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RWS Holdings plc

Half Year Report for the Six Months ended 31 March 2022

A robust performance with profit ahead of expectations and progress with new strategic initiatives

RWS Holdings plc ("RWS", "the Group"), a unique world-leading provider of technology-enabled language, content and intellectual property services, today announces its half year results for the six months ended 31 March 2022 (“the first half”).

Financial overview

	H1 2022	H1 2021[1]	Change
Revenue	£357.3m	£326.4m	+9%
Adjusted profit before tax[2]	£60.7m	£50.5m	+20%
Reported profit before tax	£32.9m	£14.9m	+121%
Adjusted basic earnings per share[2]	11.9p	10.5p	+13%
Basic earnings per share	6.1p	3.0p	+103%
Interim dividend	2.25p	2.0p	+13%
Cash conversion[3]	120%	79%	+4100bps[4]

	H1 2022	FY 2021	Change
Net cash[5]	£38.2m	£45.3m	-£7.14m

H1 2022 highlights

- A robust first half with encouraging progress on the plans and investments announced at our Capital Markets Day (“CMD”) in March:
    - Technology product teams re-organised to give full ownership and accountability
    - Business partnering model implemented in Language eXperience Delivery (“LXD”), our unique Group-wide production platform, which is now processing a greater proportion of the Group’s translation volumes, supporting gross margin improvement
    - The Business Transformation Office, our programme and project management function has been revitalised to ensure effective oversight of investments and growth initiatives
    - Integration underway of Fonto, the structured content management business acquired in March
- 9% year-on-year revenue growth:
    - Solid combined growth of 3% on an organic constant currency basis (“OCC”)[6] across the three divisions that make up 85% of Group revenues – Language Services (2% growth), Regulated Industries (5% growth) and Language & Content Technologies (“L&CT”) (2% growth)
    - In line with our expectations, continuing weakness in demand in IP Services (-8% OCC)[6], which accounts for 15% of Group revenues, with actions underway to drive recovery

  - Results demonstrate early progress in increasing the proportion of revenues coming from higher growth segments, with L&CT now representing 17% of Group revenues in the first half (FY21: 15%)

- Adjusted profit before tax[2] slightly ahead of Board expectations at £60.7m, up 20% on prior period, reflecting:
  - The full period effect of synergies following the SDL plc acquisition
  - Revenue progression; and
  - Our leveraging of LXD to enhance margins

- Adjusted profit before tax[2] margin of 17.0%, up from 15.5% in the prior period

- Continued strong cash generation, with cash conversion of 120% resulting in net cash[5] of £38.2m at 31 March 2022 after payment of the €17.5m (£14.4m) initial consideration for Fonto and paying our largest ever final dividend of £33.1m

- RWS remains in a strong position to make the investments announced in March, fund further acquisitions and maintain a progressive dividend policy

Strategy and outlook

- Encouraging initial signs of organic growth in our software division (L&CT), with an encouraging increase in the proportion of new SaaS revenues to 34% (HY21: 24%), which will improve revenue predictability, notwithstanding the short term transitional impact
- Continued focus on our purpose of Unlocking Global Understanding and on delivering our accelerated growth plan, with positive progress in applying the RWS growth model introduced at the CMD:
  - Building long-term client relationships
  - Deepening our cultural and technical expertise
  - Deploying our unique technology and AI
  - Developing our portfolio (including a continuing focus on M&A); and
  - Leveraging our global scale and reach
- Full year outlook in line with latest guidance and current market expectations[7] and continuing confidence in the medium to long term drivers of demand for our products and services

Ian El-Mokadem, Chief Executive Officer of RWS, commented:

“We have delivered a robust performance in the first half, with some good progress made in defining our medium-term strategy and growth plans, whilst making the organisational changes that will enable delivery. We successfully launched our new purpose and values to more than 7,500 colleagues, and we are seeing an increasingly unified culture across the Group.

“We continued to build long-term relationships with our clients, with a wide range of contract renewals and service extensions across our divisions. We have won a number of new clients, with the Major Account and GoGlobal account segments in Language Services both having a strong first half. Technology-enabled service solutions continue to be a differentiator and our eLearning proposition has begun to gain some traction. In Regulated Industries we achieved further penetration in the high growth Linguistic Validation segment.

“We have seen good growth in technology product revenues compared with the prior period, including an increased uptake of SaaS solutions, ahead of our expectations and the prior period. We are making the planned investments in the core technology and AI products that we announced at our Capital Markets Day. These investments will enable us to capitalise on the benefits of being able to offer a unique blend of services and technology, at scale, to meet our clients’ evolving needs.

"We recognise that there are risks across the global economy, however we remain confident that we will continue to make good progress in the development of the Group in the second half, delivering good margin improvement in the current financial year, and that we are in a strong position to deliver on our medium-term growth strategy."

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About RWS:

RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our unique combination of technology and cultural expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our purpose is unlocking global understanding. By combining cultural understanding, client understanding and technical understanding, our services and technology assist our clients to acquire and retain customers, deliver engaging user experiences, maintain compliance and gain actionable insights into their data and content.

Our clients include 90 of the world's top 100 brands, the top 20 pharmaceutical companies and 19 of the top 20 patent filers. Our client base spans Europe, Asia Pacific and North and South America. We work in the automotive, chemical, financial, legal, medical, pharmaceutical, technology and telecommunications sectors, which we serve from 80+ global locations across five continents.

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

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

Forward-looking statements

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

1. *Prior period balances restated to reflect finalisation of SDL purchase price allocation resulting in an increase of amortisation of acquired intangible assets. Profit before tax has decreased by £9.1m accordingly and profit after tax has decreased by £4.4m following release of deferred tax on amortisation and impact of prior period tax adjustments.*

2. *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance by adjusting for acquisition-related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles. Adjusted earnings per share adjusts for the same items, net of any associated tax effects.*

3. *Cash conversion is defined as adjusted operating cash flows divided by adjusted operating profit.*

4. *The cash conversion figure for H1 2021 included the settlement of opening balance sheet liabilities resulting from the Group's acquisition of SDL plc in November 2020. Adjusting for this one-off payment, cash conversion for H1 2021 would have been 97%.*

5. *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*

6. *OCC excludes the impact of acquisitions and assumes constant currency.*

7. *The latest Group-compiled view of analysts' expectations for FY 2022 gives a range of £735.8m-£755.5m for revenue, with a consensus of £746.5m, and a range of £133.8m-£135.1m for adjusted profit before tax, with a consensus of £134.2m.*

Results for the Six Months ended 31 March 2022

Chief Executive Officer's Review

I am pleased to report that we have made encouraging progress in the first six months of the year, and that we expect to deliver good margin improvement in the year ending 30 September 2022 ("FY22"), as we continue to implement the accelerated growth plan that we announced at our Capital Markets Day ("CMD") on 23 March 2022.

Business overview

RWS is a unique world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our combination of technology and cultural expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our Group is a well-proven, profitable, highly cash-generative business with a strong track record of growth and value creation. We operate in attractive growing markets with a combined global size estimated at more than £47bn, where specialist knowledge, reputation and scale, supported by technology, are critical. We have successfully diversified over the last seven years and now occupy leading positions in many of our chosen markets.

