax		**57,717**	39,659
Taxation	7	**(12,577)**	(11,402)
Profit for the year		**45,140**	28,257
Other comprehensive income/(expense)*			
Gain on retranslation of foreign operations		**20,141**	3,526
(Loss)/gain on cash flow hedges		**(2,661)**	408
Total other comprehensive income		**17,480**	3,934
Total comprehensive income attributable to:			
Owners of the Parent		**62,620**	32,191
Basic earnings per ordinary share (pence per share)	9	**16.5**	10.4
Diluted earnings per ordinary share (pence per share)	9	**16.4**	10.4

*Other comprehensive income includes only items that will be subsequently reclassified to profit before tax when specific conditions are met.

The notes on pages 54 to 89 form part of these financial statements.

Consolidated Statement of
FINANCIAL POSITION
at 30 September 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	10	**249,421**	233,236
Intangible assets	11	**169,109**	172,517
Property, plant and equipment	12	**22,888**	21,961
Deferred tax assets	13	**3,371**	2,081
		444,789	429,795
Current assets			
Trade and other receivables	14	**85,543**	72,656
Foreign exchange derivatives	18	**-**	1,014
Cash and cash equivalents	21	**46,974**	38,155
		132,517	111,825
Total assets	3	**577,306**	541,620
Liabilities			
Current liabilities			
Loans	15	**25,681**	24,311
Trade and other payables	16	**57,343**	48,251
Foreign exchange derivatives	18	**824**	-
Income tax payable		**5,969**	4,074
Provisions	17	**87**	85
		89,904	76,721
Non-current liabilities			
Loans	15	**58,045**	78,958
Trade and other payables	16	**318**	-
Provisions	17	**843**	645
Deferred tax liabilities	13	**30,700**	30,017
		89,906	109,620
Total liabilities	3	**179,810**	186,341
Total net assets		**397,496**	355,279
Equity			
Capital and reserves attributable to owners of the Parent			
Share capital	19	**2,737**	2,735
Share premium		**51,757**	51,549
Share based payment reserve		**662**	384
Reverse acquisition reserve		**(8,483)**	(8,483)
Foreign currency reserve		**29,082**	8,941
Hedge reserve		**(2,253)**	408
Retained earnings		**323,994**	299,745
Total equity		**397,496**	355,279

The notes on pages 54 to 89 form part of these financial statements.

The financial statements on pages 50 to 89 were approved by the Board of Directors and authorized for issue on 9 December 2019 and were signed on its behalf by:

Andrew Brode – Director

Consolidated Statement of

CHANGES IN EQUITY

for the year ended 30 September 2019

	Notes	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total attributable to owners of Parent £'000
At 1 October 2017		2,293	50,718	(2,542)	108,416	158,885
Profit for the year		-	-	-	28,257	28,257
Gain on cash flow hedges		-	-	408	-	408
Gain on retranslation of foreign operations		-	-	3,526	-	3,526
Total comprehensive income for the year		-	-	3,934	28,257	32,191
Issue of shares		442	831	-	184,565	185,838
Share issue costs		-	-	-	(3,631)	(3,631)
Deferred tax on unexercised share options	13	-	-	-	150	150
Income tax on unexercised share options		-	-	-	153	153
Dividends	8	-	-	-	(18,307)	(18,307)
Exercise of share options		-	-	(142)	142	-
At 30 September 2018		2,735	51,549	1,250	299,745	355,279
Profit for the year		-	-	-	45,140	45,140
Loss on cash flow hedges		-	-	(2,661)	-	(2,661)
Gain on retranslation of foreign operations		-	-	20,141	-	20,141
Total comprehensive income for the year		-	-	17,480	45,140	62,620
Issue of shares		2	208	-	-	210
Deferred tax on unexercised share options	13	-	-	-	145	145
Income tax on unexercised share options		-	-	-	131	131
Dividends	8	-	-	-	(21,200)	(21,200)
Exercise of share options		-	-	(33)	33	-
Equity-settled share based payments	20	-	-	311	-	311
At 30 September 2019		**2,737**	**51,757**	**19,008**	**323,994**	**397,496**

Other reserves	Share-based payment reserve £'000	Reverse acquisition reserve £'000	Hedge reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2017	526	(8,483)	-	5,415	(2,542)
Other comprehensive loss for the year	-	-	408	3,526	3,934
Exercise of share options	(142)	-	-	-	(142)
At 30 September 2018	384	(8,483)	408	8,941	1,250
Other comprehensive income for the year	-	-	(2,661)	20,141	17,480
Exercise of share options	(33)	-	-	-	(33)
Equity-settled share based payments	311	-	-	-	311
At 30 September 2019	**662**	**(8,483)**	**(2,253)**	**29,082**	**19,008**

The notes on pages 54 to 89 form part of these financial statements.

Consolidated Statement of

CASH FLOWS

for the year ended 30 September 2019

	Note	2019 £'000	2018[1] £'000
Cash flows from operating activities			
Profit before tax		**57,717**	39,659
Adjustments for:			
Depreciation of property, plant and equipment	12	**3,025**	2,786
Amortization of intangible assets	11	**18,364**	16,617
Share based payment expense	20	**311**	-
Finance income	6	**(105)**	(69)
Finance expense	6	**4,268**	4,541
Operating cash flow before movements in working capital and provisions		**83,580**	63,534
Increase in trade and other receivables		**(11,523)**	(6,488)
Increase/(decrease) in trade and other payables and provisions		**9,770**	(570)
Cash generated from operations		**81,827**	56,476
Income tax paid		**(11,464)**	(12,848)
Net cash inflow from operating activities		**70,363**	43,628
Cash flows from investing activities			
Interest received		**105**	69
Acquisition of subsidiary, net of cash acquired	22	**(4,536)**	(242,311)
Purchases of property, plant and equipment	12	**(3,844)**	(1,872)
Purchases of intangibles (computer software)	11	**(4,170)**	(3,320)
Net cash outflow from investing activities		**(12,445)**	(250,955)
Cash flows from financing activities			
Proceeds from borrowings		**-**	118,591
Repayment of borrowings		**(25,057)**	(58,140)
Interest paid		**(4,125)**	(3,521)
Proceeds from the issue of share capital		**209**	182,207
Dividends paid	8	**(21,200)**	(18,307)
Net cash (outflow)/inflow from financing activities		**(50,173)**	224,351
Net increase in cash and cash equivalents		**7,745**	17,024
Cash and cash equivalents at beginning of the year		**38,155**	20,064
Exchange gains/(losses) on cash and cash equivalents		**1,074**	1,067
Cash and cash equivalents at end of the year	21	**46,974**	38,155
Free cash flow			
Analysis of free cash flow			
Cash generated from operations		**81,827**	56,476
Net interest paid		**(4,020)**	(3,452)
Income tax paid		**(11,464)**	(12,848)
Purchases of property, plant and equipment		**(3,844)**	(1,872)
Purchases of intangibles (computer software)		**(4,170)**	(3,320)
Free cash flow		**58,329**	34,984

[1] Interest paid has been reclassified from “cash flows from investing activities” to “cash flows from financing activities”.

The Directors consider that the free cash flow analysis above indicates the cash generated from normal activities excluding acquisitions, dividends paid and the proceeds from the issue of share capital.

The notes on pages 54 to 89 form part of these financial statements.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting and preparation of financial statements

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

The consolidated financial statements consolidate those of the Company and its subsidiaries ("the Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS IC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS.

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 other comprehensive income.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to both years presented, unless otherwise stated.

New accounting standards, amendment and interpretations

The Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers on 1 October 2018. Analysis of the impact of these standards is set out below.

IFRS 9 "Financial Instruments" which replaces IAS 39 "Financial Instruments: Recognition and Measurement"

In accordance with the transitional provisions set out in the standard, the Group has applied IFRS 9 from 1 October 2018, whereby comparative figures have not been restated. IFRS 9 is applicable to financial assets and liabilities and covers classification, measurement and derecognition. The main four areas of change that are relevant for the Group are:

Providing against credit risk on trade receivables and accrued income – the Group has applied the simplified model specified for expected credit losses, based on historical default rates experienced across the Group as well as forward looking information where material. This replaces the previous policy where provisions against irrecoverable amounts were determined by specific circumstances, however this has not resulted in any significant change on transition, and no significant change in the provision against trade receivables and accrued income at 30 September 2019.

The Group's trade receivables and accrued income have been reclassified on transition to IFRS as financial assets at amortized cost. There was no material impact on the carrying amount on transition.

Derivatives – the Group enters forward purchase contracts to manage its exposure to foreign exchange risk arising from sales in US Dollars. These arrangements qualify as cash flow hedges under IAS 39 and IFRS 9. Therefore, the transition to IFRS 9 has not resulted in any material change to the classification or measurement of these cash flow hedges.

The Group's derivative balances have been reclassified on transition to IFRS 9 as fair value – hedging instruments. There was no impact on the carrying amount on transition.

Loans – the Group's term loan has been reclassified on transition to IFRS 9 to a financial liability not measured at fair value. There was no impact on the carrying amount on transition.

Trade and other creditors – The Group's trade and other creditors have been reclassified to other financial liability not measured at fair value. There was no impact on the carrying amount on transition.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 sets out the requirement for recognizing revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual performance obligations, on a stand-alone selling price basis, based on the five-step model.

The Group has applied this standard from 1 October 2018, using a fully retrospective approach. IFRS 15 supersedes IAS 18 "Revenue" and establishes a principles-based approach to revenue recognition and measurement. Revenue is recognized when performance obligations are satisfied in respect of the transfer of services at an amount that the entity expects to receive in exchange for those services.

Management has concluded from its internal analysis that more than 80% of the Group revenues have been determined to satisfy their sole performance obligation at a point in time when the benefits of control of the services performed are delivered to the client, typically when a translation, filing, search or localization deliverable has been completed and delivered to the client. This does not represent a change from the previous treatment under IAS 18 Revenue, hence there is no material impact of IFRS 15 on the Group's statement of comprehensive income.

For contractual arrangements where more than one performance obligation exists, such as a translation and filing deliverable, revenue is allocated to each performance obligation based on either the contracted stand-alone selling price, if any, or the standard selling price.

The remaining 20% of the Group's revenue streams have been determined to satisfy their performance obligations over time, as follows:

> Linguistic validation project income is recognized over time as the Group recognizes revenue on a stage of completion basis, calculated on the basis of costs incurred.
> Revenues from managed services are recognized over time based on an hourly rate.
> PatBase subscriptions are recognized on a straight-line basis over their relevant contractual subscription period.

