



6 December 2016

## **RWS Holdings plc Results for the year ended 30 September 2016**

### ***A milestone year in which we established a leading position in life sciences language services***

RWS Holdings plc (“RWS”, the “Group”), the world’s leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), commercial translations and linguistic validation, today announces its final results for the year ended 30 September 2016.

#### **Financial Highlights:**

##### ***Delivered record revenues and profits ahead of market expectations***

- Sales increased by 28% to £122.0m (2015: £95.2m)
- Adjusted operating profit\* was up 40% to £32.0m (2015: £22.9m)
- Adjusted profit before tax\* rose by 35% to £30.6m (2015: £22.7m)
  - Reflects 10% underlying profit growth, 2% positive exchange rate movements and 23% from CTi’s contribution since acquisition net of associated loan interest costs
- Reported profit before tax was up 21% to £25.1m (2015: £20.7m)
- Adjusted earnings per share\* of 10.9p (2015: 8.1p), an increase of 35%
- Final dividend of 4.45p (2015: 3.85p); total dividend increased by 15% to 5.6p (2015: 4.88p), continuing an unbroken series of dividend increases since flotation in 2003
- Net debt at year end of £1.5m (2015: £30.6m net cash), after £47.1m acquisition in October 2015

\*RWS uses adjusted results as key performance indicators as the directors believe that these provide a more consistent measure of operating performance. Adjusted operating profit and adjusted profit before tax are stated before amortisation of intangibles, share option costs and exceptional acquisition costs.

#### **Operational Highlights:**

##### ***Continued organic progress and investment in acquisition for future growth***

- Acquisition of CTi, the world’s leading translation company focussing exclusively on life sciences translation and linguistic validation:
  - Excellent eleven-month contribution from CTi, with sales of US\$30.5m (11m 2015 US\$27.0m, pre-acquisition)
  - Integration of Group’s life science activities complete
- Good performance from core patent translation activities:
  - Enhanced gross margins
  - New client wins
  - Excellent progress in China

- PatBase revenues advanced by 7%
- Currency tailwinds post EU referendum bringing useful gains
- Intellectual property support services accounted for 70%, and life sciences 20%, of Group revenues
- Overall Group gross margin improved by 339bp

#### **Current Trading and Outlook:**

- Group performance in the first two months of the new financial year has been very strong, with underlying growth aided by favourable currency movements
- The Group remains focussed on developing sales opportunities across the world from its expanded geographical presence, service range and technology offerings
- Net estimated Euro trading exposure hedged at an average rate of 1 Euro = 83p to 30 September 2017

#### **Andrew Brode, Chairman of RWS, commented:**

“RWS has delivered exceptional results against a low-growth world economic environment and the first year of our ownership of CTi has fulfilled all of our expectations.

“The Board remains highly encouraged by the Group’s opportunities to continue to grow significantly and profitably across its now broader portfolio of market leading businesses, particularly as it looks to build on its position in life sciences in the USA.

“The Group’s strong cash generation and healthy balance sheet leave us well positioned to pursue that growth through acquisitions and organic investment, whilst also maintaining our progressive dividend policy.”

*A meeting for analysts will be held today at 9.00am at the offices of MHP, 6 Agar Street, London WC2N 4HN. Please contact MHP by emailing [rws@mhpc.com](mailto:rws@mhpc.com) if you would like to attend.*

#### **For further information, contact:**

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*This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016.*

#### **About RWS:**

RWS is the world’s leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), a market leader in life sciences translations and linguistic validation as well as a high level specialist language service provider in other technical areas, providing for the diverse needs of a blue-chip multinational client base from Europe, North America and Asia. RWS is based in the UK, with offices in Europe, the USA (New York, East Hartford and Chicago), China, Japan and Australia, and is listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: [www.rws.com](http://www.rws.com)



## **RWS Holdings plc**

### **Results for the year ended 30 September 2016**

#### **Chairman's Statement**

I am pleased to report that RWS has delivered its best year ever despite a far from robust global economic backdrop. For the thirteenth consecutive year since listing on AIM in November 2003, we have achieved growth in sales, underlying profits and dividends, testimony to the strength of our market positions in patent translations, intellectual property services and life sciences services. During the year, we have also continued to invest in those resources which can deliver future expansion.

#### **Results and Financial Review**

The Group has achieved further significant progress in underlying operational performance, reflecting continued growth in the core patent translations business, together with growth in PatBase, China and Japan. In addition, the Group benefited from a strong maiden contribution from CTi, the US life sciences specialist it acquired in October 2015. A material improvement in Group gross margins also contributed to our record results.