The Group is organised around four operating divisions:

- **Language Services** focuses on localisation solutions for a wide range of industry verticals, including automotive, chemical, consumer, retail, technology, travel and telecommunications. The range of services includes localisation, data training, eLearning, video localisation and interpreting services. The division has three client segments – technology enterprises (served by the Enterprise Internationalisation Group), Major Accounts and GoGlobal (both served by the Strategic Solutions Group). RWS's product technologies are often provided in combination with its services and the division supports clients at any stage of their globalisation journey, localising and adapting content for local markets.

- **Regulated Industries** provides a range of services for three verticals – life sciences, financial services and the legal sector. Service provision is centred around highly specialised, technical translations with a strong emphasis on quality and security. The division's clients include the world's top 20 pharmaceutical companies; 19 of the top 20 medical device companies and 18 of the top 20 law firms. Its work in the pharmaceutical and medical device verticals makes a critical contribution to life safety, evidenced by our involvement in the development and testing of vaccines to combat Covid-19.

- **Language & Content Technology** ("L&CT") offers a range of technology products which deliver translation and content management solutions. A pioneer in machine translation (MT), Language Weaver is a neural MT product, using linguistic AI. With Trados, RWS offers a suite of translation productivity and management solutions for enterprises, small and medium-sized organisations and individuals. Tridion and Contenta are the Group's content management products, the former focused on both structured and web content solutions, and the latter specialising in technical content solutions for the government and defence sectors. These have recently been supplemented by the acquisition of Fonto.

- **IP Services** is the world's premier provider of patent translations, filing solutions and IP search, retrieval and monitoring services. The division delivers highly specialised technical translations to patent applicants and their representatives, and counts 19 of the world's top 20 patent filers as its clients.

Three of the divisions are supported by our Language eXperience Delivery ("LXD") function, RWS's unique production platform, which uses a number of the technology products offered by the fourth division, L&CT, to support operational efficiency and excellence in the delivery of solutions to clients.

Our strategy

RWS has a clear strategy to build a long-term sustainable business, delivering financial and social value. At our CMD in March 2022, we introduced our accelerated growth plan. This strategy is centred on growing organically through:

- Accelerating penetration into existing high growth segments
- Leveraging our capabilities into adjacent high growth segments
- Growing share of wallet through expanding our service range; and
- Re-affirming our technology product leadership.

In parallel we are investing to deliver the sector's most efficient production platform, our LXD, which allows us to offer the most appropriate blend of people and technology to meet client needs, irrespective of content type, quality requirement or urgency.

This renewed focus on organic growth is complemented by a disciplined M&A programme to selectively acquire complementary businesses which enhance our organic growth profile and fit with our strategic priorities to add:

- Localisation assets with attractive end market exposure
- New capabilities in technology-enabled language services
- Assets that broaden our natural language processing capabilities; and
- Data annotation solutions.

Our approach is defined by the RWS Growth Model which demonstrates our unique position and the basis on which we will deliver our strategy. The Growth Model's five components are:

- Building long-term client relationships – we offer the broadest range of services and products, with configurable solutions to meet any mix of quality, value and speed requirements from clients, who also benefit from dedicated sector account management teams and specialist sector expertise in areas such as life sciences, technology and intellectual property.
- Deepening our cultural and technical expertise – we support over 270 language pairs and have access to more than 29,000 freelance linguists alongside nearly 2,000 that we directly employ. We have rich and varied data - translation memories, term bases and accumulated knowledge about brands and their voices and different cultures. We also invest in future linguistic and technical talent via the RWS Campus programme.
- Deploying our unique technology and AI - we are machine translation pioneers via our Language Weaver product, and our neural MT research team is accredited with more than 45 patents. The Trados suite offers a range of market-leading cloud-oriented translation management and productivity tools, and we provide complementary content management technologies to allow brands to better reach their audiences. Our technology product suite is sold both separately and alongside our service solutions, as well as supporting our internal efficiency and effectiveness.
- Developing our portfolio – RWS consistently delivers strong cash generation. As a result, the Group has the ability to invest in service and technical development to support our clients as they innovate and grow. Our balance sheet also allows us to make further value accretive acquisitions which will support our move into higher growth segments.
- Leveraging our global scale and reach – The LXD provides 24 x 7 coverage via a blend of human expertise and technology. The platform delivers operational leverage, with potential for sustained efficiency and margin improvement. We are also investing to establish effective and lean shared services which will support our four operating divisions and facilitate the integration of acquisitions and continued margin development.

Half year results

The Group increased revenues to £357.3m compared with £326.4m in the prior period, a 9% improvement. This figure incorporates a full six months' trading of SDL plc compared with only five months in the comparative period. On an organic constant currency basis ("OCC")[1] and excluding acquisitions, revenues grew by 1%.

The Group achieved an Adjusted PBT[2] of £60.7m in the first half-year, an increase of 20% compared with £50.5m in the prior year, which was slightly ahead of the Board's expectations. Adjusted profit before tax is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles. On the same basis, adjusted earnings per share increased by 13% to 11.9p (HY21: 10.5p).

Taxation

The adjusted[3] effective tax rate for the Group was 23.7% (HY21: 23.4%). This increase reflects the impact of different tax rates in the geographical locations where profits are made, together with the impact of movements in provisions as part of our regular reassessment of tax exposures across the Group.

Currency and FX

The Group remains exposed to movements in the US dollar exchange rate reflecting the fact that the majority of revenues (approximately 65%) are denominated in US dollars. The Group continues to hedge transactional risk while relying on constant currency reporting to highlight underlying translation risk, which remains unhedged. The Group uses forward exchange contracts to hedge risk at both Group and divisional level. Results in the first half of FY22 have been largely unaffected by the £/US$ exchange rate. Since period close, the £/US$ exchange rate has seen the dollar strengthen by 7%, which should be favourable to the Group in H2 should it continue. We typically hedge approximately half of our foreign exchange exposure during the financial year.

Cash Flow

During the first half, the major cash outlays were the final dividend of £33.1m, the initial purchase consideration for the Fonto acquisition €17.5m (£14.4m), purchase of intangible assets of £10.9m and tax payments of £11.3m. Net cash flow from operating activities was £60.1m.

Balance sheet and liquidity

At 31 March 2022, shareholders' funds amounted to £1,012.1m (HY21: £992.1m). At the same date, the Group had net cash[4] of £38.2m (HY21: £11.8m), comprising cash of £80.6m less borrowings of £42.4m. RWS has a significantly cash generative business model and the Board is confident that the Group's cash generation and liquidity put it in a strong position to further invest in organic growth as well as explore suitable acquisition opportunities. In addition to its cash reserves, the Group had drawn US$58m of its US$120m banking facility, leaving headroom of US$62m at the period end and total liquidity of £128m.

Dividend

The Directors have approved an interim dividend of 2.25p per share, reflecting a 13% increase over the 2.0p interim dividend in FY21. This reflects the Group's strong financial position, its cash generative business model and the Board's confidence in its future prospects.