For each of these revenue stream recognized over time, there has been no material impact of applying IFRS 15 on the Group's statement of comprehensive income.

The following new standards and interpretations were in issue, but are not yet effective, and have not been applied to these financial statements.

IFRS 16 "Leases" – (Effective from 1 October 2019)

IFRS 16 Leases supersedes IAS 17 Leases and has been endorsed for use by the European Union. The most significant changes arising from IFRS 16 are in relation to lessee accounting, where lessees must recognize a right-of-use ("RoU") asset and a lease liability for all leases currently accounted for as operating leases, except for, leases for a short period (less than 12 months) or where the underlying asset value is considered to be low.

IFRS 16 will have a significant impact on the primary financial statements of the Group, principally impacting total assets and total liabilities, but also having an impact on operating profit and profit before tax.

The Group intends to take advantage of the modified retrospective transition method where the lease liability is recognized as the present value of future payments as at transition date, and the RoU asset is recognized as the present value of the total lease payments at lease inception and then depreciated on a straight-line basis from this date until transition date. As such a transition adjustment arises due to the difference between the value of the asset and the liability which is taken to retained earnings, net of any reclassification of rent prepayments, rent accruals or lease incentives.

Based on the Group's review of its lease contracts in place at 1 October 2019, the Group expects to recognize RoU assets of c.£23.2 million and lease liabilities of c.£24.5 million. The Group is finalizing its work in respect of any deferred tax impact regarding these transitional adjustments.

From an income statement perspective, profit before tax is expected to be £0.2 million lower in FY2020, while operating profit is expected to be £0.4 million higher.

There is not expected to be any significant impact to the Group's cash flows, however the classification within the statement of cash flows will change. It is estimated that the Group's operating cash inflows will increase, and its financing outflows increase by approximately £4.7 million as the repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are currently not material.

There were no other new IFRSs or IFRS IC interpretations that are not yet effective that are anticipated to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and subsidiaries controlled by the Parent Company, drawn up to 30 September 2019. Control is regarded as the power to govern the financial and operating policies of the entity, so as to benefit from its activities. The financial results of subsidiaries are consolidated from the date control is obtained, until the date that control ceases. All intra-group transactions are eliminated as part of the consolidation process.

Business combinations

Under the requirements of IFRS 3 (revised), all business combinations are accounted for using the acquisition method (acquisition accounting). The cost of a business acquisition is the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer. Costs directly attributable to business combinations are expensed. The cost of a business combination is allocated at the acquisition date by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The excess of the cost of the acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (continued)

Goodwill and other intangible assets

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. They are subject to an impairment review when there is an indication that the carrying value may not be recoverable.

Goodwill arising on acquisitions is capitalized and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. At the date of acquisition, goodwill is allocated at the lowest levels for which there are separately identifiable cash flows, for the purpose of impairment testing. Assets, excluding goodwill, which have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets, separately identified from goodwill acquired as part of a business combination, are initially stated at fair value, subject to meeting the definition under IAS 38 "Intangible assets". The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital appropriate to that intangible asset.

The assets are amortized using the straight-line method over their estimated useful lives as follows:

Trade names	Five to eight years
Clinician database	10 years
Supplier database	13 years
Technology	Five years
Non-compete clauses	Five years
Trademarks	Five years
Client relationships	Seven to 20 years
Order book	One year

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These assets are amortized using the straight-line method over their estimated useful lives which range from one to three years.

The Group has chosen to capitalize some internally generated software projects. These capitalized development costs are being recorded as intangible assets, subject to the conditions of IAS 38 being met, and amortized from the point at which they are available for use. These projects are being amortized using the straight-line method over their estimated useful lives of up to three years.

Revenue recognition

Group revenue represents the fair value of the consideration expected to be received or receivable for the rendering of services, net of value added tax and other similar sales-based taxes, rebates, discounts and third-party licences and after eliminating inter-company sales.

For contractual arrangements containing one performance obligation, revenue is recognized at a point in time, once the sole performance obligation is satisfied, when the benefits of control of the services performed are delivered to the client, typically when a translation, filing, search or localization deliverable has been completed and delivered to the client. Where contracts are partially completed, the revenue recognized is based on work performed and delivered to the client. Accrued income represents the full expected receivable value of work performed and delivered to date, less any amounts already invoiced.

For contractual arrangements where more than one performance obligation exists, such as a translation and filing deliverable, revenue is allocated to each performance obligation based on either the contracted stand-alone selling price, if any, or the standard selling price.

The Group's contractual arrangements for linguistic validation project income, managed services income and subscription revenues contain performance obligations that are recognized over time. Linguistic validation project income is recognized over time as the Group recognizes revenue on a stage of completion basis, calculated on the basis of costs incurred. Revenues from managed services are recognized over time based on an hourly rate. PatBase subscriptions are recognized on a straight-line basis over their relevant contractual subscription period.

Foreign currencies

The functional and presentation currency of the Group is Pounds Sterling.

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the statement of comprehensive income.

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated using average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as other comprehensive income and recognized in the foreign currency reserve in the consolidated statement of financial position.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

Segment information

Segment information reflects how the Group's Board of Directors (the Group's chief operating decision maker) controls the business. This is primarily by division. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, where cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for intended use. The Group depreciates the cost of each item of property, plant and equipment (less its estimated residual value) using the straight-line method over their estimated useful lives as follows:

Freehold land	Nil
Buildings	50 years
Leasehold land, buildings and improvements	the lease term
Furniture and equipment	three to 10 years
Motor vehicles	six years

All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognized immediately in the statement of comprehensive income. Any assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The gain or loss on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognized in the statement of comprehensive income.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to foreign exchange arising from operational activities.

Derivative financial instruments are initially measured at fair value (with direct transaction costs being included in the statement of comprehensive income as an expense) and are subsequently remeasured to fair value at each reporting date. Changes in the carrying value are also recognized in the statement of comprehensive income.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and certain non-derivative liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and accumulated in the hedge reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of comprehensive income.

The amount accumulated in the hedging reserve is reclassified to the statement of comprehensive income in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer expected to occur, then the amount accumulated in the hedge reserve is reclassified to the statement of comprehensive income immediately.

The Group hedges the net investment in certain foreign operations by borrowing in the currency of the operations' net assets. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. Gains and losses accumulated in equity are included in the consolidated statement of comprehensive income when the foreign operation is partially disposed of or sold.

Trade and other receivables and accrued income

Trade and other receivables represent amounts due from clients in the normal course of business. Accrued income represents the expected receivable value of work performed and delivered to date, less any amounts already invoiced.

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS (continued)

Both trade and other receivables and accrued income amounts are initially stated at fair value, less an estimate made for expected credit losses made on a review of outstanding amounts at year-end based on historical rates of default. Consideration is also factored in to the appropriateness of using the Group's historical rates of default on receivable balances for the Group's future trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and highly liquid investments with original maturities of three months or less.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items that are not taxable or deductible. The Group's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled, or the asset realized, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits

The Group operates a defined contribution pension plan and has no further obligations once the contributions have been paid. Payments to the plan are recognized in the statement of comprehensive income as they fall due.

Paid holidays are regarded as an employee benefit and as such are charged to the statement of comprehensive income as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, from which it is probable that it will result in an outflow of economic benefits that can reasonably be estimated.

Leases

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease rental payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The benefit of lease incentives is spread over the term of the lease.

Capital

Equity issued by the Parent Company is recorded as the proceeds received net of direct issue costs.

Loans

Loans are recognized initially at fair value, less directly attributable transaction costs. Subsequent to initial recognition, loans are stated at amortized cost using the effective interest method.

Share based payments

The Group and Parent Company provide benefits to certain employees (including certain Executive Directors), in the form of share-based payment transactions whereby employees render services in exchange for share options. These equity-settled share-based transactions are measured as the fair value of the share option at the grant date. Details regarding the determination of the fair value of these share options can be seen in note 20.

The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of share options that will vest. At each balance sheet date, the Group revises its estimate of the number of options expected to vest as a result of the effect on non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of comprehensive income, such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserves.

Dividends

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which dividends are approved by the Parent Company's shareholders, or in the case of interim dividends, when they are paid.

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 recognized prospectively.

Impairment of goodwill and intangible assets

Judgement is exercised by management in considering whether any indicators of impairment exist in respect of the Group's intangible assets on an annual basis.

Performing an impairment test of goodwill (annually) and intangible assets (when an indicator of impairment has been identified), requires an estimation of the value in use of the CGUs to which goodwill and 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 and the estimated future cash flows are discounted to their present value using an estimated pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. See Note 10 and 11 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 recognized as an asset in the Group's consolidated financial statements. Estimation is required in determining the fair value of all identified assets and liabilities acquired as part of a business combination. Additionally, the useful economic lives of any intangible assets recognized, and in particular those of the Group's client relationships, arising from a business combination are inherently uncertain to estimate. The Group has estimated the useful lives of it client relationships span between seven and 20 years and as at 30 September 2019 the Group has customer relationship intangibles amounting to £188.7 million (2018: £178.1 million).

Capitalized software costs

The Group capitalizes software costs in accordance with IAS 38. Management applies judgement in determining if these software costs meet the criteria of IAS 38 and are therefore eligible for capitalization. During the year ended 30 September 2019, £4.2 million (2018: £3.3 million) of software costs were capitalized.

Revenue recognition of linguistic validation revenue

Revenue from linguistic validation services is recognized over time on a stage of completion basis, which is calculated using the actual costs incurred as a percentage of the total expected costs of the project. During the year ended 30 September 2019, linguistic validation revenue amounted to £20.3 million (2018: £15.5 million).

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

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

Timing of revenue recognition for contracts with customers	2019 £'000	2018 £'000
At a point in time	**300,315**	256,177
Over time	**55,381**	49,927
Total revenue from contracts with customers	**355,696**	306,044

The following table disaggregates the Group's revenues from contracts with customers accordingly to the line of service provided.

Revenue by line of service provided	2019 £'000	2018 £'000
Patent translation services	**85,589**	74,288
Patent filing fees	**29,467**	27,968
PatBase subscriptions	**5,615**	5,278
IP support services	**4,569**	4,415
IP Services	**125,240**	111,949
Localization services	**119,904**	97,690
Managed services	**29,976**	29,180
Moravia	**149,880**	126,870
Life Sciences translation services	**45,173**	36,834
Linguistic validation services	**20,293**	15,469
Life Sciences	**65,466**	52,303
Corporate translation services	**15,110**	14,922
Language Solutions	**15,110**	14,922
Total revenue from contracts with customers	**355,696**	**306,044**

The following table provides information about receivables, accrued income and deferred income from contracts with customers.