Group sales advanced by 28% to £122.0m (2015: £95.2m). Adjusted operating profit before amortisation of intangibles, share option costs and exceptional acquisition expenses was up 40% at £32.0m (2015: £22.9m).

Adjusted profit before tax, amortisation of intangibles, share option costs and exceptional acquisition expenses increased by 35% to £30.6m (2015: £22.7m). This produced an increase of 35% in adjusted earnings per share to 10.9p (2015: 8.1p).

Reported profit before tax was £25.1m (2015: £20.7m). This result reflected significantly greater amortisation of intangibles largely driven by the CTi acquisition and totalling £4.6m (2015: £1.6m), offset by lower share based payment costs. Basic earnings per share were 9.0p (2015: 7.3p), a rise of 23%. The Group's effective tax rate was 22.9% (2015: 24.8%).

As at 30 September 2016, shareholders' funds had reached £108.7m (2015: £85.7m). At 1 October 2015 the Group had net cash of £30.6m. The Group ended the 2016 financial year with net debt of only £1.5m, after the £47.1m cash consideration for CTi which was acquired at the end of October 2015, demonstrating the Group's continued strong underlying cash generation. Other significant cash outlays included corporation tax of £5.2m and dividends of £10.6m.

#### **Currency Effects and Hedging**

This year has been marked by considerable volatility in global currency markets. This was compounded in the aftermath of the EU referendum in late June and the Group has benefitted from the resulting decline in sterling. RWS is a prolific exporter of its services meaning that over 85% of its revenues are non-sterling, its principal exposures being to the euro and the US dollar. The Group's estimated net exposure to the Euro has been hedged at an average rate of 1 Euro = 83p for the whole of the year to 30 September 2017. The average rate experienced over 2015-16 was 78.1p. Exposure to the US dollar is largely offset by the five year US\$45m dollar loan drawn to acquire CTi.

#### **Acquisition of a market leader in Life Sciences translations and linguistic validation**

The Group announced on 2 November 2015 that it had acquired the entire issued share capital of Corporate Translations Inc. ("CTi") for a cash consideration of US\$70m. This acquisition was in line with our stated strategy of complementing organic growth with selective acquisitions which have growth potential in attractive sectors and/or geographies, offer excellent margins and enhance shareholder value.

The acquisition of CTi established a significant Group presence in the USA which the Board believes is the largest growth opportunity for RWS. CTi is one of the world's leading life sciences translation and linguistic validation providers. It enjoys a preferred supplier relationship with many of its key clients, with extraordinary

penetration of the blue chip life sciences community. CTi's greater scale, combined with the existing RWS specialist divisions, provided a step change in the Group's competitive standing amongst the major pharmaceutical groups and contract research organisations, whilst RWS' strong foothold in Europe is already supporting CTi's expansion into the European life sciences sector.

Funding for the acquisition was via a combination of a US\$45m five-year bank loan and the Group's internal cash resources.

The acquisition of CTi has been immediately and significantly earnings enhancing, with the US\$70m consideration based upon CTi reporting in excess of US\$7m EBITDA for the year ended 31 December 2015. We have now completed the integration of CTi with our Medical Translation Division, which included the linguistic validation specialist PharmaQuest, and we now report on it as part of our combined life sciences activities. We were also pleased to have appointed Sheena Dempsey as Chief Executive Officer of CTi in early September, following the anticipated departure of the CTi vendors after a hand-over period. She brings a wealth of experience and knowledge of the life sciences space and is a welcome addition to our strong operational management team across the Group.

## **Dividend**

I am pleased to announce that the Board has recommended a final dividend of 4.45p per share. The interim dividend, paid in July, was 1.15p per share, so the total payout in respect of the year will amount to 5.6p per share, an increase of 15% over 2015, reflecting the Group's earnings growth during 2016 and the Board's confidence in the Group's continued progress. This proposed payout marks a thirteen-year unbroken record of increases in the dividend since flotation in November 2003.

The proposed total dividend is 1.6 times covered by basic earnings per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 24 February 2017 to all shareholders on the register at 27 January 2017. The shares will trade ex-dividend on 26 January 2017.

## **Share Option Plan**

RWS announced on 4 April 2013 that the Board had approved a new share option plan for executive directors and senior managers, under which options would be granted over ordinary shares representing up to a maximum of 4% of the Group's share capital. The plan is designed to further align the interests of senior employees with shareholders and to promote the retention of the Group's senior executives.

Options over 4% of the Group's share capital have been issued to ten participants, with a subscription price of 129.2p per share. The earliest vesting date was 3 April 2015 and the latest exercise date is 3 April 2021. A total of 4,184,810 options were exercised during the year.