The dividend will be paid on 22 July 2022 to shareholders on the register at 24 June 2022 and the ex-dividend date is 23 June 2022. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in 2003.

Operating review

Language Services

The Language Services division, which represented 44% of Group revenues (FY21: 46%) in the period, generated revenues of £158.7m (like-for-like[5] HY21: £155.9m), and grew 2% on an OCC[1] basis. The division had a solid first half, particularly in the Strategic Solutions Group, where there were a number of new client wins in the Major Account and GoGlobal segments across a variety of verticals, particularly from the Americas region. For our GoGlobal proposition we use our expertise, technology and reach to support high-growth businesses which are expanding rapidly into new territories. We welcomed several Electric Vehicle manufacturers to our client base, demonstrating our ability to serve new entrants alongside many of the more established global Original Equipment Manufacturers. We also introduced the GoGlobal solution to the Japanese and South Korean markets, with some encouraging early signs.

Having identified eLearning as one of our key growth opportunities, we made encouraging early progress in the period, with our first two new client wins using our eLearning solution. In addition, we grew share of wallet with existing clients, cross-selling eLearning into ten existing accounts, including one major learning software organisation.

In our Enterprise Internationalisation Group, which serves global technology enterprises, we had some successful programme wins with a large technology company and strong revenue development with a global digital retailer. Whilst client retention remained strong, overall revenues were slightly behind the prior period, with an expectation that they will recover in the second half. We had identified data services, including data annotation and labelling, as a key growth opportunity and we have commenced the investments required to strengthen our offering.

The division's adjusted[2] operating profit was £19.6m (like-for-like[5] HY21: £20.6m). However, this was ahead of prior year, after adjusting for exchange gains and losses, which had a net adverse impact of £1.8m.

Regulated Industries

In Regulated Industries, reported revenues were £85.6m (like-for-like[5] HY21: £81.9m), representing 24% of Group revenues (FY21: 23%). The division grew 5% on an OCC[1] basis, winning several new logos and growing spend in more than half of its top 20 life sciences accounts.

Our penetration of the Linguistic Validation ("LV") market continues to be a success, including an enhanced collaboration with a US-based clinical trial platform provider. We continue to invest in the processes, people and marketing to take best advantage of this opportunity and are focused on securing business with other electronic Clinical Outcome Assessment (eCOA) providers. Clinical Outcome Assessments ("COAs") are used as part of clinical trials to measure the efficacy of a health intervention and solutions are increasingly digitised. Performance in relation to our largest life sciences client was solid, with good growth in regulatory and clinical work.

In clinical operations we are collaborating with a number of clients on solutions, some of them adjacent to our LV proposition, and scaling up to meet the growth opportunity that we see in the second half. In the financial and legal services segments we exited several low margin contracts, supporting an improved profit performance and allowing stronger focus on growth in the second half.

Adjusted[2] operating profit for Regulated Industries was £16.8m (like-for-like[5] HY21: £10.5m), supported by exiting low margin contracts, together with increasing use of LXD for production.

Language & Content Technology

L&CT revenues were £59.8m (like-for-like[5] HY21: £58.7m), approximately 17% of Group revenues (FY21: 15%). We simplified our organisation within L&CT to give full ownership and accountability to the leaders in each of the principal product areas – Language Weaver, Trados, Tridion and Contenta. This approach, which reflects RWS's long-held view on the primacy of the operating divisions, is already having a positive effect, particularly in relation to the link between go-to market strategies and product development.

First half performance was on plan for the division, with 2% growth on an OCC[1] basis, including a particularly healthy result for content technologies, based on a combination of client renewals and extensions, as well as a major new Tridion client, a provider of robotic automation software. We made good progress on growing the proportion of SaaS revenues, with 34% of new client wins being SaaS (like-for-like[5] HY21: 24%). Total SaaS revenues were 23% of divisional revenues in the period (like-for-like[5] HY21: 20%), slightly higher than anticipated, supporting greater stability and predictability of revenue streams in this division.

Trados Studio, our translation productivity solution which is trusted by more than 270,000 translators, issued a major release on 26 May, with hundreds of new features, demonstrating our commitment to innovation across our technology platform. We are optimistic that this will have a positive effect on the second half.

Adjusted[2] operating profit for the division was £16.2m (like-for-like[5] HY21: £13.1m), supported by lower cloud costs and some direct people cost savings, despite the greater proportion of SaaS revenues in the period.

At the end of the first half we announced the acquisition of Liones Holding BV ("Fonto") for an initial cash consideration of €17.5m (£14.4m) Fonto is a structured content management business with an impressive roster of clients, which complements our Tridion proposition and further builds our portfolio. Integration of Fonto into the Group is underway.

IP Services

In IP Services revenues were £53.2m (like-for-like[5] HY21: £57.8m), representing 15% of Group revenues (FY21: 16%). As stated at our CMD, the division is experiencing weak demand as a result of the impending introduction of the Unitary Patent and growth was -8% on an OCC[1] basis. The European Patent Office announced in January that it would allow clients to delay the granting of patent applications in order to benefit from protection under the Unitary Patent, which is expected to come into effect no earlier than the final quarter of this calendar year. We continue to monitor the situation very closely and remain highly engaged with clients to understand their proposed approach.

We took actions in the first quarter of 2022 to lower our cost base in IP Services and we continue to focus on the division's transformation programme, which is expected to deliver significant operating efficiencies and enhance aspects of our proposition to put the division on a stronger footing to manage the impact of the Unitary Patent. We are also implementing some changes in the division's leadership team, with a focus on strengthening its sales capability to grow renewals and better access the patent attorney segment. The division has delivered against its revised forecast and, in March, we saw a record month for IP Research revenues.

Effective cost control meant that the division delivered an adjusted[2] operating profit of £13.4m (like-for-like[5] HY21: £15.3m).

Sustainability and ESG

The Group continues to make good progress in respect of its sustainability journey. As a participant in their Early Adopter Programme, we have submitted our 2022 Communication on Progress report to the UN Global Compact and our Global Reporting Initiative framework report has been approved by the third-party assessor and will shortly be submitted. We have also started our annual engagement programme on materiality, moving to a new online platform to collect stakeholders' views.

We have also moved to a new web-based platform to better facilitate measuring and tracking carbon emissions and continue to gather the baseline data for FY22 that will allow us to submit science-based targets to SBTi for validation in FY23. We launched our Sustainable Procurement Policy in the period and the supporting action planned is being finalised for roll out across all parts of the Group.

RWS Campus is our global university partnership programme which inspires and develops localisation talent worldwide. The programme continues to go from strength to strength, with partnerships with more than 220 universities worldwide. We have begun our 2022 expansion into Africa, with a focus on eight languages (including Amharic, Hausa, Swahili and Zulu) across six countries (Ethiopia, Kenya, Nigeria, South Africa, Tanzania and Uganda).

In terms of governance we recently launched a Group-wide company Code of Conduct and associated training and we have separated the roles of CFO and Company Secretary.