Receivables, accrued and deferred income	Note	2019 £'000	2018 £'000
Net trade receivables	14	69,244	61,102
Accrued income	14	9,642	6,741
Deferred income	16	(3,079)	(2,960)

Accrued income relates to the Group's right to consideration for work completed and delivered but not invoiced as at year end and is transferred to trade receivables when an invoice is issued to the client. Clients are typically invoiced on a monthly basis and consideration is payable when invoiced. During the year £6,741,000 of accrued income was invoiced in the period ended 30 September 2019.

Deferred income relates to advance consideration received from customers for PatBase subscriptions and linguistic validation projects, where revenue is recognized over time as the services are provided/delivered to clients. During the year, £2,960,000 of deferred revenue at the beginning of the period has been recognized as revenue for the period ended 30 September 2019.

Segment information

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board divides the Group into four reportable segments and assesses the performance of each segment based on revenue and profit/(loss) from operations. These are measured on a basis consistent with the statement of comprehensive income.

In the year ended 30 September 2018, there were five reportable segments; Patent Information, which was previously shown separately, is now included within IP Services.

From 1 October 2019, the RWS Language Solutions segment was merged into the RWS Moravia segment, which will result in the Group having three reportable segments for the year ended 30 September 2020.

The four segments are:

> RWS IP Services: provides the highest quality patent translations, a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services.

> RWS Life Sciences: provides a full suite of language services, including technical translations and linguistic validation, exclusively for the life sciences industry.

> RWS Moravia: provides localization services including the adaptation of content, software, websites, applications, marketing material and audio/video to ensure brand consistency.

> RWS Language Solutions: provides a full range of translation and interpreting services to help businesses communicate globally.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (continued)

The unallocated segment relates to corporate overheads, assets and liabilities.

Segment results for the year ended 30 September 2019	IP Services £'000	Life Sciences £'000	Moravia £'000	Language Solutions £'000	Unallocated £'000	Group £'000
Revenue from contracts with customers	125,240	65,466	149,880	15,110	-	355,696
Operating profit/(loss) before charging:	36,119	20,327	25,747	434	(4,231)	78,396
Amortization of acquired intangibles	(674)	(6,036)	(8,565)	(139)	-	(15,414)
Acquisition costs	-	-	-	(195)	(596)	(791)
Share-based payments expense	(74)	-	(36)	(22)	(179)	(311)
Profit/(loss) from operations	**35,371**	**14,291**	**17,146**	**78**	**(5,006)**	**61,880**
Finance income						105
Finance expense						(4,268)
Profit before taxation						**57,717**
Taxation						(12,577)
Profit for the year						**45,140**

Segment results for the year ended 30 September 2018	IP Services £'000	Life Sciences £'000	Moravia £'000	Language Solutions £'000	Unallocated £'000	Group £'000
Revenue from contracts with customers	111,949	52,303	126,870	14,922	-	306,044
Operating profit/(loss) before charging:	34,404	14,548	16,980	1,566	(1,188)	66,310
Amortization of acquired intangibles	(1,119)	(5,898)	(7,415)	(159)	-	(14,591)
Acquisition costs	-	-	(966)	-	(6,622)	(7,588)
Profit/(loss) from operations	**33,285**	**8,650**	**8,599**	**1,407**	**(7,810)**	**44,131**
Finance income						69
Finance expense						(4,541)
Profit before taxation						**39,659**
Taxation						(11,402)
Profit for the year						**28,257**

Segment assets and liabilities at 30 September 2019	IP Services £'000	Life Sciences £'000	Moravia £'000	Language Solutions £'000	Unallocated £'000	Group £'000
Total assets	**105,453**	**138,676**	**312,985**	**16,526**	**3,666**	**577,306**
Total liabilities	**23,009**	**44,636**	**105,979**	**2,270**	**3,916**	**179,810**
Capital expenditure	758	349	6,693	85	159	8,044
Depreciation	582	259	1,903	103	178	3,025
Amortization	747	6,095	11,356	156	10	18,364

Segment assets and liabilities at 30 September 2018	IP Services £'000	Life Sciences £'000	Moravia £'000	Language Solutions £'000	Unallocated £'000	Group £'000
Total assets	87,552	130,779	300,376	13,519	9,394	541,620
Total liabilities	18,631	49,366	113,979	2,200	2,165	186,341
Capital expenditure	199	205	12,828	117	301	13,650
Depreciation	639	211	1,690	118	128	2,786
Amortization	1,191	5,902	9,298	181	45	16,617

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions from acquisitions through business combinations.

Assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	Assets 2019 £'000	Liabilities 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000
Total segment assets and liabilities	**573,640**	**175,894**	532,226	184,176
Unallocated:				
Deferred tax	**1,063**	**1,509**	880	37
Property, plant and equipment	**302**	**-**	321	-
Non-financial assets	**999**	**2,198**	732	1,833
Other financial assets and liabilities	**-**	**209**	-	295
Cash and cash equivalents	**1,302**	**-**	7,461	-
Total unallocated assets and liabilities	**3,666**	**3,916**	9,394	2,165
Total Group assets and liabilities	**577,306**	**179,810**	541,620	186,341

Assets allocated to a segment consist primarily of operating assets such as property, plant and equipment, intangible assets, goodwill, receivables and cash.

Liabilities allocated to a segment comprise primarily bank loans, trade and other payables.

The Group's operations are based in the UK, Continental Europe, Asia, the United States, Argentina and Australia. The table below shows turnover by the geographic market in which clients are located.

Turnover by client location

	2019 £'000	2018 £'000
UK	**29,791**	24,298
Continental Europe	**108,770**	101,708
United States	**190,807**	163,941
Rest of the world	**26,328**	16,097
	355,696	306,044

One client accounted for more than 10% of Group turnover in the current year (2018: one). This client was part of the Moravia reporting segment.

The following is an analysis of revenue and non-current assets analyzed by the geographical area in which the Group's undertakings are located.

Geographical information

	Revenue		Non-Current assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	**123,770**	112,650	**28,397**	29,192
Continental Europe	**84,134**	79,209	**276,058**	264,362
United States	**138,730**	109,385	**130,867**	133,941
Rest of the world	**9,062**	4,800	**6,096**	219
	355,696	306,044	**441,418**	427,714

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):	2019 £'000	2018 £'000
Staff costs (note 5)	**104,580**	94,191
Depreciation of property, plant and equipment (note 12)	**3,025**	2,786
Amortization of intangible assets (note 11)	**18,364**	16,617
Foreign exchange gains	**(29)**	(861)
Loss/(gain) on changes in fair values on derivative contracts	**572**	(272)
Operating lease rentals:		
- Property	**4,444**	4,058
- Plant and equipment	**269**	178
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	**105**	111
- The audit of subsidiaries of the Company	**221**	220
- Audit related assurance services	**4**	4
- Financial due diligence	**309**	800
- Tax compliance and advisory services	**43**	61
- Other non-audit services	**90**	-
Total fees	**772**	1,196

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 amortization of acquired intangibles, acquisition costs and share option costs, net of any associated tax effects.

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:	2019 £'000	2018 £'000
Statutory profit before tax	**57,717**	39,659
Amortization of acquired intangibles	**15,414**	14,591
Acquisition costs	**791**	7,588
Share based payment costs	**311**	-
Adjusted profit before tax	74,233	61,838

5. STAFF COSTS

	2019 £'000	2018 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	**90,197**	80,422
Social security costs	**14,700**	14,300
Other pension costs	**2,055**	1,493
Share based payment expense (Note 20)	**311**	-
	107,263	96,215

The Group operates a defined contribution pension scheme, making payments on behalf of employees to their personal pension plans. Payments of £2,055,000 (2018: £1,493,000) were made in the year and charged to the statement of comprehensive income in the period they fell due. At the year end, there were unpaid amounts included within other payables totaling £136,000 (2018: £96,000).

During the year, staff costs amounting to £2,683,000 (2018: £2,024,000) were capitalized in respect of internally generated software projects at Moravia.

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 36 to 39.

Key management compensation	2019 £'000	2018 £'000
Short-term employee benefits	**3,289**	3,567
Post-employment benefits	**74**	39
Share based payments	**260**	-
	3,623	3,606

The key management compensation includes the seven (2018: seven) Directors of RWS Holdings plc and the six (2018: six) members of the Senior Executive team who are not Directors of RWS Holdings plc.

The monthly average number of people employed by the Group, including Directors and part-time employees, during the year was:	2019 £'000	2018 £'000
Production staff	**2,033**	2,017
Administrative staff	**490**	354
	2,523	2,371

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. FINANCE INCOME AND COSTS

	2019 £'000	2018 £'000
Finance income		
- Returns on short-term deposits	**105**	69
Finance expense		
- Bank interest payable	**(3,921)**	(3,947)
- Amortized borrowing costs	**(347)**	(313)
- Movement in the fair value of foreign currency contracts	**-**	(281)
	(4,268)	(4,541)
Net finance cost	**(4,163)**	(4,472)

7. TAXATION

	2019 £'000	2018 £'000
Taxation recognized in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	**6,228**	6,641
- Overseas	**8,815**	6,275
Adjustments in respect of prior years	**(824)**	(261)
	14,219	12,655
Deferred tax		
Current year movement	**(1,715)**	(1,464)
Adjustments in respect of prior years	**73**	211
Total tax expense for the year	**12,577**	11,402

The table below reconciles the UK statutory tax charge to the Group's total tax charge.	2019 £'000	2018 £'000
Profit before taxation	**57,717**	39,659
Notional tax charge at UK corporation tax rate of 19.0% (2018: 19.0%)	**10,966**	7,535
Effects of:		
Items not deductible or not chargeable for tax purposes	**448**	1,716
Differences in overseas tax rates	**1,914**	2,201
Adjustments in respect of prior years	**(751)**	(50)
Total tax expense for the year	**12,577**	11,402

There was no tax recognized in other comprehensive income (2018: £Nil).

Factors that may affect future tax charges
The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. The reduction of the UK Corporation tax rate from 19% to 17% will be effective from 1 April 2020.