## **People**

The very nature of the Group's activities dictate that it will always be dependent upon the quality and dedication of its entire staff to meet the demands for high quality and timely delivery required by its worldwide clients. Group headcount reached 792 full time equivalents at the year-end (2015: 621), which includes the 143 CTi employees who joined the Group upon acquisition. I wish to place on record my thanks to all of our employees for their contribution to the Group's excellent results.

## **Corporate Social Responsibility**

RWS has always sought to be a socially responsible Group which has a positive impact on the communities it operates in. We look to employ colleagues who reflect the diversity of the Group's communities. No discrimination is tolerated, and we endeavour to give all employees the opportunity to develop their capabilities. We provide an excellent working environment, the latest technology and appropriate training.

RWS' staff contribute generously on a monthly basis to a wide selection of local and national charities chosen by the staff, and their contributions are matched by the Group.

## **Current Trading and Outlook**

The Group has made a very strong start to the new financial year, benefiting from significant underlying growth in revenues, better gross margins and currency tailwinds.

The Board remains highly encouraged by the Group's opportunities to continue to grow significantly and profitably across its now broader portfolio of market leading businesses, particularly as it looks to build on its position in life sciences in the USA.

The Group's strong cash generation and healthy balance sheet leave us well positioned to pursue that growth through acquisitions and organic investment, whilst also maintaining our progressive dividend policy.

**Andrew Brode**  
**Chairman**  
6 December 2016

## **Strategic Review**

### ***Business Model***

RWS is the world's leading provider of intellectual property (IP) support services (patent translations, international patent filing solutions and searches), high level technical and commercial translation services and, following the acquisition of Corporate Translation Inc, a leading provider of translation and linguistic validation services to the life sciences sector. It has a blue chip multinational client base spanning Europe, North America and Asia, particularly active in patent filing in the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries. The Group's principal business activities are:

- Patent translations and filing, which currently accounts for 65% of Group revenue. RWS differentiates itself from the competition through the quality of its translations, its high level of IP expertise and customer service and the use of its international web based patent filing platform, 'inovia'. Uniquely, the business employs over 100 full time highly qualified translators.
- Following the acquisition in October 2015 of Corporate Translations Inc, RWS has established a separate division, focussed solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceutical corporations and clinical research organisations in North America and Europe.
- Information, which includes a comprehensive range of patent search, retrieval and monitoring services as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is sold exclusively as an annual subscription service.
- Commercial translations, with a particular emphasis on technical translations.

### ***Our Strategy***

RWS's objective is to increase shareholder value by growing the Group's revenue and profit before tax.

Our strategy to achieve this is focussed upon organic growth complemented by selective acquisitions, providing these can be demonstrated to enhance shareholder value.

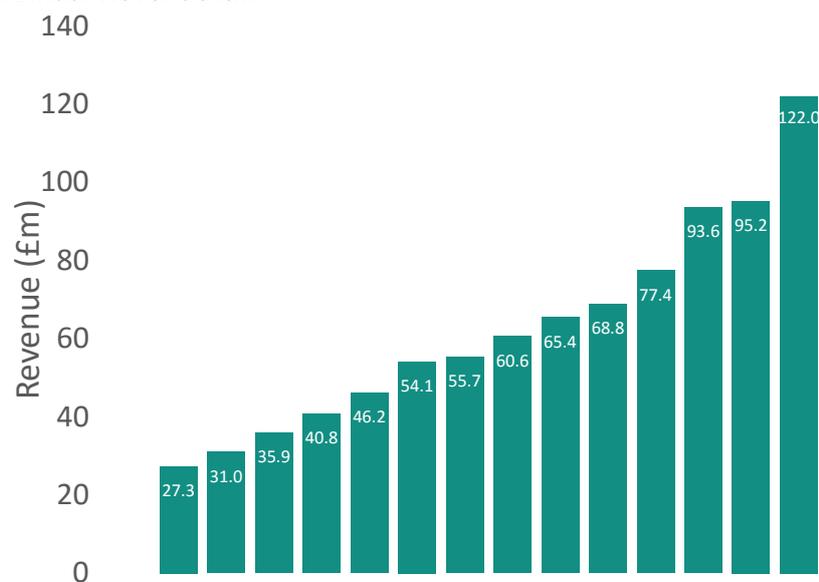
Organic growth is driven by:

- increases in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs by the pharmaceutical industry
- the outsourcing by corporates, clinical research organisations, law firms and attorneys of all or part of their foreign patent search, filing and translation and linguistic validation processes
- the growing demand for language services and the Group's ability to increase its market share by winning new clients attracted by its leading position and reputation, in an otherwise fragmented sector and in new and/or growing geographies
- increasing market share, particularly in the patent translation and life sciences markets
- the retention of our client base, which includes a large share of the top 20 patent filers both in Europe and globally, many of which will use the Group for substantially all of their patent translation requirements, and
- the addition of new clients each year with whom activity levels build up over time.