People and Board

Our people continue to be the bedrock of RWS. Every day our linguist community – almost 2,000 in-house translators, with access to more than 29,000 freelancers – demonstrate their specialist sector expertise across multiple verticals, together with their understanding of culture and nuance, to enable the best solutions to be provided to clients across the world. They are complemented by our technology teams, with some of the sector's foremost experts in neural machine translation, translation productivity and management and structured content management developing and delivering products which can transform productivity and effectiveness. I would like to thank all of our incredibly talented teams around the world for their hard work and dedication which enables us to deliver best in class solutions to our clients every day. Encouragingly, our continued focus on colleague retention means that attrition levels have fallen in the 3 months ended 31 March 2022 (15.2%), compared with the first quarter of FY22 (17.2%).

At the end of the first half we launched our strategy, purpose and values to our senior leadership team, ahead of an all-colleague launch in April. Many colleagues had been involved in the development of the values with 56% participating in an all-colleague survey in January. These values – we partner; we pioneer; we progress; we deliver – have been well-received by our teams across the world, and in the second half of the year and beyond we will focus on embedding the purpose and values in everything that we do, so that they become part of our organisational DNA.

Shortly after the end of period we welcomed Rod Day to the Board as interim CFO after a full handover from Des Glass. Maria Schnell was promoted to the position of Chief Language Officer, leading the development of the LXD, our unique production platform, and ensuring that the value of our linguistic expertise is effectively combined with our strong technology proposition and deep understanding of client industries and local cultures – all underpinned by our experience in content, our rich data networks, and talented people.

Emer Dolan was promoted to the role of President, Enterprise Internationalisation Group (part of our Language Services Division), which works closely with our largest technology enterprise clients, building highly integrated solutions – from localisation, data analysis and testing to linguistic quality assurance and video localisation – that enable them to continually innovate, anticipate trends and scale their global operations.

Today we are also announcing the appointment of Jane Hyde as General Counsel and Company Secretary. Jane, who will attend the Group's Board and Committee meetings, will focus on strengthening the Group's legal, governance, and compliance approach and will develop RWS's company secretarial and risk management capabilities to support the achievement of our growth strategy ambitions. Jane is currently the General Counsel and Company Secretary of De La Rue plc, overseeing all legal and corporate governance matters, business ethics and risk management.

We are shocked and saddened by the ongoing situation in Ukraine and we continue to do everything that we can to support our colleagues and wider humanitarian efforts. We implemented our crisis response plan and continue to monitor the situation closely. The RWS Foundation's Ukraine Appeal has raised £34,436 from employee donations and donated an additional £15,000 to the International Committee of the Red Cross. The Foundation also made further donations of £10,000 each to the UNHCR, the UN's Refugee Agency, and to UNICEF, the UN's Children's Fund.

At 31 March 2022 the number of full-time equivalent employees in the Group was 7,796 (HY21: 7,528).

Current trading and outlook

We continue to make good progress moving into the second half of the year as we start to see the upside from our teams' focused efforts on our growth levers, in particular Linguistic Validation, eLearning, GoGlobal and data services. The benefits of our reorganisation in the L&CT division are starting to show, driving growth on the back of better focus on clear product roadmaps. Colleagues and clients have given very positive feedback to the launch of our new values and purpose - unlocking global understanding.

As I approach the completion of my first year with RWS, I am pleased with the progress that we have made and am excited about the prospects for the Group. We remain confident in the medium to long-term drivers of demand for our products and services and we know that we have a compelling suite of propositions to address client needs. Our planned investments will support accelerated growth and deliver effective and lean shared services to support our operating divisions.

We anticipate delivering good margin improvement in the current financial year in line with market expectations[6] and demonstrable progress on the delivery of our accelerated growth plan.

Ian El-Mokadem
Chief Executive Officer
9 June 2022

1. *OCC excludes the impact of acquisitions and assumes constant currency.*
2. *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance by adjusting for acquisition-related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles.. Adjusted earnings per share adjusts for the same items, net of any associated tax effects.*
3. *The adjusted effective tax rate is the effective tax rate before exceptional items , amortisation of acquired intangibles, tax on exceptional items and prior year adjustments*
4. *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*
5. *All like-for-like HY21 comparative figures have been adjusted to reflect a full six-month contribution from SDL plc.*
6. *The latest Group-compiled view of analysts' expectations for FY 2022 gives a range of £735.8m-£755.5m for revenue, with a consensus of £746.5m, and a range of £133.8m-£135.1m for adjusted profit before tax, with a consensus of £134.2m.*

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	**6 months ended 31 March 2022 (Unaudited) £m**	(Restated) 6 months ended 31 March 2021 (Unaudited) £m
Revenue	2	**357.3**	326.4
Cost of sales		**(193.3)**	(179.9)
Gross profit		**164.0**	146.5
Administrative expenses		**(129.8)**	(129.9)
Operating profit		**34.2**	16.6
Operating profit before charging:		**62.0**	52.2
Exceptional items - other	4	**(8.8)**	(6.8)
Exceptional items – acquisition-related costs	4	**(0.4)**	(10.6)
Share-based payment expenses		**(1.8)**	(0.7)
Amortisation of acquired intangibles		**(16.8)**	(17.5)
Operating profit		**34.2**	16.6
Finance costs	3	**(1.3)**	(1.7)
Profit before tax		**32.9**	14.9
Taxation	5	**(9.3)**	(3.8)
Profit for the period attributable to the equity holders of the parent company	2	**23.6**	11.1
Other comprehensive expense			
Gain / (Loss) on retranslation of foreign operations (net of deferred tax)		**9.4**	(22.8)
(Loss) on cash flow hedges (net of deferred tax)		**(0.7)**	(2.7)
Total other comprehensive expense		**8.7**	(25.5)
Total comprehensive income		**32.3**	(14.4)
Basic earnings per ordinary share (pence per share)	7	**6.1**	3.0
Diluted earnings per ordinary share (pence per share)	7	**6.0**	3.0

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

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	**31 March 2022 (Unaudited) £m**	(Restated) 31 March 2021 (Unaudited) £m	30 September 2021 (Audited) £m
Assets				
Non-current assets				
Goodwill		**633.2**	620.4	615.8
Intangible assets		**366.0**	368.8	366.6
Property, plant and equipment		**31.1**	35.8	32.1
Right-of-use assets		**40.0**	47.0	42.4
Deferred tax assets		**1.2**	1.4	1.5
Capitalised commissions		**-**	0.5	-
Non-current income tax receivable		**-**	-	1.0
		1,071.5	**1,073.9**	**1,059.4**
Current assets				
Trade and other receivables		**189.2**	172.6	191.8
Capitalised commissions		**-**	1.9	-
Foreign exchange derivatives		**-**	2.2	-
Cash and cash equivalents	8	**80.6**	62.2	92.5
Income tax receivable		**6.7**	-	3.5
		276.5	**238.9**	**287.8**
Total assets		**1,348.0**	**1,312.8**	**1,347.2**
Liabilities				
Current liabilities				
Trade and other payables		**154.3**	142.4	152.0
Lease liabilities		**11.9**	16.3	11.0
Foreign exchange derivatives		**1.6**	-	0.7
Income tax payable		**22.3**	15.8	22.1
Provisions		**3.3**	1.1	5.1
		193.4	**175.6**	**190.9**
Non-current liabilities				
Borrowings	9	**42.4**	50.4	47.2
Lease liabilities		**36.4**	36.5	40.5
Trade and other payables		**4.7**	3.6	2.4
Provisions		**5.3**	4.0	4.1
Deferred tax liabilities		**53.7**	50.6	51.2
		142.5	**145.1**	**145.4**
Total liabilities		**335.9**	**320.7**	**336.3**
Total net assets		**1,012.1**	**992.1**	**1,010.9**
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		**3.9**	3.9	3.9
Share premium		**54.3**	53.6	54.2
Share-based payment reserve		**4.6**	2.1	2.8
Reverse acquisition reserve		**(8.5)**	(8.5)	(8.5)
Merger reserve		**624.4**	624.4	624.4
Foreign currency reserve		**(8.1)**	(7.9)	(17.5)
Hedge reserve		**0.5**	(3.1)	1.2
Retained earnings		**341.0**	327.6	350.4
Total equity		**1,012.1**	**992.1**	**1,010.9**

