



RWS Holdings plc

Annual Report 2007

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RWS GROUP



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2004

RWS GROUP



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Executive Chairman's Statement

I am delighted to report another year of strong organic growth from RWS. In its fourth year as a public company it has delivered new record levels for both sales and profits.

■ Business Overview

RWS is Europe's leading provider of intellectual property support services and high level technical, legal and financial translation services. The core business – patent translation – is probably the largest of its kind in the world, translating over 50,000 patents and intellectual property related documents each year. It serves a multinational blue chip client base drawn from Europe, North America and Japan. Its clients will be active filers of patents in the medical, pharmaceutical, chemical, aerospace, defence, automotive, electronics and telecoms sectors, as well as patent agents with similar clients, and the leading intellectual property organisations. The Group comprises two divisions, the Translation division providing patent and document translation, filing and localisation services in the UK, USA, Europe, Japan and China, and the Information division, which offers a comprehensive range of patent search, retrieval and monitoring services as well as a recently developed and extremely comprehensive patent database service accessible by subscribers, known as PatBase.

■ Strategy

The Group's strategy is to grow both organically and by selective acquisitions in the high level technical translation and intellectual property support services spaces. Organic growth will flow from leveraging RWS' size and reputation for specialist quality with both existing clients and new major corporates in a highly fragmented and largely freelance industry.

■ Results and Financial Review

Sales and profit for the year established new records. Sales grew by 13.3% to £46.2 million (2006: £40.8m); profit before tax and goodwill amortization rose by 22.3% to £11.1 million (2006: £9.0m). The effective tax rate was 23.8% (2006: 27.8%). Basic earnings per share before goodwill amortization advanced by 25.6% to 21.1p (2006: 16.8p).

This strong performance was achieved despite unfavourable currency movements and was attributable to our success in both client acquisition and client retention. In addition, improved productivity, high margins in our growing patent database, PatBase, and tight control of translation costs, particularly freelance costs, delivered a strong improvement in our margins, with profit before tax and goodwill amortization rising from 22.1% to 23.9% of sales revenues.

The Group's financial base has gone from strength to strength. Shareholders' funds have advanced to £27.1 million, including net cash of £20.4 million. Free cash flow increased to £7.5 million and capital expenditure was, as usual, modest at £224,000. The excellent growth in the overall business required further working capital of £1.8 million. The acquisition of Japanese Language Services absorbed a further £1.1 million, but even after tax and dividend payments net cash advanced by £4.5 million year on year.

■ Dividend

The Board recommends a final dividend of 6.5p per share, which, together with the interim payment, will result in a total dividend payout for the year of 8.65p per share, yet again a 20% increase over 2006.

The proposed total dividend is more than twice covered by after tax profits. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 22 February 2008 to all shareholders on the register at 25 January 2008.



■ Acquisitions

Japanese Language Services Limited, which was acquired in June 2007, has been seamlessly integrated into our Translation division and early results are ahead of our expectations with complete client retention and good levels of business. We continue to review acquisition opportunities which will be pursued selectively where they have demonstrable growth prospects and enhance shareholder value.

■ Patent Translation Market

The European Patent Office 2006 annual report confirmed further underlying growth in patent applications filed, which provides the macro driver for RWS' continued expansion in its core patent translations activity.

■ Operating Review

Translations Patent translations form the core of the Group's business and account for almost 80% of revenues. Client retention and acquisition combined with further growth in the numbers of patents granted worldwide ensured that our core business continued to perform ahead of plan. Our largest client regained its leading position after a temporary shortfall in 2006 and the majority of our larger customers increased their utilisation of our services. The RWS offering has long been regarded as a high quality, convenient and cost-effective solution for those clients with significant patent volumes requiring comprehensive geographical intellectual property protection.

We have increased our sales effort, especially in the USA where we now employ three business development managers primarily covering the East and West coasts. The translation work they obtain is undertaken in the UK, Japan and China.

In Japan, having occupied enhanced office space in 2007, sales advanced in yen terms but were held back when expressed in sterling. Our Beijing office is now fully operational and attracting interest from European and North American corporates.