The aggregate income and deferred tax arising in the reporting period and not recognized in net profit or loss or other comprehensive income but directly (debited) or credited to equity was as follows:

Amounts recognized directly in equity.	2019 £'000	2018 £'000
Current tax:		
Share options	**131**	153
Deferred tax:		
Share options	**145**	150
Other temporary differences	**528**	(470)
Acquired intangibles	**1,550**	132
Total amount recognized in equity	**2,354**	(35)

8. DIVIDENDS TO SHAREHOLDERS

	2019 pence per share	2019 £'000	2018 pence per share	2018 £'000
Final, paid 22 February 2019 (2018: paid 23 February 2018)	**6.00**	**16,413**	5.20	14,209
Interim, paid 19 July 2019 (2018: paid 20 July 2018)	**1.75**	**4,787**	1.50	4,098
	7.75	**21,200**	6.70	18,307

The Directors recommend a final dividend in respect of the financial year ended 30 September 2019 of 7.00 pence per ordinary share, to be paid on 21 February 2020 to shareholders who are on the register at 24 January 2020. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2019. The final proposed dividend will reduce shareholders' funds by an estimated £19.2m.

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. EARNINGS PER ORDINARY SHARES

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, as follows:

	2019 Number	2018 Number
Weighted average number of ordinary shares in issue for basic earnings	**273,556,236**	271,216,566
Dilutive impact of share options	**1,250,343**	1,265,706
Weighted average number of ordinary shares for diluted earnings	**274,806,579**	272,482,272

The reconciliation between the basic and adjusted figures is as follows:

	2019 £'000	2018 £'000	2019 Basic earnings per share pence	2018 Basic earnings per share pence	2019 Diluted earnings per share pence	2018 Diluted earnings per share pence
Profit for the year	45,140	28,257	16.5	10.4	16.4	10.4
Adjustments:						
Amortization of acquired intangibles	15,414	14,591	5.6	5.4	5.6	5.3
Acquisition costs	791	7,588	0.3	2.8	0.3	2.8
Charges for share based payments	311	-	0.1	-	0.1	-
Tax effect of adjustments	(3,176)	(3,285)	(1.2)	(1.2)	(1.2)	(1.2)
Adjusted earnings	58,480	47,151	21.3	17.4	21.2	17.3

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 amortization of acquired intangibles, acquisition costs and share option costs, net of any associated tax effects.

10. GOODWILL

	2019 £'000	2018 £'000
Cost and net book value		
Opening	**233,236**	101,108
Additions (note 22)	**3,430**	128,505
Exchange adjustments	**12,755**	3,623
At 30 September	**249,421**	233,236

During the year, goodwill was tested for impairment. The recoverable amount for each CGU has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and 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.

The growth rates used in the calculations are based on a review of both recently achieved growth rates and a prudent estimate of expected future growth rates for each specific market sector.

Key assumptions for the value in use calculations are as follows:	Long-term growth rate	Discount rate	Revenue growth
IP Services	2.0%	7.3%	4.0%
Life Sciences	2.0%	9.6%	5.0%
Moravia	2.0%	9.6%	5.0%
Language Solutions	2.0%	8.2%	4.0-5.0%

The long-term growth rate is the rate applied to determine the terminal value on year five cash flows. The discount rate is the pre-tax discount rate. Revenue growth is the average annual increase in revenue over the five-year projection period.

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 five years based on an estimated growth rate. This rate does not exceed the expected growth rate for the relevant markets of each CGU.

The Group has conducted a sensitivity analysis on the carrying value of each of the CGUs. There are no reasonably possible changes in the key assumptions that could cause the carrying value of the CGUs to exceed their recoverable amounts. 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.

The allocation of goodwill to each CGU is as follows:	2019 £'000s	2018 £'000s
IP Services	**32,360**	33,270
Life Sciences	**69,511**	65,891
Moravia	**136,808**	129,336
Language Solutions	**10,742**	4,739
At 30 September	**249,421**	233,236

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

	Trade names £'000	Clinician & supplier database £'000	Technology £'000	Non-compete & Trademarks £'000	Client relationships & order book £'000	Software £'000	Total £'000
Cost							
At 1 October 2017	1,090	5,087	5,251	2,078	52,647	1,337	67,490
Additions	-	-	-	-	-	3,320	3,320
Acquisitions (note 22)	8,254	-	-	-	123,281	12,064	143,599
Disposals	-	-	-	-	-	(611)	(611)
Currency translation	87	156	162	58	2,203	(24)	2,642
At 30 September 2018	9,431	5,243	5,413	2,136	178,131	16,086	216,440
Additions	-	-	-	-	-	4,170	4,170
Acquisitions (note 22)	-	1,051	-	-	649	-	1,700
Disposals	-	-	-	-	-	(1,231)	(1,231)
Currency translation	545	339	313	107	9,895	(96)	11,103
At 30 September 2019	**9,976**	**6,633**	**5,726**	**2,243**	**188,675**	**18,929**	**232,182**
Accumulated amortization and impairment							
At 1 October 2017	261	975	2,243	475	14,171	578	18,703
Acquisitions (note 22)	-	-	-	-	-	8,333	8,333
Amortization charge	1,606	506	1,045	361	11,073	2,026	16,617
Disposals	-	-	-	-	-	(611)	(611)
Currency translation	66	48	107	22	659	(21)	881
At 30 September 2018	1,933	1,529	3,395	858	25,903	10,305	43,923
Amortization charge	1,842	572	604	383	12,013	2,950	18,364
Disposals	-	-	-	-	-	(1,229)	(1,229)
Currency translation	176	109	217	48	1,522	(57)	2,015
At 30 September 2019	**3,951**	**2,210**	**4,216**	**1,289**	**39,438**	**11,969**	**63,073**
Net book value							
At 30 September 2017	829	4,112	3,008	1,603	38,476	759	48,787
At 30 September 2018	7,498	3,714	2,018	1,278	152,228	5,781	172,517
At 30 September 2019	**6,025**	**4,423**	**1,510**	**954**	**149,237**	**6,960**	**169,109**

Technology, trademarks, trade names, non-compete, supplier and clinician database and client relationships arise through business combinations and are amortized over periods ranging from five to 20 years. Software is amortized over not more than three years.

The order book intangible assets identified in valuing the CTi and LUZ acquisitions in 2015 and 2017 respectively, were amortized over one year.

See note 1, accounting policies, for further details.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Leasehold land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2017	17,010	643	5,450	117	23,220
Currency translation	-	(4)	18	2	16
Additions	24	109	1,694	45	1,872
Acquisitions	-	2,068	10,048	43	12,159
Disposals	-	(155)	(574)	(2)	(731)
At 30 September 2018	17,034	2,661	16,636	205	36,536
Currency translation	-	15	166	(2)	179
Additions	-	1,299	2,524	21	3,844
Acquisitions	-	15	113	-	128
Disposals	-	(432)	(1,486)	(38)	(1,956)
At 30 September 2019	**17,034**	**3,558**	**17,953**	**186**	**38,731**
Accumulated depreciation					
At 1 October 2017	1,390	468	3,147	68	5,073
Currency translation	-	(2)	16	1	15
Acquisitions	-	952	6,445	35	7,432
Depreciation charge	229	532	2,011	14	2,786
Disposals	-	(155)	(574)	(2)	(731)
At 30 September 2018	1,619	1,795	11,045	116	14,575
Currency translation	-	2	51	(2)	51
Acquisitions	-	15	83	-	98
Depreciation charge	229	557	2,227	12	3,025
Disposals	-	(432)	(1,470)	(4)	(1,906)
At 30 September 2019	**1,848**	**1,937**	**11,936**	**122**	**15,843**
Net book value					
At 30 September 2017	15,620	175	2,303	49	18,147
At 30 September 2018	15,415	866	5,591	89	21,961
At 30 September 2019	**15,186**	**1,621**	**6,017**	**64**	**22,888**

Included within freehold land and buildings at 30 September 2019 was freehold land of £5.6m (2018: £5.6m).

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. DEFERRED TAX

The deferred tax assets and liabilities and the movements during the year, before offset of balances within the same jurisdiction, are as follows:

	Share options £'000	Depreciation in excess of capital allowances £'000	Other temporary differences £'000	Total £'000
Deferred tax assets				
At 1 October 2017	1,438	103	(66)	1,475
Acquisitions	-	-	71	71
Charged to income	(470)	(18)	873	385
Credited to equity	150	-	-	150
At 30 September 2018	1,118	85	878	2,081
Adjustment in respect of prior years	-	(4)	(69)	(73)
Charged to income	-	25	519	544
Credited to equity	145	-	674	819
At 30 September 2019	**1,263**	**106**	**2,002**	**3,371**

	Accelerated capital allowances £'000	Acquired Intangibles £'000	Other temporary differences £'000	Total £'000
Deferred tax liabilities				
At 1 October 2017	413	1,102	-	1,515
Acquisitions	-	28,938	770	29,708
Charged to income	143	(1,496)	485	(868)
Credited to equity	-	132	(470)	(338)
At 30 September 2018	556	28,676	785	30,017
Acquisitions	-	450	-	450
Charged to income	293	(1,459)	(5)	(1,171)
Credited to equity	-	1,550	(146)	1,404
At 30 September 2019	**849**	**29,217**	**634**	**30,700**

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled, or the asset realized, based on tax rates that have been enacted or substantively enacted at the reporting date.

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value of outstanding share-based payment options in the statement of financial position and the tax base of these options, being the estimated future tax deduction expected to crystallize on exercise of the option. The tax base is calculated by reference to the Company's share price at the reporting date and the number of share options outstanding which for those options attracting a deferred tax asset decreased during the year to 30 September 2019.

No deferred tax liabilities have been recognized relating to investments in subsidiaries (2018: £Nil).

There are no tax losses (2018: £Nil) available for offset against future taxable profits.

The Group has capital losses carried forward of £12,812,000 (2018: £12,812,000).

14. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	**69,731**	61,332
Less: allowance for doubtful debts	**(487)**	(230)
	69,244	61,102
Other receivables	**2,792**	1,706
Prepayments	**3,865**	3,107
Accrued income	**9,642**	6,741
At 30 September	**85,543**	72,656

Trade receivables are non-interest bearing and generally on terms ranging from 30 to 120 days. Due to their short maturities, the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables net of allowances are held in the following currencies at the reporting date:

	2019 £'000	2018 £'000
Sterling	**3,604**	3,822
Euros	**15,909**	13,435
Japanese Yen	**630**	562
US Dollars	**47,731**	42,475
Swiss Francs	**905**	519
Other	**465**	289
	69,244	61,102

The following table provides information about the exposure to credit risk for trade receivables at 30 September 2019:

	Gross amount £'000	Loss allowance £'000	Net amount £'000
Not past due	**49,441**	**-**	**49,441**
Past due 1-30 days	**9,945**	**-**	**9,945**
Past due 31-60 days	**7,048**	**-**	**7,048**
Past due 61-90 days	**1,623**	**-**	**1,623**
Past due > 90 days	**1,674**	**(487)**	**1,187**
	69,731	**(487)**	**69,244**

The following table provides information about the exposure to credit risk for trade receivables at 30 September 2018:

	Gross amount £'000	Loss allowance £'000	Net amount £'000
Not past due	**48,113**	-	48,113
Past due 1-30 days	**7,326**	-	7,326
Past due 31-60 days	**3,240**	-	3,240
Past due 61-90 days	**1,408**	-	1,408
Past due > 90 days	**1,245**	(230)	1,015
	61,332	(230)	61,102

Movement in allowance for doubtful debts:

	2019 £'000	2018 £'000
At 1 October	**230**	52
Utilized	**(19)**	(20)
Provided	**276**	198
At 30 September	**487**	230

Given the historical default rate of the Group's clients, no further credit risk has been identified with trade receivables, other than those balances for which an allowance has been made.

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. LOANS

	2019 £'000	2018 £'000
Due in less than one year		
Loan	**26,037**	24,653
Issue costs	**(356)**	(342)
At 30 September	**25,681**	24,311
Due in more than one year		
Loan	**58,787**	80,012
Issue costs	**(742)**	(1,054)
At 30 September	**58,045**	78,958

Analysis of net debt	At 1 October 2018 £'000	Transferred £'000	Cash flows £'000	Non-cash charges £'000	At 30 September 2019 £'000
Cash and cash equivalents	38,155	-	8,819	-	46,974
Issue costs	1,396	-	-	(298)	1,098
Loans due in less than one year	(24,653)	(24,653)	25,057	(1,788)	(26,037)
Loans due in more than one year	(80,012)	24,653	-	(3,428)	(58,787)
Net debt	**(65,114)**	**-**	**33,876**	**(5,514)**	**(36,752)**

On 18 October 2017, the Group entered into a new US$160 million term loan to part fund the acquisition of Moravia US Holding Co. Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services, for a cash consideration of US$320 million, plus working capital and certain other adjustments and transaction costs. This loan is repayable over five years on a straight-line basis, quarterly.

Transaction costs of £1,759,000, directly related to the debt facility, have been capitalized into the loan which will be amortized over the remaining term of the loan. Amortization of these borrowing costs of £347,000 was recorded during the year.

Interest is payable quarterly in arrears at a varying rate of interest, being three-month USD LIBOR plus a margin of between 130 basis points and 250 basis points. During 2019, this margin reduced from 190 basis points to 130 basis points. The Group has complied with all financial covenants of its term loan during both the year ended 30 September 2018 and 2019. Notes 18 and 24 describe in more detail the nature of the Barclays loan.

16. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Due in less than one year		
Trade payables	**22,376**	18,906
Other tax and social security payable	**2,526**	1,897
Other payables	**2,761**	1,567
Accruals	**26,601**	22,921
Deferred income	**3,079**	2,960
At 30 September	**57,343**	48,251

The carrying amount of trade and other payables approximates to their fair value. Trade payables normally fall due within 30 to 60 days.

	2019 £'000	2018 £'000
Due in more than one year		
Deferred rent	**318**	-

17. PROVISIONS

	2019 £'000	2018 £'000
Due in less than one year		
At 1 October	**85**	82
Utilized	**(85)**	(82)
Transferred from provisions due in more than one year	**87**	85
At 30 September	**87**	85

	2019 £'000	2018 £'000
Due in more than one year		
At 1 October	**645**	297
Acquired	**-**	358
Charged to the statement of comprehensive income	**285**	75
Transferred to provisions due in less than one year	**(87)**	(85)
At 30 September	**843**	645

This includes a long-term dilapidations provision of £717,000 and monthly ongoing future pension payments to a third-party of £126,000, which will continue for the remainder of the recipient's life.

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments
All financial assets, other than derivative assets, are held at amortized cost, and all financial liabilities, other than derivative liabilities, are held at amortized cost. All derivative assets and liabilities are recorded at their fair value.

Carrying amounts as at 30 September 2019	Fair value – hedging instruments £'000	Financial assets at amortized cost £'000	Financial liabilities at amortized cost £'000
Financial assets not measured at fair value			
Trade and other receivables and accrued revenue	-	81,678	-
Cash and cash equivalents	-	46,974	-
	-	128,649	-
Financial liabilities measured at fair value			
Foreign exchange derivatives	824	-	-
	824	-	-
Financial liabilities not measured at fair value			
Loan	-	-	84,824
Trade and other payables	-	-	58,591
	-	-	143,415

Carrying amounts as at 30 September 2018	Fair value – hedging instruments £'000	Financial assets at amortized cost £'000	Other financial liabilities £'000
Financial assets measured at fair value			
Foreign exchange derivatives	1,014	-	-
	1,014	-	-
Financial assets not measured at fair value			
Trade and other receivables and accrued revenue	-	69,549	-
Cash and cash equivalents	-	38,155	-
	-	107,704	-
Financial liabilities not measured at fair value			
Loan	-	-	103,269
Trade and other payables	-	-	48,981
	-	-	152,250

The Group's foreign exchange derivatives are fair valued using readily available market information so therefore are Level 1 of the fair value hierarchy. There have been no transfers between levels of the fair value hierarchy.

The carrying amount of the Group's trade and other receivables and accrued income, trade and other payables and cash and cash equivalents are considered to be a reasonable approximation of their fair value. The fair value of the Group's loan at 30 September 2019 is £84.6 million (2018: £104.8 million).

An analysis of the Group's loan maturity is as follows:	2019 £'000	2018 £'000
Less than one year	**25,681**	24,311
One year to five years	**58,045**	78,958
	83,726	103,269

Trade and other receivables and accrued revenue includes accrued revenue of £9,642,000 (30 September 2018: £6,741,000). Trade and other payables and provisions includes trade and other payables, tax and social security balances payable and provisions.

Financial risk management objectives and policies

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's CFO.

The overall objective of the Board is to set policies that seek to reduce risk, as far as possible, without unduly affecting the Group's competitiveness and flexibility. Group borrowings have a number of financial covenants which are tested bi-annually.

The principal financial risks to which the Group is exposed are those of liquidity, interest rate, credit, foreign currency and capital. Each of these is managed as set out below.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources to meet its liabilities as and when they fall due and payable.

In addition to the Group's cash balances which at 30 September year amount to £47.0 million, the Group has an overdraft facility of £2.0 million which is unsecured, with interest payables at the rate of GBP LIBOR plus a margin of 200 basis points. This overdraft was undrawn as at year-end.

Any surplus funds are invested in British pound or US dollar deposits, with maturities not exceeding three months.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (continued)

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted, and include contractual interest payments.

Contractual cash flows at 30 September 2019	Carrying amount £'000	Total £'000	Less than 12 months £'000	1-2 years £'000	2-5 years £'000
Non-derivative financial liabilities					
Secured bank loans	**83,726**	**89,366**	**28,436**	**54,369**	**6,561**
Trade and other payables	**58,591**	**58,591**	**58,591**	**-**	**-**
	143,415	**147,957**	**87,027**	**54,369**	**6,561**
Derivative financial liabilities					
Foreign exchange derivatives					
- Outflow	**824**	**824**	**824**	**-**	**-**
- Inflow	**-**	**-**	**-**	**-**	**-**
	824	**824**	**824**	**-**	**-**

Contractual cash flows at 30 September 2018	Carrying amount £'000	Total £'000	Less than 12 months £'000	1-2 years £'000	2-5 years £'000
Non-derivative financial liabilities					
Secured bank loans	103,269	115,187	28,899	54,482	31,806
Trade and other payables	48,981	48,981	48,981	-	-
	152,250	164,168	77,880	54,482	31,806

Interest rate risk
The majority of the Group's cash balances are held with its principal bankers, earning interest at variable rates of interest. To the extent the British pound overdraft is utilized, it attracts an interest rate of base rate plus a margin of 200 basis points.

The Group's US$160 million term loan is repayable over a period of five years on a straight-line basis. Interest is charged at a rate of three-month USD LIBOR, plus a margin of between 130 basis points and 250 basis points, based on the Group's ratio of net debt to adjusted EBITDA (as determined by the bi-annual covenant compliance reporting). During 2019, this margin reduced from 190 basis points to 130 basis points. (2018: 190 basis points throughout).

The Group elected not to hedge its interest rate risk.

Exposure to interest rate risk
The interest rate profile of the Group's interest-bearing financial assets and liabilities is as follows:

	Floating rate 2019 £'000	Floating rate 2018 £'000
Variable-rate instruments		
Financial assets - Cash and cash equivalents		
Sterling	**12,596**	2,430
US Dollars	**21,278**	25,871
Euros	**6,226**	4,171
Yen	**2,065**	1,934
Swiss Francs	**1,726**	1,452
Other	**3,083**	2,297
	46,974	38,155
Financial liabilities – Loan		
US Dollars	**83,726**	103,269

If interest rates changed by 1%, the impact would not be material to the Group's results in either the current or prior year. The Directors believe that a change of 1% represents a reasonable sensitivity of the Group's interest rate risk. The analysis assumes that all other variables remain constant.

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CONSOLIDATED FINANCIAL STATEMENTS (continued)

Credit risk
Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Group's cash and cash equivalents and trade and other receivables.

The Group's cash and cash equivalents of £47.0 million at 30 September 2019, is predominantly held in the UK and the US, and placed with financial institutions who hold Standard & Poor's long term credit ratings of between A+ and A-. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties.

Trade receivable exposures are mitigated by each division's management team where they arise. The Group's clients are large international corporations or self-regulated bodies such as patent agents and legal firms. As noted in the new accounting standards, amendments and interpretations section of note 1, the Group transitioned to IFRS 9 "Financial Instruments" with effect from 1 October 2018. In accordance with IFRS 9, the Group has applied the simplified model for determining expected credit losses on its trade and other receivables, based on historical default rates experienced at a divisional level. Consideration has also been to the appropriateness of applying these historical default rates to the Group's future trade and other receivables. Refer to Note 14 for further details.