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of parent £m
At 1 October 2020	**2.8**	**53.6**	**7.4**	**345.1**	**408.9**
Profit for the period	-	-	-	11.1	11.1
Loss on cash flow hedges	-	-	(2.7)	-	(2.7)
Loss on retranslation of foreign operations	-	-	(22.8)	-	(22.8)
Total comprehensive income for the period to 31 March 2021	-	-	(25.5)	11.1	(14.4)
Issue of shares	1.1	-	624.4	-	625.5
Purchase of own shares	-	-	-	(0.4)	(0.4)
Dividends				(28.2)	(28.2)
Exercise of share options	-	-	-	-	-
Equity-settled share-based payments	-	-	0.7	-	0.7
At 31 March 2021 (restated)	**3.9**	**53.6**	**607.0**	**327.6**	**992.1**
At 30 September 2021	**3.9**	**54.2**	**602.4**	**350.4**	**1,010.9**
Profit for the period	-	-	-	23.6	23.6
Loss on cash flow hedges	-	-	(0.7)	-	(0.7)
Gain on retranslation of foreign operations	-	-	9.4	-	9.4
Total comprehensive income for the period to 31 March 2022	-	-	8.7	23.6	32.3
Issue of shares (net of issue costs)	-	0.1	-	-	0.1
Dividends	-	-	-	(33.1)	(33.1)
Exercise of share options	-	-	-	-	-
Equity-settled share-based payments	-	-	1.8	-	1.8
Deferred tax on share-based payments	-	-	-	0.1	0.1
At 31 March 2022 (unaudited)	**3.9**	**54.3**	**612.9**	**341.0**	**1,012.1**

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share-based payment reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Hedge reserve £m	Foreign currency reserve £m	Total other reserves £m
Other reserves						
At 1 October 2020	**1.4**	**(8.5)**	**-**	**(0.4)**	**14.9**	**7.4**
Other comprehensive income for the period to 31 March 2021	-	-	-	(2.7)	(22.8)	(25.5)
Exercise of share options	-	-	-	-	-	-
Equity-settled share-based payments	0.7	-	-	-	-	0.7
Shares issued during the year	-	-	624.4	-	-	624.4
At 31 March 2021 (restated)	**2.1**	**(8.5)**	**624.4**	**(3.1)**	**(7.9)**	**607.0**
At 30 September 2021	**2.8**	**(8.5)**	**624.4**	**1.2**	**(17.5)**	**602.4**
Other comprehensive loss for the period to 31 March 2022	-	-	-	(0.7)	9.4	8.7
Exercise of share options	-	-	-	-	-	-
Equity-settled share-based payments	1.8	-	-	-	-	1.8
At 31 March 2022 (unaudited)	**4.6**	**(8.5)**	**624.4**	**0.5**	**(8.1)**	**612.9**

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	**6 months ended 31 March 2022 (Unaudited) £m**	(Restated) 6 months ended 31 March 2021 (Unaudited) £m
Cash flows from operating activities			
Profit before tax		**32.9**	14.9
Adjustments for:			
Depreciation of property, plant and equipment		**3.2**	3.1
Amortisation of right-of-use asset		**5.3**	5.4
Amortisation of intangible assets		**24.4**	23.4
Share-based payment expense		**1.8**	0.7
Finance expense		**1.3**	1.7
Foreign exchange		**(0.1)**	(0.5)
Fair value movement on derivatives		**0.8**	(1.8)
Operating cash flow before movements in working capital and provisions		**69.6**	46.9
(Increase)/decrease in trade and other receivables		**3.5**	(9.2)
(Decrease) in trade and other payables		**(1.7)**	(11.0)
Cash generated from operating activities		**71.4**	26.7
Income tax paid		**(11.3)**	(10.0)
Net cash inflow from operating activities		**60.1**	16.7
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(13.9)**	55.0
Purchases of property, plant and equipment		**(2.1)**	(4.2)
Purchases of intangible assets		**(10.9)**	(5.7)
Net cash outflow from investing activities		**(26.9)**	45.1
Cash flows from financing activities			
Repayment of borrowings		**(5.9)**	(12.5)
Transaction costs relating to debt refinancing		**-**	-
Interest paid		**(0.6)**	(1.4)
Lease liability payments		**(6.2)**	(5.8)
Proceeds from the issue of share capital, net of share issue costs		**0.1**	0.5
Purchase of own shares		**-**	(0.4)
Dividends paid	6	**(33.1)**	(28.2)
Net cash (outflow)/inflow from financing activities		**(45.7)**	(47.8)
Net (decrease)/increase in cash and cash equivalents		**(12.5)**	14.0
Cash and cash equivalents at beginning of the period		**92.5**	51.4
Exchange (losses)/gains on cash and cash equivalents		**0.6**	(3.2)
Cash and cash equivalents at end of the period	8	**80.6**	62.2

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

General information

The half year condensed consolidated financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2021 were approved by the Board of Directors on 9 December 2020 and have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 31 March 2022 were approved by the Directors on 8 June 2022.

Basis of preparation

On 31 December 2020, International Financial Reporting Standards ("IFRS") as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with any future changes being subject to endorsement by the UK Endorsement Board. This condensed consolidated interim financial report for the half-year reporting period ended 31 March 2022 has been prepared on a going concern basis in accordance with the UK-adopted IAS 34 'Interim Financial Reporting'.

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

Prior period balances have been restated following completion of the SDL plc purchase price allocation from the prior year. This has resulted in a reallocation of amounts from goodwill to acquired intangible assets (see Note 12) which have been amortised in accordance with group policy. Profit before tax has decreased by £9.1m due to the amortisation charge and profit after tax has decreased by £4.4m following release of deferred tax related to the amortisation and the impact of prior period tax adjustments (see Note 5).

Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's annual financial statements for the year ended 30 September 2021.

New accounting standards and interpretations

In the current period, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins after 1 January 2021 and have been implemented with effect from 1 July 2021. These are:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -'Interest Rate Benchmark Reform — Phase 2'; and
Amendment to IFRS 16 - ' COVID-19-Related Rent Concessions beyond 30 June 2021'.