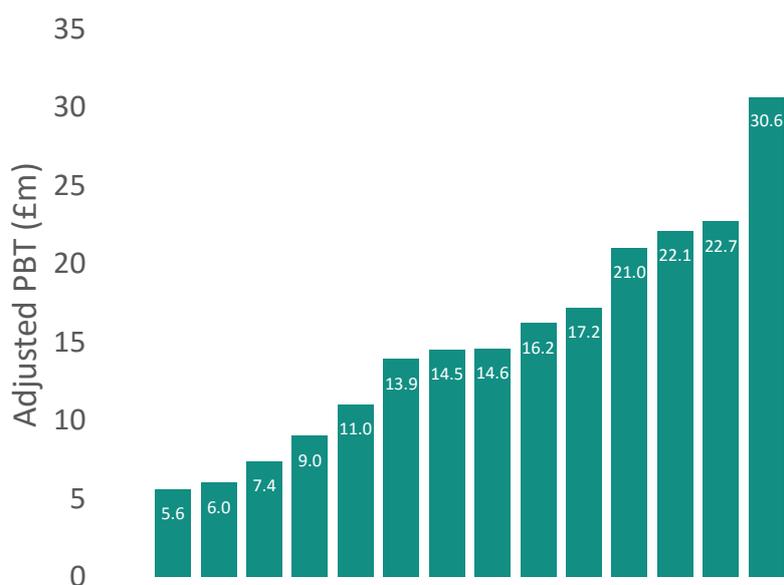
In terms of acquisitive growth, we continue to search for suitable potential acquisitions in the intellectual property support services and specialist commercial translation spaces, with our primary focus currently on life sciences in the USA. We seek niche businesses capable of delivering well above industry average levels of profitability or highly complementary businesses 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 these stated objectives with 13 straight years of sales and profit growth since flotation.

### Annual Revenue £m



### Annual Adjusted PBT £m



Year ending 30 Sep	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Annual Revenue (£m)	27.3	31.0	35.9	40.8	46.2	54.1	55.7	60.6	65.4	68.8	77.4	93.6	95.2	122.0
Annual PBT Adj (£m)	5.6	6.0	7.4	9.0	11.0	13.9	14.5	14.6	16.2	17.2	21.0	22.1	22.7	30.6

## Operating Review

### *Patent Translations and Filing*

The Group's core patent translation and filing business (including inovia) represents 65% of Group sales and grew revenues by 8% to £79.4m (2015: £73.3m). This performance reflects earlier client wins, organic growth from the established client base, and further strong growth in China. The macroeconomic background delivered further grounds for confidence with record numbers of new patent applications in 2015.

The Group has maintained its market leadership, having recently successfully renewed master service agreements with many of its top clients. It services 11 of the top 20 applicants at the World Intellectual Property Office and 12 of the top 20 applicants at the European Patent Office in 2015.

Selling IP services under the RWS inovia brand, the US and European sales teams continue to develop opportunities with large international patent filers which will support FY17 sales. In Asia we continued successfully with our strategy to target Japanese and Chinese international filers for our patent translation and filing services. Sales from Japan are supporting our current growth, while progress in China with a number of innovators is expected to support additional growth in the medium term. China continues to attract North American and European patent filers seeking patent protection there, as a result of which our headcount in China has grown to 70 employees (2015: 63). We are operating from three locations and have continued to develop production and training centres with several Chinese universities. These centres enable the Group to expand its Chinese offering but at a lower cost than in Beijing. We have also continued to expand our long term relationships with international patent bodies seeking to enlarge their collections of translated Chinese patent prosecution documents.

### *Life Sciences*

The Group's life sciences division accounts for 20% of the Group's sales (£24.4m compared to £4.2m in 2015) and focusses on the language service requirements of Pharmaceutical corporations and Clinical Research Organisations.

The results of this division include the sales of RWS businesses which service the life sciences sector, namely PharmaQuest and Medical Translation Division ("MTD") and were previously included within the Commercial Translations division, in addition to an 11 month revenue (US\$30.5m (2015: US\$27.0m)) contribution from CTi since its acquisition in October 2015.