The commercial and technical translation activities now include Eclipse, which was acquired in 2005, and Japanese Language Services, which was acquired in 2007, and account for 14% of sales. These activities have achieved excellent results in a highly competitive environment. We continue to seek to protect our margins via preferred supplier or approved contractor status, handling larger, more difficult assignments.

Information Whilst the Information division only accounts for 7% of group sales, it has traditionally enjoyed far superior margins to the rest of the business. This continues to be the case as it attempts to exploit its market leading position in the provision of patent search, patent watch and document services. Sales of these services advanced only modestly.

However, this division was responsible for the development of an extremely comprehensive and searcher-friendly patent database (PatBase). We are exploiting this subscription-based service in partnership with an intellectual property software company and it has delivered in excess of 70% growth in 2007, with the outstanding margins often associated with subscription services.

■ Principal Risks

The Directors believe that the principal risks to the business would arise from errors in the provision of the Group's services, in a mismatch between currencies (i.e. sales are predominantly in euros, whilst costs are mainly incurred in sterling) and in regulatory changes to patent translation requirements in Europe.

As regards service provision, RWS has long been ISO-certified and has exhaustive procedures in place to minimise the risk of error. In addition, the Group carries comprehensive professional indemnity insurance.

The currency risks can normally be addressed via hedging operations. During the financial year ended 30 September 2007, we entered into limited euro/sterling hedging arrangements which have been extended to March 2008. However, the Group believes the recent strength of the euro will continue and has no immediate plans for additional hedges.

At the time RWS floated on AIM in November 2003, two regulatory initiatives were highlighted as potential threats to our patent translation activities. The first – a European Community Patent – was decisively rejected in 2005. The second – the London Agreement – has now been ratified by sufficient member states for it to be implemented in the near future. On 1 October 2007, it was announced that we anticipated that the London Agreement would come into effect in the Spring of 2008, that it was a voluntary arrangement, and that the estimated reduction in profit before tax would be of the order of £1 million in the financial year ending 30 September 2008 and £2 million in a full year. We emphasised that our core patent translation activities (into English, primarily for use at the US Patent Office) were unaffected by the London Agreement; the potential loss of work comprises the into European language translations performed by freelancers.

■ People

RWS is a quintessential "people" business. The efforts of my Board colleagues and all of our staff throughout the world have been fundamental to the delivery of another set of excellent results and the enhancement of our reputation across our customer base.

■ Outlook

As has previously been experienced, our markets remain strong in the face of more challenging economic conditions. We are, therefore, encouraged by our future prospects which are underpinned by the pressing need for corporates to protect intellectual property throughout the economic cycle.

With a strong financial position, good forward sales visibility and plans in place to more than compensate for the potential effects of the London Agreement by organic expansion and selective acquisitions, we are confident that our chosen strategy will deliver further growth in 2008 and that the dividend will continue to advance in line with that growth.

Andrew Brode Executive Chairman
10 December 2007



Board of Directors at 30 September 2007

A S Brode (67)

Executive Chairman

Member of the Audit Committee and Remuneration Committee

Appointed as a Director 11 April 2000.

Founder of Bybrook and led the management buy in of the RWS Group. A substantial shareholder in the Company.

Non-Executive Director of Vitesse Media plc and other private equity financed media companies.

Mrs E A Lucas (51)

Chief Executive Officer of RWS Translation Division

Appointed as a Director 11 November 2003.

Joined RWS Group in 1977, Managing Director of Translation Division from 1992 and Chief Executive Officer from 1995.

M A McCarthy (60)

Finance Director and Company Secretary

Appointed as a Director and Company Secretary 11 November 2003.

In 2000 joined RWS Group as Finance Director. 1988 to 1999 with the RAC in a senior financial role.

J C Ivey (65)

Senior Non-Executive Director

Chairman of the Remuneration Committee and Member of the Audit Committee

Appointed as a Director 11 November 2003.

Non-Executive Deputy Chairman of Derwent London plc.