Their addition has not had any material impact on the disclosures, or amounts reported in the Group Financial Statements.

New standards and interpretations not yet adopted

At the date of the interim report, the following standards and interpretations which have not been applied in the report were in issue but not yet effective (and in some cases had not yet been adopted by the UK). The Group will undertake an assessment of the impact of these new standards and interpretations prior to their adoption. These are:

Amendments to IAS 1 - 'Classification of Liabilities as Current or Non-Current';
Amendments to IAS 16 - 'Property, Plant and Equipment — Proceeds before Intended Use';
Annual Improvements 2018-2020 Cycle;
Amendments to IAS 37 - 'Onerous Contracts — Cost of Fulfilling a Contract';
Amendments to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies';

Amendments to IAS 12 - 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'; and Amendments to IAS 8- 'Definition of Accounting Estimates'.

Going concern

At 31 March 2022, the Group's balance sheet reflects a net asset position of £1,012.1 million and the liquidity of the Group remains strong with £80.6 million of cash reserves. Our US$120 million revolving credit facility ("RCF") has a maturity date of February 2024 and is extendable for a further year subject to lender consent. At period end, US$62 million of this RCF facility is undrawn.

At 31 March 2022, the Group is in a net cash position excluding lease liabilities of £38.2 million (see note 9), and the Group's two debt covenants under its RCF, being the ratio of Net Debt to trailing 12- month Adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both are well within the covenant limits permitted by the Group's RCF.

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

Principal risks and uncertainties

The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve strategic goals, its financial condition and the results of its operations. In addition to the risks outlined in the Group's annual report and financial statements for the year ended 30 September 2021, the Board considers the deteriorating global economic outlook and increasing inflationary pressures, as emerging risks. It also notes the realisation of the previously identified regulatory risk in respect of Unitary Patent protection as having crystallised in the first half.

Judgements and estimates

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

Areas of estimation and uncertainty:

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

Significant areas of judgement:

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

2 Revenue from contracts with customers and segment information

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

Following the acquisition of SDL plc the company has determined that an amendment to the accounting policy within the IP Services, Life Sciences and Moravia businesses was required to reflect correctly the nature of these revenue streams as being 'over time' rather than the previously disclosed 'point in time' recognition.

The note below for the half year has been restated to reflect 'over time' revenue recognition for these revenue streams in line with the corrected accounting policy.

Timing of revenue recognition for contracts with customers

	6 months ended 31 March 2022 (Unaudited) £m	(Restated) 6 months ended 31 March 2021 (Unaudited) £m
At a point in time	**22.8**	22.2
Over time	**334.5**	304.2
Total revenue from contracts with customers	**357.3**	326.4

Segmental reporting

The chief operating decision maker for the Group is identified as the Board of Directors collectively. The Board reviews the Group's internal reporting in order to assess performance and allocates resources. The Board divides the Group into four reportable segments and assesses the performance of the segments based on revenue and adjusted profit before tax. These are measured on a basis consistent with the Condensed Consolidated Statement of Comprehensive Income. The four reporting segments, which match the operating segments, are explained in more detail below:

- Language Services: provides localisation services including data training, eLearning, video localisation and interpreting services to a wide variety of industry verticals.
- Regulated Industries: provides a full suite of language services, including highly specialised technical translations and linguistic validation, exclusively for the life sciences, legal and financial services industries.
- Language & Content Technology ("L&CT"): provides a range of technology products which deliver translation and content management solutions for enterprises, small and medium-sized organisations and individuals.
- IP Services: provides patent translations, patent filing and a wide range of intellectual property ("IP") search, retrieval and monitoring services, delivering highly specialised technical translations to patient applicants and their representatives.

The prior year segment information excludes the Horn & Uchida acquisition which completed on 7 July 2021. The unallocated segment relates to corporate overheads.

Segment results for the 6 months ended 31 March 2022 (Unaudited)	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	Unallocated £m	Group £m
Revenue	**158.7**	**85.6**	**59.8**	**53.2**	**-**	**357.3**
Operating profit/(loss) before charging:	19.6	16.8	16.2	13.4	(4.0)	62.0
Amortisation of acquired intangibles	(6.7)	(6.2)	(3.9)	-		(16.8)
Exceptional items - acquisition-related costs	-	-	-	-	(0.4)	(0.4)
Share-based payments expenses	**-**	**-**	**-**	-	(1.8)	(1.8)
Exceptional items - other	-	**-**	**-**	-	(8.8)	(8.8)
Operating profit/(loss)	**12.9**	**10.6**	**12.3**	**13.4**	**(15.0)**	**34.2**
Finance expense						(1.3)
Profit before taxation						**32.9**
Taxation						(9.3)
Profit for the period						**23.6**

Segment results for the 6 months ended 31 March 2021 (Unaudited)	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	(Restated) Unallocated £m	(Restated) Group £m
Revenue	**142.7**	**74.6**	**52.2**	**56.9**	**-**	**326.4**
Operating profit/(loss) before charging:	18.9	10.6	12.5	15.3	(5.1)	52.2
Amortisation of acquired intangibles	(4.0)	(4.3)	-	(0.1)	(9.1)	(17.5)
Exceptional items - acquisition-related costs	-	-	-	-	(10.6)	(10.6)
Share-based payments expenses	-	-	-	-	(0.7)	(0.7)
Exceptional items – other	-	-	-	-	(6.8)	(6.8)
Operating profit/(loss)	**14.9**	**6.3**	**12.5**	**15.2**	**(32.3)**	**16.6**
Finance expense						(1.7)
Profit before taxation						**14.9**
Taxation						(3.8)
Profit for the period						**11.1**

Capitalised contract costs, contract asset and contract liabilities

The Group holds material asset balances in respect of contract costs capitalised as they meet the criteria under IFRS 15 as incremental costs to obtain a contract. These primarily relate to the commissions paid on the acquisition of new contracts, the value of these balances at the balance sheet date was £2.3m (HY21: £2.4m).

Contract assets and liabilities are recognised at the point in which the Group's right to consideration is unconditional. The Group uses the term 'Trade Receivables' for these financial asset balances. Contract assets are recognised where performance obligations are satisfied over time until the point of final invoicing when these are classified as 'Trade Receivables'. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income', below is a summary of contract balances held by the Group:

	31 March 2022 (Unaudited) £m	31 March 2021 (Unaudited) £m
Trade receivables (included in trade and other receivables)	**124.9**	115.7
Accrued income (included in trade and other receivables)	**40.7**	31.9
Total contract assets	**165.6**	147.6
Deferred income (included in trade and other payables)	**53.1**	45.1
Total contract liabilities	**53.1**	45.1

3 Finance expense

	6 months ended 31 March 2022 (Unaudited) £m	6 months ended 31 March 2021 (Unaudited) £m
Finance expense		
- Bank interest payable	**0.4**	0.5
- Interest payable on lease obligations	**0.7**	1.0
- Amortised borrowing costs	**0.2**	0.2
Net finance expense	**1.3**	1.7

4 Exceptional items

Exceptional items are items of financial significance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

	6 months ended 31 March 2022 (Unaudited) £m	6 months ended 31 March 2021 (Unaudited) £m
Other exceptional items	**8.8**	6.8
Acquisition-related costs	**0.4**	10.6
Total exceptional items	**9.2**	17.4

Other exceptional items

Other exceptional items relate primarily to the restructuring and integration costs incurred following the acquisition of SDL plc. These costs include severance agreements, termination payments and other costs included within the business's defined integration plan for SDL plc to deliver expected run-rate cost synergies of £15m by the end of FY22 as communicated to the market. The costs of delivering these synergies are classified as exceptional as they are considered by the Group to be outside the normal course of business. Normal trading redundancy costs are charged to the income statement as incurred. The results of cost savings will be shown within operating profit.