During the year we successfully completed a thorough market search for a new CEO ahead of the anticipated departure of the vendors of CTi who wished to pursue philanthropic ventures. In early September we announced the appointment of Sheena Dempsey. As described in more detail below, RWS has successfully completed the integration of PharmaQuest and MTD with CTi such that all 3 businesses now operate on the same operating system, using the same process and report to Sheena.

### *Commercial Translations*

The commercial translations business, which accounts for 10% of Group sales and operates in the UK, Germany and Switzerland, reported a 2% growth in revenues to £11.9m (2015: £11.7m) (after restatement for the move of PharmaQuest and MTD revenues to the new life sciences division). We have grouped all non-patent and non-life science translations in this service line and it remains the segment of our business most exposed to competition. Given the intensity of the competition, we continue to focus upon specialist niches and larger projects where the Group's resources and expertise can provide a competitive edge and to investigate ways of improving margins through production process efficiencies.

The recently established German patent translation facility is steadily growing and will both balance the cyclical effect evident in the commercial translation activities and improve Germany's contribution to Group margins through better utilisation of existing resources.

The commercial translation business does enable RWS to offer customers a complete solution to their translation needs whilst continuing to provide good cross selling opportunities for the patent translation and life sciences businesses, which have already made use of interpreting services provided by Group company Eclipse.

## *Information*

The information business accounts for 5% of Group sales and reported revenues up 7% to £6.4m (2015: £6.0m) reflecting several successful client wins and a good flow of regular work from a number of clients. The high margin subscription service - PatBase - grew by 7.2% during the year. We have continued to invest in PatBase searchability, content, analytics and geographic coverage as well as in a robust, state of the art infrastructure to secure the resilience of the platform which provides 24/7 worldwide access.

## **Market Update**

### *Patent Filing Statistics*

The World Intellectual Property Office (WIPO) has published figures showing a 7.8% world-wide increase in patent applications in 2015, a higher growth rate than the 4.5% seen in 2014. Overall growth is driven by Chinese domestic applications, with the US still being the most active in international filing. Filings are under the two main international filing systems, the PCT (Patent Cooperation Treaty) and the European Patent; PCT numbers increased by 1.7% to 218,000 and European Patent application numbers by 1.6% to 278,867 in 2015.

## **Risk Management**

The Group maintains a risk register which is reviewed and assessed on an annual basis by the Board of Directors. The key risks to the business are errors in the provision of the Group's services, in a mismatch between currencies (especially as between the Euro and Sterling), in regulatory changes to patent translation requirements in Europe, in 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 staff.

These risks are mitigated as follows:

- Failings in service provision are most likely to arise as a result of human error. RWS was the first language services provider and, independently, the first search company to adopt ISO certification and invests in exhaustive and regularly updated procedures to minimise the risk of error. In addition, the Group carries substantial professional indemnity insurance.
- As previously reported, currency risk is partly mitigated via hedging operations.
- We have in the past drawn the market's attention to the proposed European Union Patent ("the Unitary Patent") and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. As one of the three largest patent filers in Europe, the UK would play a key role in the future administration of the Unitary Patent and has been designated as one of the three countries to host a Unitary Patent court. Given the UK's 'Brexit' vote, there was considerable uncertainty as to whether the UK would ratify the Unitary Patent prior to its exit from the European Union. However, on 28 November 2016 the UK government announced that it is proceeding with preparations to ratify the Unified Patent Court Agreement, which could see the UP introduced in the second half of 2017.

As previously reported, there is scepticism among applicants and the IP profession both as regards the UP's jurisdiction and also the actual financial benefits for those applicants which do not require Europe-wide patent coverage. Because the proposed Unitary Patent will run in parallel with the existing system, it will not provide any financial advantage to many corporates who only seek patent protection in selected key countries. In addition, corporates using the Unitary Patent scheme for the first time will also run the risk of a new and untried intellectual property litigation system.

To date there has been insufficient guidance from the UK Government as to the terms it will seek for UK's exit from the EU. The uncertainty of whether the UP will still cover the UK when it finally exits the EU could add further reluctance to using the new system. We therefore anticipate a minimal loss of revenue in FY17 and we will be closely monitoring client reaction and legal developments over the next six months to establish the impact/position for FY 18 and beyond.

- In October 2015, RWS acquired CTi with the intention of building a single life sciences business with greater global reach. The subsequent integration focussed on merging RWS' smaller existing life sciences Businesses of PharmaQuest and MTD into CTi. This integration work included retraining staff, the consolidation of customers and suppliers, and establishing strong IT links between the businesses. This work is now complete.