The Group has applied the simplified model specified for expected credit losses, based on historical default rates experienced across the Group as well as forward looking information where material. This replaces the previous policy where provisions against irrecoverable amounts were determined by specific circumstances, however this has not resulted in any significant change on transition, and no significant change in the provision against trade receivables and accrued income at 30 September 2019.

One client accounted for more than 10% of Group turnover in the current year (2018: one). This client was part of the Moravia reporting segment. There were no significant concentrations of credit risk at the balance sheet date.

Foreign currency risk
The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in the functional currency, with cash generated in that currency from their own operations. Transaction exposures arise from non-local currency sales and purchases with gains and losses on transactions arising from fluctuations in exchange rates being recognized in the statement of comprehensive income. Where we have a material or recurring exposure, the policy is to seek to mitigate the risk using forward foreign exchange contracts.

Approximately 69% (2018: 66%) of Group external sales in the reporting period were denominated in USD, while a further 22% were denominated in Euros (2018: 24%). Similarly, the Group's cost base was 42% in USD (2018: 43%) and 27% in Euros (2018: 28%).

The Group applies net investment hedge accounting in respect of borrowings associated with the acquisition of foreign operations, reducing the effect of currency fluctuations in the statement of comprehensive income, by recognizing gains or losses through other comprehensive income.

Assets and liabilities of Group entities located in Germany, Switzerland, the United States, Japan, China, Argentina and Australia, are principally denominated in their respective currencies and are therefore not materially exposed to currency risk. On translation to British pounds, gains or losses arising are recognized directly in equity. Our Czech entity as discussed above applies cash flow hedge accounting to hedge its Czech Koruna operating costs.

The carrying amounts of the Group's material foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities 2019 £'000	Liabilities 2018 £'000	Assets 2019 £'000	Assets 2018 £'000
Euros	**9,057**	7,954	**20,468**	15,531
US Dollars	**50,901**	61,207	**10,675**	20,057
Swiss Francs	**75**	39	**2,378**	1,644
Yen	**143**	65	**79**	1
Other	**1,131**	754	**885**	402
	61,307	70,019	**34,485**	37,635

Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a 10% (2018: 10%) increase and decrease in Sterling against the major currencies listed in the table above. The sensitivity analysis includes only the outstanding denominated monetary items and adjusts their translation at the end of the period for a 10% change in the Sterling exchange rate. A positive number below indicates an increase in profit and other equity where Sterling weakens against the relevant currency. For a 10% strengthening of Sterling against the relevant currency, there would be an equal and opposite impact on profit, and the balances would be negative.

The sensitivities below are based on the exchange rates at the reporting date used to convert the assets or liabilities to Sterling.

	Profit and loss impact 2019 £'000	Profit and loss impact 2018 £'000
Euros	**1,037**	689
US Dollars	**847**	1,821
Swiss Francs	**209**	146
Yen	**(6)**	(6)
	2,087	2,650

If the exchange rate on uncovered exposures were to move significantly between the year-end and the date of payment or receipt, there could be an impact on the Group's profit. As all financial assets and liabilities are short-term in nature, this risk is not considered to be material.

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Cash flow hedges
The Group applies cash flow hedge accounting on foreign exchange forward contracts taken out by Moravia (since acquisition) to hedge its Czech Koruna expected future operating costs. Any changes in the fair value of these cash flow hedges have been recognized in a separate hedge reserve in equity and recycled to the statement of comprehensive income as these costs are settled.

During the year ended 30 September 2019, no ineffectiveness was recorded in the Group's statement of comprehensive incomes (2018: £Nil). All amounts recorded in the hedge reserve pertain to continuing hedging relationships as at 30 September 2019.

The Group's cash flow hedges, which take the form of forward foreign exchange contracts, in place at the year-end are as follows:

	2019 £'000	2018 £'000
Forward foreign currency exchange contracts	**(824)**	1,014

Analysis of the Group's forward contracts' maturity	2019 £'000	2018 £'000
Up to three months	**(215)**	643
Three to six months	**(204)**	163
Six to 12 months	**(405)**	208
	(824)	1,014

As at 30 September 2019, forward contracts are in place for the purchase of 458.4 million Czech Koruna, at an average contracted price of 22.47.

Capital risk
The Group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders, through a combination of capital growth and distributions. The Group has historically considered equity funding as the most appropriate form of capital for the Group, but debt financing has been introduced where it was felt that the benefits exceed the risks and costs to equity shareholders of further equity financings.

At 30 September 2019, there was £83,726,000 of external debt finance on the balance sheet. The Group is not subject to externally imposed capital requirements.

In addition, the Group held its own cash and cash equivalents at the year-end of £46,974,000.

19. SHARE CAPITAL AND RESERVES

	2019 Number	2019 £'000	2018 Number	2018 £'000
Authorized				
Ordinary shares of 1 pence each (2018: 1 pence)	**500,000,000**	**5,000**	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	**273,543,272**	**2,735**	229,361,225	2,293
Issue of shares	**152,635**	**2**	44,182,047	442
At end of year	**273,695,907**	**2,737**	273,543,272	2,735

The increase in share capital was as a result of the exercise of 152,635 share options by a former senior manager of the Group.

The nature and purpose of each reserve within equity is as follows:

- Share-based payment reserve is the credit arising on the share-based payment charges in relation to the Group's share option schemes.
- Foreign currency reserve is the cumulative gain or loss arising on retranslating the net assets of overseas operations into Sterling, except where the Group applies a net investment hedge.
- Hedge reserve is the fair value movement on the derivative contracts.
- Reverse acquisition reserve was created when RWS Holdings plc became the legal parent of Bybrook Limited. The substance of this combination was that Bybrook Limited acquired RWS Holdings plc.
- Retained earnings are the cumulative net gains and losses, including the capital reserve from the Parent Company balance sheet.

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20. SHARE-BASED PAYMENTS

The Group recognized a charge of £0.3 million relating to share-based payments during the year to 30 September 2019, all of which relate to equity-settled schemes.

Summary of movements in awards	2013 Share option plan Number	Save As You Earn scheme Number	2019 Executive share option plan Number	Weighted average exercise price
Balance at 1 October 2017	2,450,490	-	-	1.292
Granted during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Exercised during the year	(652,635)	-	-	1.292
Balance at 30 September 2018	1,797,855	-	-	1.292
Exercisable at 30 September 2018	1,797,855	-	-	1.292
Granted during the year	-	176,720	1,230,946	5.774
Lapsed during the year	-	(1,653)	-	4.130
Exercised during the year	(152,635)	-	-	1.292
Balance at 30 September 2019	**1,645,220**	**175,067**	**1,230,946**	**3.358**
Exercisable at 30 September 2019	**1,645,220**	**-**	**-**	**1.292**

The weighted average share price at the date of exercise of shares exercised during the year was 604.0 pence per share (2018: 424.6 pence).

The weighted average remaining contractual life of outstanding options at the end of the year was 4.8 years (2018: 2.5 years). The aggregate fair value of options granted in the year was £1.4 million (2018: £Nil).

2013 Share option plan

On 2 April 2013, the Company adopted a share option scheme for senior employees. Under the scheme, options to purchase ordinary shares are granted by the Board of Directors, subject to the exercise price of the option being not less than the market value at the grant date. The options vest after a period of three years for the approved scheme and two years for the unapproved scheme, and the vesting schedule is subject to predetermined overall company selection criteria. In the event that the option holder's employment is terminated, the option may not be exercised unless the Board of Directors so permits. The options expire eight years from the date of grant. These option grants are settled on exercise via the issue of new ordinary shares.

Date of grant	1 October 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2019 Number	Exercise price pence	Exercise period
3 April 2013 (approved)	23,215	-	-	-	23,215	129.2	3 April 2016 to 3 April 2021
3 April 2013 (unapproved)	1,774,640	-	(152,635)	-	1,622,005	129.2	3 April 2015 to 3 April 2021
Total	**1,797,855**	**-**	**(152,635)**	**-**	**1,645,220**	**129.2**	

Save As You Earn ("SAYE") scheme

During the year, the Company adopted a HMRC-approved SAYE scheme ("SAYE scheme") for all UK based employees. Under the terms of the SAYE scheme, the Board grants options to purchase ordinary shares in the Company to eligible employees who enter into the SAYE scheme for a term of three years. Options are granted at up to a 10% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the three-year term. These option grants are settled on exercise via the issue of new shares.

Date of grant	1 October 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2019 Number	Exercise price pence	Exercise period
18 February 2019	–	176,720	–	(1,653)	175,067	413.0	1 April to 30 September 2022

2018 Executive share option plan ("ESOP")

On 13 May 2019, the Group announced a new Share Option Plan for executives and selected senior management. The Board has approved the grant of options over 1,230,946 ordinary shares at an exercise price of 601 pence (being the closing mid-market price on 9 May 2019), representing approximately 0.45 per cent of the Company's issued share capital.

These options will normally vest on the third anniversary of the grant date subject to the rules of the plan, continued employment and achievement of performance conditions. The performance conditions applicable to the options are based on the Group achieving EPS targets, each option being split into three tranches, each subject to an EPS target for a reporting year, set annually in advance by RWS' Remuneration Committee.

Vested options are then subject to a two-year holding period and will be exercisable on the fifth anniversary of the grant date and will lapse on the tenth anniversary of the grant date. All options are subject to defined malus and claw-back provisions.

These option grants are settled on exercise via the issue of new shares.

Date of grant	1 October 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	30 September 2019 Number	Exercise price pence	Exercise period
10 May 2019	–	1,230,946	–	–	1,230,946	601.0	10 May 2024 to 13 May 2029

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The fair value of the share options granted under the SAYE scheme and ESOP during the year was estimated, as at the date of grant, using the Black-Scholes option pricing model. The following table lists the range of assumptions applied to the options granted during the year.

	SAYE scheme	ESOP
Weighted average share price at grant (pence)	459.5	601.0
Weighted average exercise price (pence)	413.0	601.0
Expected life of option (years)	3	5
Volatility (%)	39.5	39.5
Dividend yield (%)	1.5	1.5
Risk free interest rate (%)	0.88	0.83
Option value (£)	148.2p	188.61p

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period of time that corresponds to the expected life of the share options.

21. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank and in hand	**26,628**	35,799
Short-term deposits	**20,346**	2,356
	46,974	38,155

Short-term deposits have original maturity of three months or less. The fair value of these assets supports their carrying value. There are no restrictions regarding the utilization of the Group's cash resources.