In the prior period, other exceptional items included costs of £6.8m related to the restructuring and integration costs incurred following the acquisition of SDL plc.

Acquisition-related costs

Acquisition-related costs of £0.4m (HY21: £10.6m) include transaction fees associated with the acquisition of Liones Holding BV ("Fonto"). The Directors are of the view that each of these items meet the requirements to be considered exceptional as they are non-recurring and by their nature do not form part of the Group's ongoing operating activities.

In the prior period, acquisition-related costs of £10.6m related primarily to transaction fees associated with the acquisition of SDL plc.

5 Taxation

	6 months ended 31 March 2022 (Unaudited) £m	(Restated) 6 months ended 31 March 2021 (Unaudited) £m
Total current taxation	**9.3**	6.6
Deferred taxation	**-**	(2.8)
Tax expense	**9.3**	3.8

Effective tax rate

The effective tax rate on reported profit before tax was 27.7% (HY21: 35.4% Restated 25.5%). The Group's effective tax rate for the period is higher than the UK's statutory tax rate mainly due to the impact of non-tax deductibility of exceptional costs related to the acquisition and integration of SDL plc.

The adjusted tax charge was £14.4m (HY21:11.8m) giving an effective tax rate of 23.7% (HY21: 23.4%) on adjusted profit before tax of £60.7m (HY21: £50.5m) Adjusted profit before tax is an adjusted measure which, is reconciled as part of the Alternative Performance Measures section at the end of this report.

The adjusted tax charge is the total tax charge as disclosed in the Condensed Consolidated Income Statement less the tax effects of exceptional items and amortisation of acquired intangibles. The effective income tax rate represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2022 adjusted for discrete items as required.

The Group's adjusted effective tax rate going forward is expected to be in the region of 25%, similar to the effective UK rate. There are some countries in which the tax rate is lower than the UK, but the impact is small, either because the countries are not significant contributors to Group profit or the tax rate difference is not significant.

Uncertain tax provisions

The Group holds uncertain tax provisions in relation to historic transfer pricing arrangements between the UK, Ireland, the US as well as other tax risks across the Group. These provisions total £6.4m at 31 March 2022 (HY21: £7.7m).

6 Dividends

An interim dividend of 2.25p (HY21: 2.0p) per ordinary share will be paid on 22 July 2022 to shareholders on the register at 24 June 2022. The ex-dividend date is 23 June 2022.

This dividend, declared by the Directors after the balance sheet date, has not been recognised in these financial statements as a liability at 31 March 2022. The interim dividend will reduce shareholders' funds by an estimated £8.8m (HY21: £7.8m).

Dividends paid in the period were £33.1m (HY21: £28.2m).

7 Earnings per share

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

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

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

	6 months ended 31 March 2022	(Restated) 6 months ended 31 March 2021
Earnings per ordinary share – basic (p)	**6.1**	3.0
Earnings per ordinary share – diluted (p)	**6.0**	3.0
Adjusted earnings per ordinary share – basic (p)	**11.9**	10.5
Adjusted earnings per ordinary share – diluted (p)	**11.9**	10.5

	6 months ended 31 March 2022 Earnings £m	(Restated)6 months ended 31 March 2021 Earnings £m
Profit for the period	**23.6**	11.1
Adjustments:		
Amortisation of acquired intangibles	**16.8**	17.5
Share-based payment expenses	**1.8**	0.7
Exceptional items	**9.2**	17.4
Tax effect of adjustments	**(5.1)**	(5.8)
Tax adjustment in respect of prior years	**-**	(2.4)
Adjusted profit attributable to equity holders of the parent	**46.3**	38.5

	6 months ended 31 March 2022	6 months ended 31 March 2021
Weighted average number of ordinary shares in issue for basic earnings	**389,476,257**	367,537,066
Dilutive impact of share options	**1,006,302**	13,871
Weighted average number of ordinary shares for diluted earnings	**390,482,559**	367,550,937

8 Cash and cash equivalents

	31 March 2022 (Unaudited) £m	31 March 2021 (Unaudited) £m	30 September 2021 (Audited) £m
Cash at bank and in hand	**76.2**	**50.6**	89.6
Short-term deposits	**4.4**	**11.6**	2.9
Cash and cash equivalents in the cash flow statement	**80.6**	**62.2**	92.5

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

9 Loans

	1 October 2021 £m	Effects of cash flows £m	Non-cash movements £m	Acquired subsidiary £m	**31 March 2022 (Unaudited) £m**
Cash	92.5	(13.1)	0.6	0.6	**80.6**
Non-current loans and borrowings	(49.2)	5.9	(0.9)	-	**(44.2)**
Net costs to acquire borrowings	2.0	-	(0.2)	-	**1.8**
Net debt (excluding lease liabilities)	**45.3**	**(7.2)**	**(0.5)**	**0.6**	**38.2**
Lease liabilities	(51.5)	6.2	(2.8)	(0.2)	**(48.3)**
Net debt (including lease liabilities)	**(6.2)**	**(1.0)**	**(3.3)**	**0.4**	**(10.1)**

At 31 March 2022, the Group is in a net cash position excluding lease liabilities of £38.2m and the Group's two debt covenants under its RCF being the ratio of Net Debt to trailing 12- month Adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both are well within the covenant limits permitted by the Group's RCF.

10 Share-based compensation grants

On 24 January 2022, 1,345,699 Long Term Incentive Plan ('LTIP') shares were awarded to certain key senior executives and employees of the Group.

The LTIPs comprise conditional awards of shares, with performance conditions based on earnings per share ('EPS') and total shareholder return ('TSR') targets.

On 17 February 2022, 211,288 share options were granted under the Group's SAYE scheme, which in normal circumstances will not be exercisable until the completion of a three year savings period ending on 1 April 2025 and will be exercisable for a period of six months thereafter.

11 Related party transactions

During the first half, in the normal course of business, the Group provided translation services worth £309k (HY21: £97k) 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 £82k (HY21: £83k) was due from LTG at the reporting date. In the prior period, Ocorian Limited, acting as trustee of the RWS Holdings plc Employee Benefit Trust ("EBT") purchased a total of 55,896 Ordinary Shares of 1p each at an average price of 637.43p pence per share. These shares continue to be held in the EBT, a discretionary trust, and are intended to be used to satisfy the exercise of share-based awards by employees. No further shares were purchased in the current period. The shares represent approximately 0.01% of RWS's issued share capital. Costs of £356k relating to this purchase were deducted from retained earnings in FY21.