The supplier consolidations have reduced technical costs and improved margins, whilst the consolidation of customers has improved the focus of our service offering and enabled RWS to provide its life science customers with a consistent, high level of service across both their US and European operations. In addition, cross-selling opportunities have already been identified and are beginning to yield positive results as well as enhancing our sales pipeline.

The framework for and experience gained from this successful CTi and RWS integration will be utilised on future acquisitions.

- The Group has always embraced new translation technologies and used them to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing advances in machine translation technology (MT), we have just completed an internal programme to investigate and trial best MT use and have started integrating MT engines into the translation workflow in appropriate areas along with Translation Memory technology. Very recently, substantial technological progress has been made with the introduction of Neural Machine Translation (NMT) engines, which will also be employed by the Group following further testing and supplier selection. It is clear that the market for general translations will be further eroded by NMT and that a successful LSP (Language Services Provider) needs to focus on premium quality translation work in critical areas, as RWS does in IP and life sciences.
- As a significant employer in the local area of South Buckinghamshire, we believe we offer stability of employment, competitive salaries and an excellent working environment. In the current economic climate we have been successful in recruiting high calibre staff as required, but competition for talented people to work on the periphery of the London conurbation is undoubtedly intensifying, as evidenced by the exceptionally low unemployment statistics for the area.

# RWS Holdings plc

## Annual Report 2016

### Consolidated Statement of Comprehensive Income

for the year ended 30 September

	Note	2016 £'000	2015 £'000
<b>Revenue</b>	3	<b>121,986</b>	95,215
Cost of sales		<b>(69,792)</b>	(57,706)
<b>Gross Profit</b>		<b>52,194</b>	37,509
Administrative expenses		<b>(25,671)</b>	(16,677)
<b>Operating profit</b>		<b>26,523</b>	20,832
Analysed as:			
Operating profit before charging:		<b>32,023</b>	22,894
Amortization of acquired intangibles		<b>(4,639)</b>	(1,607)
Acquisition costs		<b>(855)</b>	-
Share based payment costs		<b>(6)</b>	(455)
<b>Operating profit</b>		<b>26,523</b>	20,832
Finance income		<b>16</b>	71
Finance costs		<b>(1,448)</b>	(251)
<b>Profit before tax</b>		<b>25,091</b>	20,652
Taxation expense	4	<b>(5,758)</b>	(5,124)
<b>Profit for the year</b>		<b>19,333</b>	15,528
<b>Other comprehensive income*</b>			
Gain on retranslation of foreign operations		<b>8,479</b>	1,069
<b>Total other comprehensive income</b>		<b>8,479</b>	1,069
<b>Total comprehensive income attributable to:</b>			
<b>Owners of the parent</b>		<b>27,812</b>	16,597
<hr/>			
Basic earnings per Ordinary share (pence per share)	6	<b>9.0</b>	7.3
Diluted earnings per Ordinary share (pence per share)	6	<b>9.0</b>	7.3

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

# RWS Holdings plc

## Annual Report 2016

### Consolidated Statement of Financial Position at 30 September

Registered Company 3002645

	2016 £'000	2015 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	61,518	31,445
Intangible assets	28,421	6,836
Property, plant and equipment	17,630	17,732
Deferred tax assets	1,875	340
	<b>109,444</b>	<b>56,353</b>
<b>Current assets</b>		
Trade and other receivables	28,173	17,907
Foreign exchange derivatives	-	309
Cash and cash equivalents	27,910	30,569
	<b>56,083</b>	<b>48,785</b>
<b>Total assets</b>	<b>165,527</b>	<b>105,138</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Loan	6,923	-
Trade and other payables	20,207	14,797
Foreign exchange derivatives	681	-
Income tax payable	4,702	2,417
Provisions	79	77
	<b>32,592</b>	<b>17,291</b>
<b>Non-current liabilities</b>		
Loan	22,500	-
Other payables	30	30
Provisions	379	301
Deferred tax liabilities	1,326	1,826
	<b>24,235</b>	<b>2,157</b>
<b>Total liabilities</b>	<b>56,827</b>	<b>19,448</b>
<b>Total net assets</b>	<b>108,700</b>	<b>85,690</b>
<b>Equity</b>		
<b>Capital and reserves attributable to owners of the parent</b>		
Share capital	2,157	2,116
Share premium	8,947	3,583
Share based payment reserve	875	1,801
Reverse acquisition reserve	(8,483)	(8,483)
Foreign currency reserve	10,117	1,638
Retained earnings	95,087	85,035
<b>Total equity</b>	<b>108,700</b>	<b>85,690</b>