22. ACQUISITION

Alpha Translations
On 17 January 2019, the Group acquired the entire issued share capital of Alpha Translations Canada Inc. ("Alpha") a leader in expert legal and financial translations, for a cash consideration of USD$6.0 million. Based in Alberta, Canada, Alpha provides rapid delivery of high-quality legal and financial translations to multinational law firms and corporations, with a client base principally located in Germany. Clients include many of the world's top 100 law firms and Fortune 500 companies. The acquisition will be highly complementary to RWS's existing Language Solutions business and will strengthen its specialist legal and financial translation offering.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Book values £'000	Fair value adjustments £'000	Provisional fair values £'000
Net assets acquired:			
Property, plant and equipment	29	–	29
Client relationships	-	1,051	1,051
Supplier database	-	649	649
Deferred tax liability	-	(450)	(450)
Trade and other receivables	346	–	346
Cash and cash equivalents	65	–	65
Trade and other payables	(519)	–	(519)
Total identifiable net assets	**(79)**	**–**	**1,171**
Goodwill	-	3,430	3,430
Total consideration	4,601	–	4,601
Satisfied by:			
Cash			4,601
Cash flow:			
Total consideration			4,601
Cash included in undertaking acquired			(65)
Net cash consideration in cash flow statement			4,536

During the measurement period in 2019, the Group shall obtain all the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognized at the acquisition date.

Alpha contributed £1.8 million revenue and £0.2 million to the Group's profit after tax for the period between the date of acquisition and the balance sheet date, excluding the impact of amortization on acquired intangibles. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £356.4 million and profit after tax for the year £45.2 million.

Acquisition costs of £0.2 million have been charged through the consolidated statement of comprehensive income. Trade and other receivables acquired of £0.3 million included no gross contractual amounts receivable. None of the goodwill recognized on the acquisition of Alpha is expected to be deductible for tax purposes.

Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (continued)

Acquisition of the prior year

Moravia
On 3 November 2017, the Group acquired the entire issued share capital of Moravia US Holding Co. Inc. and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services for a cash consideration of US$320 million plus working capital and certain other adjustments and transaction costs. These were funded by a £185 million (before expenses) cash placing of new ordinary shares and a new US$160 million loan which refinanced the Group's existing facility.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Book values £'000	Fair value adjustments £'000	Fair values £'000
Net assets acquired:			
Property, plant and equipment	4,727	-	4,727
Software	3,731	-	3,731
Client relationships	-	123,281	123,281
Trade name	-	8,254	8,254
Deferred tax liability	(770)	(28,938)	(29,708)
Trade and other receivables	25,155	–	25,155
Deferred tax asset	71	–	71
Cash and cash equivalents	8,326	–	8,326
Trade and other payables	(21,347)	–	(21,347)
Provisions	(358)	–	(358)
Total identifiable net assets	**122,132**	–	**122,132**
Goodwill	-	128,505	128,505
Total consideration	250,637	–	250,637
Satisfied by:			
Cash			250,637
Cash flow:			
Total consideration			250,637
Cash included in undertaking acquired			(8,326)
Net cash consideration in cash flow statement			242,311

23. RELATED PARTY TRANSACTION

During the year, in the normal course of business, the Group provided translation services worth £454,000 (2018: £389,000) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode, the Group's Chairman, has a significant interest. An amount of £29,000 was due from LTG at 30 September 2019.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments contracted for, but not provided for, in the financial statements (2018: £Nil).

In respect of overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year, liabilities covered by these guarantees amounted to £Nil (2018: £Nil).

The Group's US$160 million term loan, taken out with a syndicate of banks to part fund the acquisition of Moravia, has been guaranteed against the assets of Moravia and other fellow subsidiary undertakings.

25. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group for its office properties and certain equipment. Property leases have various terms, escalation clauses and renewal rights.

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	**3,678**	3,916
In the second to fifth years inclusive	**12,502**	9,378
After five years	**8,507**	9,376
	24,687	22,670

26. POST BALANCE SHEET EVENTS

There were no significant events that occurred between the balance sheet date and the date of authorization of these financial statements.

PARENT COMPANY FINANCIAL STATEMENTS

The following Parent Company financial statements are prepared under FRS 101 and relate to the Company and not to the Group.

Company Statement of Financial Position at 30 September 2019
Registered Company 03002645

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	7	**83,451**	83,315
		83,451	83,315
Current assets			
Debtors	8	**213,960**	228,657
Cash at bank and in hand		**1,111**	12,410
		215,071	241,067
Total assets		**298,522**	324,382
Creditors: amounts falling due within one year			
Loan	9	**15,219**	14,371
Trade and other payables	10	**10,171**	2,051
		25,390	16,422
Net current assets		**189,681**	224,645
Total assets less current liabilities		**273,132**	307,960
Creditors: amounts falling due after more than one year			
Loan	9	**34,327**	46,812
Provisions and similar obligations	11	**32**	37
		34,359	46,849
Net assets		**238,773**	261,111
Capital and reserves			
Called up share capital	12	**2,737**	2,735
Share premium account		**51,757**	51,549
Share based payment reserve		**662**	384
Capital reserve		**2,030**	2,030
Profit and loss account		**181,587**	204,413
Total shareholders' funds		**238,773**	261,111
Statement of Comprehensive Income: (Loss)/profit after taxation		**(1,659)**	26,524

The financial statements on pages 90 to 97 were approved by the Board of Directors and authorized for issue on 9 December 2019 and were signed on its behalf by:

Andrew Brode – Chairman
9 December 2019

Company Statement of Changes in Equity for the year ended 30 September 2019

	Called up share capital £'000	Share premium account £'000	Share based payment reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2017	2,293	50,718	1,807	2,030	13,839	70,687
Profit for the financial year	-	-	-	-	26,524	26,524
Total comprehensive income for the year	-	-	-	-	26,524	26,524
Dividends paid	-	-	-	-	(18,307)	(18,307)
Issue of shares	442	831	-	-	184,565	185,838
Share issue costs	-	-	-	-	(3,631)	(3,631)
Exercise of share options	-	-	(1,423)	-	1,423	-
Balance at 30 September 2018	2,735	51,549	384	2,030	204,413	261,111
Loss for the financial year	-	-	-	-	(1,659)	(1,659)
Total comprehensive loss for the year	-	-	-	-	(1,659)	(1,659)
Dividends paid	-	-	-	-	(21,200)	(21,200)
Issue of shares	2	208	-	-	-	210
Exercise of share options	-	-	(33)	-	33	-
Equity-settled share based payments	-	-	311	-	-	311
Balance at 30 September 2019	**2,737**	**51,757**	**662**	**2,030**	**181,587**	**238,773**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

RWS Holdings plc is the holding company of a number of subsidiaries which provide patent translations, intellectual property support services, high-level technical and commercial translations, localization and linguistic validation services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The financial statements of RWS Holdings plc have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:
> paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-based payment" (details of the number and weighted-average exercise prices of share options and how the fair value of goods or services received was determined)
> IFRS 7, "Financial Instruments: Disclosures" paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
> paragraph 38 of IAS 1, "Presentation of financial statements" comparative information requirements in respect of:
  » Paragraph 79(a) (iv) of IAS 1;
  » Paragraph 73(e) of IAS 16 "Property, plant and equipment"; and
  » Paragraph 118(e) of IAS 38 "Intangible assets" (reconciliations between the carrying amount at the beginning and end of the period).
> the following paragraphs of IAS 1, "Presentation of financial statements": 10(d), (statement of cash flows), 16 (statement of compliance with all IFRS), 38A (requirement for minimum of two primary statements, including cash flow statements), 38B-D (additional comparative information), 111 (cash flow statement information), and 134-136 (capital management disclosures)
> IAS 7, "Statement of cash flows"
> paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
> paragraph 17 of IAS 24, "Related party disclosures" (key management compensation)
> the requirements in IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a Group
> disclosures in relation to financial instruments

Going concern
The Parent Company meets its day-to-day working capital requirements through its cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Parent Company has adequate resources to continue in operational existence for the next 12 months. The Parent Company therefore continues to adopt the going concern basis in preparing its financial statements.

Derivative financial instruments and hedging activities
The Parent Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Investments
Investments are stated at cost less provision for impairment. Cost includes capital contributions arising from share options.

Pensions
Contributions to personal pension plans are charged to the Income Statement in the period in which they fall due.

Dividend distribution
Interim dividends are recorded when they are paid, and the final dividends are recorded when they become legally payable.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share-based payments
The Parent Company provides benefits to certain employees (including certain Executive Directors), in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares in the form of share options. These equity-settled share-based transactions are measured as the fair value of the share option at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of these options can be seen in note 20 of the consolidated financial statements.

The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Parent Company's estimate of share options that will vest. At each balance sheet date, the Parent Company revises its estimate of the number of options expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the income statement with a corresponding adjustment to equity reserves.

Where the share options are awarded to employees of subsidiaries, the amount of the charge is passed down to the subsidiary as a capital contribution, which increase in the investment in that subsidiary.

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES IN APPLYING THE COMPANY'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, but the future actual experience may vary materially from management's expectation.

No critical judgements were required to be made by the Directors in these financial statements.

Key sources of estimation uncertainty
No estimates and assumptions are considered to have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the Parent Company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Parent Company enters into forward foreign exchange contracts to mitigate the exchange rate risk for certain foreign currency dividend payments received from its subsidiary undertakings. At 30 September 2019, there were no outstanding forward foreign exchange contracts (2018: none).

5. OPERATING LOSS

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Parent Company loss after tax for the year ended 30 September 2019 under FRS 101 was £1,659,000 (2018: £26,524,000 profit).

Audit fees payable in relation to the audit of the financial statements of the Parent Company are £15,000 (2018: £15,000). Fees paid to PricewaterhouseCoopers LLP and its associates for non-audit services to the Parent Company itself are not disclosed in the individual financial statements of RWS Holdings plc, because the Parent Company's consolidated financial statements are required to disclose such fees on a consolidated basis.

6. DIRECTORS AND EMPLOYEES

	2019 £'000	2018 £'000
Wages and salaries	**1,361**	1,187
Other pension costs	**27**	16
Share-based payments expense	**409**	-
	1,797	1,203

During the year, the Parent Company had seven (2018: seven) Directors, including four Non-Executive Directors, providing services to the Group. During the year, two Directors (2018: two) received contributions to their personal pension schemes. The Parent Company had no other employees during the year (2018: none).

Emoluments of the highest paid Director:	2019 £'000	2018 £'000
Emoluments	**604**	541
Pension costs - paid to the Director's personal pension scheme	**17**	11
Share-based payments expense	**301**	-
	922	552

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 36 to 39.