P Mountford (50)

Non-Executive Director

Chairman of the Audit Committee and Member of the Remuneration Committee

Appointed as a Director 11 April 2000.

Joint founder of Bradmount Investments Limited, a private investment company, and a director of other private companies.

Registered office

8 Baker Street, London W1U 3LL

Company registration number

3002645



Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 September 2007.

■ Results and Dividends

The Group Profit and Loss Account is set out on page 17 and shows a profit for the year.

The profit before goodwill amortization and taxation was £11.05 million (2006: £9.04 million) and with a goodwill charge of £0.63 million the resulting profit before tax was £10.4 million. The tax charge of £2.6 million represented a rate of 23.8% on the profit before goodwill compared to 27.8% in 2006.

The Directors recommend a final dividend of 6.5 pence per Ordinary share to be paid on the 22 February 2008 to Shareholders on the register at 25 January 2008, which, together with the dividend of 2.15 pence paid in July 2007, makes a total dividend for the year of 8.65 pence (2006: 7.20 pence). The final dividend in accordance with Financial Reporting Standard 21 will be reflected in the financial statements for the year ending 30 September 2008.

■ Principal Activities

The Company's principal activity is the business of holding investments in trading subsidiaries, with a view to earning a profit to be distributed to Shareholders. The principal activities of subsidiary undertakings are intellectual property support services (patent translations and technical searches) to the pharmaceutical, chemical, medical, telecoms, aerospace, defence, electronics and automotive industries. The Group also provides specialist technical, legal and financial translation services to a number of areas of industry outside the patent arena.

■ Business Performance and Risks

The review of the business, operations, principal risks and outlook are dealt with in the Executive Chairman's Statement on pages 2 to 4.

■ Financial Instruments

Details of the use of financial instruments by the Group are contained in note 17 of the financial statements.

■ Political and Charitable Contributions


Financial contributions to charities and good causes during the year amounted to £2,000 (2006: £5,000). There were no political donations.

■ Post Balance Sheet Events

No significant change has occurred since the 30 September 2007.

■ Directors

Details of members of the Board at 30 September 2007 are set out on page 5.



The interests of directors during the year in shares and share options are set out on pages 11 and 12 in the Directors' Remuneration Report. There have been no changes to the shareholdings of Directors between 30 September 2007 and 10 December 2007.

Peter Mountford and John Ivey retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election. The Company's AGM will be held in London on 11 February 2008.

■ Corporate Governance

As the Company is listed on the Alternative Investment Market it does not have to follow the Combined Code on Corporate Governance which applies to fully listed companies. However, being aware of the need to adhere to the highest standards of Corporate Governance, the Company voluntarily conducts its affairs in harmony with the spirit and provisions of the Code in so far as is practicable and relevant to its status.

■ Board Structure and Process

The Board comprises three Executive and two Non-Executive Directors. The Board considers that all the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect their independent judgement.

The Executive Directors have direct responsibility for business operations whilst the Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions. The Board met five times during the year to review financial performance and approve key business decisions, so that it retained control over strategic, budgetary, financial and organisational issues and monitored executive management. In addition to the Executive Directors, the members of the Senior Executive Team are: Stephen Lodge, Managing Director Information Division, and, Reinhard Ottway, Business Development Director. These other members of the Senior Executive Team are invited to attend meetings and report on the areas of responsibility delegated to them.

■ Internal Controls and Management of Risk

The Board has overall responsibility for the Group's system of internal control but has delegated to the executive management the establishment and implementation of a system of internal financial control which aims to safeguard shareholders' investments and the Group's assets, ensure that proper accounting records are maintained and that financial information used within the business is accurate, reliable and fairly presents the financial position of the Group and the results of its business operations. The Board is responsible for reviewing the effectiveness of the system of internal control. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations, although any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

■ Audit Committee

The members of the Audit Committee are Peter Mountford (Chairman of the Committee), John Ivey and Andrew Brode. All three are Chartered Accountants. The members, with the exception of Andrew Brode, are Non-Executive Directors and the Board is satisfied they have recent and relevant financial experience.