# RWS Holdings plc

## Annual Report 2016

### Consolidated Statement of Changes in Equity

For the year ended 30 September

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 1 October 2014	2,116	3,583	(6,568)	79,303	78,434
Profit for the year	-	-	-	15,528	15,528
Currency translation differences	-	-	1,069	-	1,069
Total Comprehensive income for the year ended 30 September 2015	-	-	1,069	15,528	16,597
Dividends	-	-	-	(9,796)	(9,796)
Credit arising on share based payments	-	-	455	-	455
At 30 September 2015	2,116	3,583	(5,044)	85,035	85,690
Profit for the year	-	-	-	19,333	19,333
Currency translation differences	-	-	8,479	-	8,479
Total Comprehensive income for the year ended 30 September 2016	-	-	8,479	19,333	27,812
Issue of shares	41	5,364	-	-	5,405
Deferred tax on unexercised share options	-	-	-	414	414
Dividends	-	-	-	(10,627)	(10,627)
Exercise of share options	-	-	(932)	932	-
Credit arising on share based payments	-	-	6	-	6
<b>At 30 September 2016</b>	<b>2,157</b>	<b>8,947</b>	<b>2,509</b>	<b>95,087</b>	<b>108,700</b>

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2014	1,346	(8,483)	569	(6,568)
Revaluation of net assets of Overseas subsidiaries	-	-	(33)	(33)
Revaluation of Goodwill and intangibles	-	-	1,145	1,145
Revaluation of deferred tax on intangibles	-	-	(43)	(43)
Other Comprehensive gain for the year	-	-	1,069	1,069
Credit arising on share based payments	455	-	-	455
At 30 September 2015	1,801	(8,483)	1,638	(5,044)
Revaluation of net assets of Overseas subsidiaries	-	-	1,932	1,932
Revaluation of Goodwill and intangibles	-	-	11,444	11,444
Revaluation of deferred tax on intangibles	-	-	(85)	(85)
Revaluation of Loan	-	-	(4,812)	(4,812)
Other Comprehensive gain for the year	-	-	8,479	8,479
Exercise of share options	(932)	-	-	(932)
Credit arising on share based payments	6	-	-	6
<b>At 30 September 2016</b>	<b>875</b>	<b>(8,483)</b>	<b>10,117</b>	<b>2,509</b>

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

- Share capital is the nominal value of the shares issued
- Share premium is the amount received for shares issued in excess of their nominal value
- Share based payment reserve is the credit arising on the share based payment charges in relation to the Company'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.
- 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 Company balance sheet

# RWS Holdings plc

## Annual Report 2016

### Consolidated Statement of Cash Flows for the year ended 30 September

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		25,091	20,652
Adjustments for:			
Depreciation of property, plant and equipment		941	824
Amortization of intangible assets		4,719	1,663
Share based payment costs		6	455
Finance income		(16)	(71)
Finance expense		1,448	251
<b>Operating cash flow before movements in working capital and provisions</b>		<b>32,189</b>	<b>23,774</b>
Increase in trade and other receivables		(4,249)	(1,529)
increase in trade and other payables and provisions		1,652	2,037
<b>Cash generated from operations</b>		<b>29,592</b>	<b>24,282</b>
Income tax paid		(5,196)	(5,091)
<b>Net cash inflow from operating activities</b>		<b>24,396</b>	<b>19,191</b>
<b>Cash flows from investing activities</b>			
Cash flows from investing activities			
Interest paid		(369)	-
Interest received		16	76
Acquisition of subsidiary, net of cash acquired		(47,068)	-
Purchases of property, plant and equipment		(731)	(1,258)
Purchases of intangibles (computer software)		(169)	(33)
<b>Net cash outflow from investing activities</b>		<b>(48,321)</b>	<b>(1,215)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing		29,485	-
Repayment of borrowing		(4,874)	-
Proceeds from the issue of share capital		5,405	-
Dividends paid	5	(10,627)	(9,796)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>19,389</b>	<b>(9,796)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,536)</b>	<b>8,180</b>
Cash and cash equivalents at beginning of the year		30,569	22,479
Exchange gains/(losses) on cash and cash equivalents		1,877	(90)
<b>Cash and cash equivalents at end of the year</b>		<b>27,910</b>	<b>30,569</b>
<b>Free cash flow</b>			
Analysis of free cash flow			
Net cash generated from operations		29,592	24,282
Net interest (paid)/received		(353)	76
Income tax paid		(5,196)	(5,091)
Purchases of property, plant and equipment		(731)	(1,258)
Purchases of intangibles (computer software)		(169)	(33)
<b>Free cash flow</b>		<b>23,143</b>	<b>17,976</b>

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.