12 Acquisitions

Liones Holding BV ("Fonto")

On 22 March 2022, the Group acquired the entire issued share capital of Liones Holding BV ('Fonto') and its subsidiaries for an initial consideration of €17.5m (on a cash and debt free basis), with additional deferred consideration of €5m payable in two equal instalments on the first and second anniversary of the transaction.

The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	**Fair values £m**
Net assets acquired	
Intangible assets	8.7
Property, plant and equipment	0.1
Right-of-use assets	0.2
Trade and other receivables	0.9
Cash and cash equivalents	0.6
Trade and other payables	(1.1)
Corporation tax	(0.3)
Deferred tax	(2.2)
Lease liabilities	(0.2)
Total identifiable net assets	**6.7**
Goodwill	11.8
Total consideration	**18.5**
Satisfied by:	
Cash	14.4
Deferred consideration	4.1

The provisional fair values of assets and liabilities were recognised effective 22 March 2022 and are stated including the initial purchase price allocation ("PPA"). The Directors expect that the finalisation of the PPA work may identify changes in the intangible assets and their allocation from the goodwill amount disclosed above, together with associated deferred tax on intangibles. These adjustments will be reflected in the Group's financial statements for the year ending 30 September 2022 and are not expected to be material.

Prior Period Acquisitions

SDL plc

During the six months ended 31 March 2021, the Group acquired SDL plc and finalisation of the acquisition accounting and purchase price allocation has resulted in a restatement of amounts previously reported in the Group's 31 March 2021 interim financial statements. The transaction, being a share-for-share exchange to acquire greater than 90% of the share capital in SDL plc, was eligible for merger relief under the Companies Act. Accordingly, the £624.4m of share premium that would have been created on the acquisition has been recognised within a merger reserve.

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

The provisional fair values in relation to acquisitions included in the 31 March 2021 interim statements have been updated resulting in additional intangible assets of £192m being recognised. Of this amount, £139.4m was in respect of Customer Relationships and £52.6m was in respect of Technology. The increase in acquired intangible assets have given rise to an additional deferred tax liability of £37.8m. Overall net assets acquired increased by £3.3m.

Webdunia

On 9 June 2020 the Group acquired the localisation and software services business units of Webdunia.com (India) Private Limited ('Webdunia') as well as the technology solutions component of its affiliated company, Diaspark Inc. The total cash consideration was US$ 21.0m.

The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Fair values £m
Net assets acquired:	
Customer relationships	5.8
Databases	0.7
Property, plant and equipment	0.3
Right-of-use assets	1.9
Trade and other receivables	2.4
Deferred tax assets	-
Cash and cash equivalents	0.9
Trade and other payables	(0.8)
Corporation tax	-
Other taxes payable	-
Lease liabilities	(1.9)
Deferred tax liabilities	(1.9)
Provisions	(0.2)
Total identifiable net assets	**7.2**
Goodwill	9.6
Total consideration	**16.8**
Satisfied by:	
Cash	16.8

The Webdunia PPA exercise was completed in May 2021 and largely reflected in the 31 March 2021 accounts. Review of the opening balance sheet included in the prior year comparatives and the final PPA workings resulted in a decrease in intangible assets of £0.4m and an increase to goodwill of £0.2m giving an overall decrease in net assets acquired of £0.2m.

Horn & Uchida

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

The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	**Fair values £m**
Net assets acquired:	
Customer relationships	0.7
Investment securities	0.2
Trade and other receivables	1.0
Deferred tax assets	0.1
Cash and cash equivalents	0.8
Trade and other payables	(1.0)
Total identifiable assets	**1.8**
Goodwill	0.5
Total consideration	**2.3**
Satisfied by:	
Cash	2.3

The provisional fair values of assets and liabilities were recognised effective 7 July 2021 with the purchase price allocation work concluded in January 2022. This resulted in an allocation of £0.7m to customer relationships and a corresponding reduction in goodwill. Additional deferred tax liabilities on the identified intangibles were recognised of £0.2m, with a corresponding increase to goodwill. No provisional fair value changes were made to any other class of asset.

13 Financial risk management and financial instruments

The Group's operations expose it to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's treasury policy addresses issues of liquidity, funding and investment as well as currency, credit, liquidity and interest rate risks. The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group's annual financial statements at 30 September 2021. There have been no significant changes to risk management policies or processes since the year end.

The Group holds a number of financial instruments that are held at fair value within the condensed consolidated interim financial statements. In deriving the fair value the derivative financial instruments are classified as level 1, level 2, or level 3 dependent on the valuation method applied in determining their fair value.

The different levels are defined as follows:

Level	
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
3	Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging. For both the six months ended 31 March 2022 and 31 March 2021, the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period ends was:

	31 March 2022 (Unaudited) £m	31 March 2021 (Unaudited) £m	30 September 2021 (Audited) £m
Assets			
Forward foreign currency exchange contracts	**-**	2.2	-
Liabilities			
Forward foreign currency exchange contracts	**1.6**	-	0.7

There have been no transfers between level 1 and 2 in any period and there are no level 3 items. The fair value of other financial assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables and borrowings approximate to their carrying amount.

14 Post Balance Sheet events

There have not been any significant events that have occurred between the balance sheet date and the date of authorising these financial statements which require disclosure or adjustment within these financial statements.

Appendix – Alternative performance measures

Alternative performance measures

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

Adjusted measures used by the Board include:

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

Adjusted profit before tax reconciliation	**HY22 £m**	**HY21 £m**
Statutory profit before tax	**32.9**	14.9
Exceptional items – other	**8.8**	6.8
Exceptional items – acquisition-related costs	**0.4**	10.6
Share-based payment expenses	**1.8**	0.7
Amortisation of acquired intangibles	**16.8**	17.5
Adjusted profit before tax	**60.7**	50.5

Adjusted operating cash flows reconciliation	**HY22 £m**	**HY21 £m**
Adjusted operating profit	**62.0**	52.2
Depreciation (excluding right-of-use assets)	**3.2**	3.1
Amortisation of non-acquired intangibles	**7.6**	5.9
Net Working Capital Changes	**1.8**	(20.2)
Adjusted operating cash flows	**74.6**	41.0

Operating cash conversion reconciliation	**HY22 £m**	**HY21 £m**
Adjusted operating profit	**62.0**	52.2
Adjusted operating cash flows	**74.6**	41.0
Operating cash conversion	**120%**	79%

Adjusted effective tax rate	HY22 £m	HY21 £m
Tax charge	**9.3**	3.8
Tax on amortisation of acquired intangibles	**3.6**	4.4
Tax on exceptional items	**1.5**	1.3
Prior Year Adjustments	**-**	2.3
Adjusted tax charge	**14.4**	11.8
Adjusted profit before tax	**60.7**	50.5
Adjusted effective tax rate	**23.7 %**	23.4%

KPIs

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

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

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