The core remit of the Audit Committee is to review and report to the Board on:

- the effectiveness of internal controls and financial reporting and any significant breaches, deficiencies or material weaknesses therein;



Directors' Report (continued)

- any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Company; and
- any matters which may significantly affect the independence of the external auditor.

■ Remuneration Committee

The members of the Remuneration Committee are John Ivey (Chairman of the Committee), Peter Mountford and Andrew Brode. With the exception of Andrew Brode, the members are Non-Executive Directors.

Further information about the membership of the Remuneration Committee and the Company's remuneration policy is set out on page 10 in the Directors' Remuneration Report.

■ Employment of Disabled Persons

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

■ Employee Involvement

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

■ Substantial Shareholdings and Options

At 30 September 2007, excluding Directors, the following were substantial shareholders:

	% holding
Blackrock Investment Management	9.2
Old Mutual Asset Managers	7.5
Invesco Perpetual	4.5
Liontrust Asset Management	3.7
Henderson Global Investors	3.2
Unicorn Asset Management	2.5

Adrian Bradshaw, under an agreement dated 10 October 2003, has an option to subscribe for 944,553 shares (2.5% of the issued share capital at the time of flotation) at an exercise price of 112.54 pence. This option is exercisable at any time on or before 11 November 2008. At 30 September 2007 options over 686,000 Ordinary shares of the Company had been exercised.

■ Payment Policies

The terms of sales collections and supplier payments will reflect local commercial practice. In the UK, the Company and each of its UK subsidiary undertakings have policies to ensure that suppliers are paid on time and seek to abide by the agreed terms of payment. The policy includes arrangements for accelerated payment of small suppliers. The total amount of money owed by the Group and its subsidiary undertakings at the balance sheet date was equivalent to 30 days (2006: 33 days) average purchases. The Company had no trade creditors at the year end.



■ Directors' Responsibilities for the preparation of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Group and for preventing and detecting fraud and other irregularities.

Financial statements are published on the Group's web site in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's web site is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

■ Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant information to the audit and established that the auditors are aware of that information. As far as each of the Directors is aware, there is no relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

On behalf of the Board

Michael McCarthy Director
10 December 2007

■ Remuneration Committee

The members of the Remuneration Committee are John Ivey (Chairman of the Committee), Peter Mountford and Andrew Brode. John Ivey and Peter Mountford are Non-Executive Directors and Andrew Brode is the Executive Chairman and a substantial shareholder in the Ordinary shares of the Company.

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and, if required by the Board, Senior Executives of the Group. The remuneration of Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors, and no director or manager is involved in any decision as to his or her own remuneration.

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

■ Individual Elements of Remuneration

For Executive Directors and Senior Executives the benefit components contained in the total remuneration package are:

- base salary;
- performance related annual bonus, but this does not apply to the Executive Chairman;
- share participation, but this does not apply to the Executive Chairman; and
- other customary benefits such as holidays, car and health benefits, sickness benefit and pensions.

For Non-Executive Directors the benefit component is a base fee.

■ Service Contracts


Neither of the Non-Executive Directors has a service contract. Their appointments will continue unless and until terminated by either party giving not less than 30 days' notice.

The notice period of all the Executive Directors is less than one year. The date of the Executive Chairman's service contract is 30 October 2003 and the service contracts of Elisabeth Lucas and Michael McCarthy are dated 14 November 2003. In the event of the termination of an Executive Director's service contract, depending upon the circumstances, the Company may be liable to provide compensation to the Executive Director equivalent to the benefits which he or she would have received during the contractual notice period.

The service contracts continue unless and until terminated by either party giving at least six months' notice. Employment shall terminate automatically and the Executive Director shall be required to retire on the last day of the financial year in which, in the case of the Executive Chairman his 70th birthday occurs, and in the case of Executive Directors their 65th birthday occurs.