# RWS Holdings plc

## Annual Report 2016

### Notes to the Consolidated Financial Statements (continued)

#### 1. General information

RWS Holdings plc is a company incorporated in the United Kingdom. The address of the registered office is Europa House, Chiltern Park, Chiltern Hill, Chalfont St Peter, Buckinghamshire, SL9 9FG.

The Group's financial statements for the year ended 30 September 2016, from which this financial information has been extracted, and for the comparative year ended 30 September 2015, are prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU.

The financial information shown in the announcement for the year ended 30 September 2016 and the year ended 30 September 2015 set out above does not constitute statutory accounts but is derived from those accounts. The results have been prepared using accounting policies consistent with those used in the preparation of the statutory accounts. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2015 have been delivered to the Registrar of Companies and those for the year ended 30 September 2016 will be delivered shortly, having been approved by the Directors on 5 December 2016. The auditors have reported on the accounts for the years ended 30 September 2015 and 30 September 2016, their reports were unqualified, did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

Copies of this announcement are available at the registered office of the Company for a period of 14 days from the date hereof.

#### 2. Significant account policies

##### Basis of accounting

The principle accounting policies adopted in the preparation of this preliminary announcement remain unchanged from those set out fully in the financial statements for the year ended 30 September 2015.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS on 17 January 2017.

#### 3. Segment Information

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

	2016	2015
	£'000	£'000
UK	15,510	17,637
Continental Europe	62,751	45,308
Asia, United States of America and Australia	43,725	32,270
	<b>121,986</b>	<b>95,215</b>

#### 4. Taxation

	2016 £'000	2015 £'000
Taxation recognised in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	4,171	3,957
- Overseas	3,325	1,039
Adjustment in respect of prior years	(32)	288
	<b>7,464</b>	5,284
Deferred tax		
Current year movement	(1624)	(228)
Adjustment in respect of prior years	(82)	68
<b>Total tax expense</b>	<b>5,758</b>	5,124

The table below reconciles the UK statutory tax charge to the Group's total tax charge.

	2016 £'000	2015 £'000
Profit before taxation	25,091	20,652
Notional tax charge at UK corporation tax rate of 20.0% (2015: 20.5%)	5,018	4,234
Effects of:		
Items not deductible or not chargeable for tax purposes	(512)	60
Differences in overseas tax rates	1,366	474
Adjustments in respect of prior years	(114)	356
<b>Total tax expense for the year</b>	<b>5,758</b>	5,124

## 5. Dividends to shareholders

	2016 pence per share	2016 £'000	2015 pence per share	2015 £'000
Final, paid 26 February 2016 (2015: paid 27 February 2015)	3.85	8,146	3.60	7,617
Interim, paid 22 <sup>nd</sup> July 2016 (2015: paid 24 July 2015)	1.15	2,481	1.03	2,179
	<b>5.00</b>	<b>10,627</b>	4.63	9,796

The Directors recommend a final dividend in respect of the financial year ended 30 September 2016 of 4.45 pence per Ordinary share to be paid on 24 February 2017 to shareholders who are on the register at 27 January 2017. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2016. The final proposed dividend will reduce shareholders' funds by an estimated £9.6 million.

## 6. Earnings per Ordinary share

Basic earnings per share are based on the post-tax Group profit for the year and a weighted average number of Ordinary shares in issue during the year calculated as follows:

	2016	2015
Weighted average number of Ordinary shares in issue for basic earnings	<b>214,215,397</b>	211,579,840
Dilutive impact of share options	<b>1,564,458</b>	1,086,738
Weighted average number of Ordinary shares for diluted earnings	<b>215,779,855</b>	212,666,578

Adjusted earnings per Ordinary share is also presented to eliminate the effects of acquired intangibles, share options and exceptional acquisition costs. This presentation shows the trend in earnings per Ordinary share that is attributable to the underlying trading activities. The reconciliation between the basic and adjusted figures is as follows:

	2016 £'000	2015 £'000	2016 Basic earnings per share pence	2015 Basic earnings per share pence	2016 Diluted earnings per share pence	2015 Diluted earnings per share pence
Profit for the year	19,333	15,528	9.0	7.3	9.0	7.3
Adjustments:						
Amortization of acquired intangibles	4,639	1,607	2.2	0.8	2.1	0.8
Exceptional acquisition costs	855	-	0.4	-	0.4	-
Charges for share based payments	6	455	-	0.2	-	0.2
Tax effect of adjustments	(1,515)	(412)	(0.7)	(0.2)	(0.7)	(0.2)
Adjusted earnings	<b>23,318</b>	17,178	<b>10.9</b>	8.1	<b>10.8</b>	8.1