7. INVESTMENTS

	2019 £'000	2018 £'000
Cost and net book value at beginning of year	**83,315**	83,315
Additions – Capital contributions	**136**	-
Cost and net book value at end of year	**83,451**	83,315

The Directors consider that the value of the Parent Company's fixed asset investments, which are listed below, is supported by their underlying profitability.

The following were the wholly-owned subsidiary undertakings and have been consolidated within the Group's consolidated financial statements:

Subsidiary undertaking	Registered address	Nature of business
Alpha Translations Canada Inc.	Suite 216 636 King Street Spruce Grove Alberta Canada	Technical and legal translations
RWS Information US LLC (formerly Article One Partners LLC)	426 Industrial Avenue Suite 150, Williston VT 5495 USA	IP information searches
Corporate Translations Inc.	101 East River Drive East Hartford, Connecticut CT 06108 USA	Translation and linguistic validation
inovia LLC Lawyers' and Merchants' Translation Bureau Inc. RWS US Holding Co. Inc.	90 Broad Street Suite 402 New York NY 10004 USA	Patent translations Technical and legal translations Holding company
LUZ, Inc. RWS Life Sciences Inc.	555 Montgomery Street Suite 720 San Francisco CA 94111 USA	Translation and linguistic validation Translation and linguistic validation
inovia Europe GmbH	Munchner Freiheit 20 80802 Munich Germany	Patent translations
RWS Group Deutschland GmbH	Joachimsthaler Str. 15 10719 Berlin Germany	Technical and legal translations
KK RWS Group	Sumitomo Hamamatsu-cho Bldg. 3Fl 1-18-16 Hamamatsu-cho Minato-ku	Patent, technical and legal translations
LUZ SarL	Avenue Mon-Repos 14 1005 Lausanne Switzerland	Translation and linguistic validation
RWS Schweiz GmbH (formerly Ifama GmbH)	Barfusserplatz 3 Postfach 4001 Basel Switzerland	Technical and legal translations
inovia Pty Holdings Limited	Suite 4 Level 12 45 Clarence Street Sydney NSW 2000 Australia	Patent translations
Beijing RWS Science & Technology Information Consultancy Co. Ltd	4th Floor, Zhouji Building B No.9 Dixingju Ande Road Doncheng District Beijing 100011 China	Patent, technical and legal translations
Communicare Limited Corporate Translations UK Limited Eclipse Translations Limited Japanese Language Services Limited Pharmaquest Limited RWS Group Limited RWS Information Limited RWS (Overseas) Limited RWS Translations Limited RWS UK Holding Co. Limited	Europa House Chiltern Park Chiltern Hill Chalfont St Peter Buckinghamshire SL9 9FG England	Technical and legal translations Translation and linguistic validation Technical and legal translations Technical and legal translations Technical and linguistic validation Holding company IP searches Holding company Patent translation Holding company
Moravia US Holding Company Inc.	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks CA 91360 USA	Holding company
Moravia US Intermediate Holding Company LLC	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks CA 91360 USA	Holding company
Moravia IT, LLC	223 E Thousand Oaks Blvd, Suite 202, Thousand Oaks CA 91360 USA	Localization services
Moravia LUX Holding Company Sarl Moravia LUX Intermediate Holding Co. SARL	14 rue Edward Steichen, L – 2540, Luxembourg	Holding company Holding company
Moravia IT s.r.o.	Vinena 526/1, Trnita, 602 00 Brno, Czech Republic	Localization services
Moravia IT (Nanjing) Co. Ltd	3F Hongxin Mansion, 98 Jianye Road Qinhuai District, Nanjing, 210004 Jiangsu, China	Localization services
Moravia IT Hungary	Visegradi utca, H-1132 Budapest Hungary	Localization services

*Moravia IT also has branches operating out of Argentina, Ireland, Japan and UK.
All subsidiary undertakings, except RWS Group Limited, are held indirectly.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)

8. DEBTORS

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	**213,728**	228,317
Other debtors	**78**	76
Prepayments	**154**	264
Amounts due within one year	**213,960**	228,657

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9. LOAN

	2019 £'000	2018 £'000
Due in less than one year		
Loan	**15,219**	14,371
Due in more than one year		
Loan	**34,327**	46,812

On 18 October 2017, the Group entered into a new US$160 million debt facility to part fund the acquisition of Moravia US Holding Co. Inc. and Moravia LUX Holding Company Sarl. During 2018, US$64.3 million of this loan was novated to Moravia. This debt facility is repayable over a period of five years on a straight line basis. Interest is charged at a rate of three-month USD LIBOR, plus a margin of between 130 basis points and 250 basis points, based on the Group's ratio of net debt to adjusted EBITDA (as determined by the bi-annual covenant compliance reporting). During 2019, this margin reduced from 190 basis points to 130 basis points (2018: 190 basis points).

10. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade creditors	**311**	100
Amounts owed to Group undertakings	**8,831**	673
Accruals	**1,029**	1,278
	10,171	2,051

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. DEFERRED TAX

	2019 £'000	2018 £'000
Deferred tax liabilities	**32**	37

12. SHARE CAPITAL

	2019 Number	2019 £'000	2018 Number	2018 £'000
Authorized				
Ordinary shares of 1 pence each (2018: 1 pence)	**500,000,000**	**5,000**	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	**273,543,272**	**2,735**	229,361,225	2,293
Issue of shares	**152,635**	**2**	44,182,047	442
At end of year	**273,695,907**	**2,737**	273,543,272	2,735

The increase in share capital was as a result of the exercise of 152,635 share options by a former senior manager of the Group.

Reserves

The nature and purpose of each reserve within equity is as follows:

> The balance on the capital reserve is an amount not distributable to shareholders and not transferred to the income statement.

> Share-based payment reserve is the credit arising on the share-based payment charges in relation to the Group's share option schemes.

> Retained earnings are the cumulative net gains and losses, arising from the Parent Company result.

13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

In respect of overdraft facilities, the Parent Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year, liabilities covered by these guarantees amounted to £Nil (2018: £Nil).

The loan of US$160 million, taken out with a syndicate of banks to part fund the acquisition of Moravia, has been guaranteed against the assets of Moravia and other fellow subsidiary undertakings.

14. POST BALANCE SHEET EVENTS

There were no other significant events that occurred between the balance sheet date and the date of authorization of these financial statements.

Glossary

Adjusted profit before tax or Adjusted PBT – is statutory profit before tax before charging amortization of acquired intangibles, acquisition costs and share-based payments expenses.

Adjusted operating profit – is operating profit before charging amortization of acquired intangibles, acquisition costs and share-based payment expenses.

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

Underlying – excludes the impact of acquisitions and assumes constant currencies.

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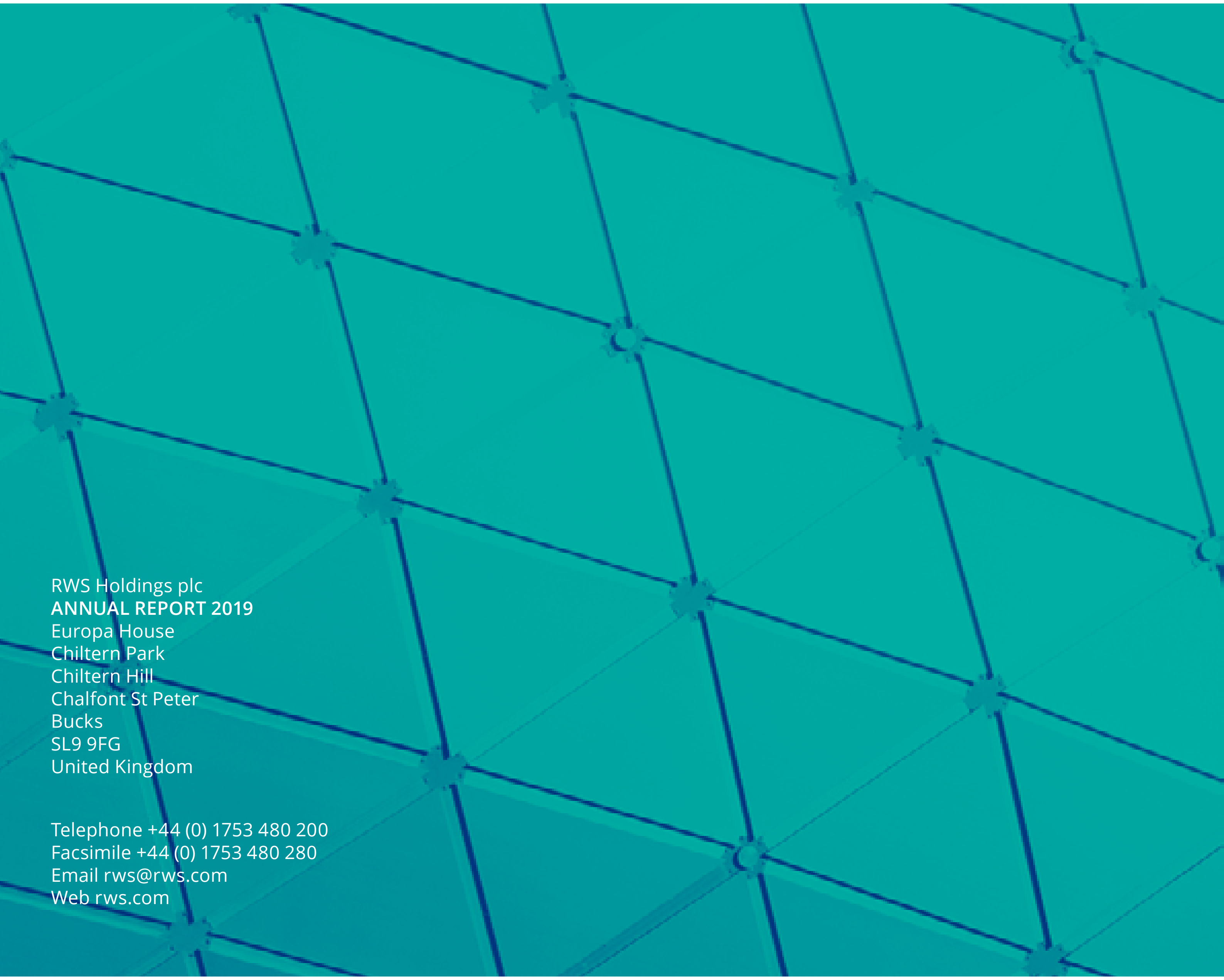

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