■ Directors' Emoluments and Pension Contributions

The aggregate remuneration, excluding pension contributions, paid or accrued for all Directors and Senior Executives of the Group for services in all capacities during the year ended 30 September 2007 was £1,195,009 (including £231,784 to the Executive Chairman). Remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:



	Salary or fees	Bonus	Taxable benefits	2007 Total	2007 Pension contributions	2006 Total	2006 Pension contributions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Andrew Brode	230	—	2	232	26	231	24
Elisabeth Lucas	179	41	1	221	5	215	5
Michael McCarthy	166	32	1	199	5	175	4
John Ivey	25	—	—	25	—	25	—
Peter Mountford	25	—	—	25	—	25	—
	625	73	4	702	36	671	33

Bradmount Investments Limited has an agreement with Peter Mountford that the fees and other emoluments payable in respect of his non-executive directorship of RWS Holdings plc are payable to Bradmount Investments Limited, a company of which he is a director.

■ Directors' Interests in Shares

The interests of the Directors (including the interests of their families and related trusts), all of which were beneficial, in the Ordinary shares of the Company at 1 October 2006 and 30 September 2007 are shown below. There were no shares acquired or sold by Directors during the year other than as disclosed below. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries.

	Ordinary shares of 5 pence at start and end of year
Andrew Brode	18,590,812
Elisabeth Lucas	—
Michael McCarthy	—
John Ivey	10,000
Peter Mountford — during the year sold 784,553 shares that had been acquired on exercising options	3,325
	18,604,137

Directors' Remuneration Report (continued)

The interests of Directors and Senior Executives employed by the Group at the year end in options to subscribe for Ordinary shares of the Company, together with options granted and exercised during the year are included in the following table. All options were granted at market value at the date of the grant.

		No. of shares under option	Exercise price Pence	First date exercisable	Last date exercisable
E A Lucas	At 1 October 2006 and 30 September 2007	604,515	23.00	11.11.2004	12.12.2011
M A McCarthy	At 1 October 2006 and 30 September 2007	302,257	23.00	11.11.2004	12.12.2011
P Mountford	At 1 October 2006 Exercised At 30 September 2007	784,553 784,553 —	112.54 112.54 —	11.11.2004	11.11.2008
S J Lodge	At 1 October 2006 and 30 September 2007	604,515	23.00	11.11.2004	12.12.2011
R K Ottway	At 1 October 2006 and 30 September 2007	226,693	23.00	11.11.2004	12.12.2011

	Date exercised	Number	Market price at date of exercise Pence	Gain £000
During the year the following Director exercised options:				
P Mountford	9 January 2007	400,000	295.00	730
	24 January 2007	384,553	305.00	740
		784,553		1,470

■ Transactions with Directors

During the year there were no material recorded transactions between the Company and the Directors.

On behalf of the Board

Michael McCarthy Director
10 December 2007

We have audited the Group and parent company financial statements (the “financial statements”) of RWS Holdings plc for the year ended 30 September 2007 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cashflow statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

■ **Respective responsibilities of Directors and Auditors**

The Directors’ responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors’ Responsibilities within the Directors’ Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors’ Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report, the Executive Chairman’s Statement and Directors’ Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

■ **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



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

■ Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 30 September 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
8 Baker Street, London W1U 3LL
10 December 2007



Financial statements 2007



Group Profit and Loss Account for the year ended 30 September 2007

		2007	2006
	Note	£'000	£'000
Turnover	3	46,208	40,779
Cost of sales		(26,920)	(24,141)
Gross profit		19,288	16,638
Administrative expenses			
Amortization of goodwill	12	(635)	(631)
Other		(8,995)	(8,082)
		(9,630)	(8,713)
Profit on ordinary activities before interest		9,658	7,925
Net interest	6	758	483
Profit on ordinary activities before taxation	7	10,416	8,408
Taxation	8	(2,634)	(2,509)
Profit on ordinary activities after taxation		7,782	5,899
Minority interests		—	—
Profit for the financial year		7,782	5,899
		Pence	Pence
Earnings per 5 pence Ordinary share	10		
Basic earnings per share		19.5	15.2
Diluted earnings per share		18.5	14.2

All amounts relate to continuing activities.

The notes on pages 21 to 35 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses for the year ended 30 September 2007

		2007	2006
	Note	£'000	£'000
Profit attributable to shareholders		7,782	5,899
Exchange adjustments on retranslation of net assets of subsidiary undertakings	21	15	(67)
Total recognised gains and losses		7,797	5,832

The notes on pages 21 to 35 form part of these financial statements.



Group Balance Sheet at 30 September 2007

		2007		2006	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12		6,865		6,418
Tangible assets	13		749		836
			7,614		7,254
Current assets					
Debtors	15	10,675		8,839	
Cash at bank		22,144		16,139	
		32,819		24,978	
Creditors: amounts due within one year	16	(13,310)		(10,993)	
Net current assets			19,509		13,985
Total assets less current liabilities			27,123		21,239
Capital and reserves					
Called up share capital	20/21		2,016		1,954
Share premium account	21		2,992		1,977
Share option reserve	21		1,556		1,873
Capital reserve	21		474		157
Reverse acquisition reserve	21		(8,483)		(8,483)
Profit and loss account	21		28,558		23,751
Shareholders' funds	21		27,113		21,229
Minority interests			10		10
Shareholders' funds and minority interests			27,123		21,239

The notes on pages 21 to 35 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2007 and were signed on its behalf by:

Andrew Brode Director

Statement of Group Cash Flow for the year ended 30 September 2007

		2007	2006
	Note	£'000	£'000
Net cash inflow from operating activities	23	8,858	7,967
Returns on investments and servicing of finance			
Interest received		752	474
Interest paid		(7)	(1)
		745	473
Tax paid		(1,859)	(2,485)
Capital expenditure and financial investment			
Purchase of tangible assets	13	(250)	(208)
Sale of tangible assets		26	—
		(224)	(208)
Free cash flow		7,520	5,747
Acquisition			
Acquisition of subsidiary undertaking		(1,174)	—
Net cash in subsidiary undertaking acquired		44	—
		(1,130)	—
Equity dividends paid		(2,990)	(2,395)
Financing			
Issue of ordinary shares	21	1,077	631
Increase in cash	24	4,477	3,983

The notes on pages 21 to 35 form part of these financial statements.



Company Balance Sheet at 30 September 2007

		2007	2006
	Note	£'000	£'000
Fixed assets			
Investments	14	13,525	4,965
Current assets			
Debtors	15	585	10,158
Cash at bank		9,973	10,139
		10,558	20,297
Creditors: amounts due within one year	16	(4,967)	(4,587)
Net current assets		5,591	15,710
Total assets less current liabilities		19,116	20,675
Capital and reserves			
Called up share capital	20/21	2,016	1,954
Share premium account	21	2,992	1,977
Share option reserve	21	1,556	1,873
Capital reserve	21	474	157
Other reserves	21	5,533	5,533
Profit and loss account	21	6,545	9,181
Shareholders' funds	21	19,116	20,675

The notes on pages 21 to 35 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2007 and were signed on its behalf by:

Andrew Brode Director

1 Basis of consolidation and presentation of financial information

On 11 November 2003, RWS Holdings plc became the legal parent company of Bybrook Limited and its subsidiary undertakings. The substance of the combination was that Bybrook Limited acquired RWS Holdings plc in a reverse acquisition.

The Directors have adopted reverse acquisition accounting as a basis of consolidation in order to give a true and fair view of the substance of the combined entity. In invoking the true and fair override, the Directors note that reverse acquisition accounting is endorsed by International Financial Reporting Standard 3 and that the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

Goodwill arose on the difference between the fair value of the legal parent's share capital and fair value of its net liabilities at the reverse acquisition date. This goodwill was written-off in the year ended 30 September 2004, because the goodwill had no intrinsic value.

Other goodwill arising on consolidation and purchased goodwill are capitalised and amortized through the Profit and Loss Account over the Directors' estimate of its useful economic life that does not exceed 20 years.

The effect on the consolidated financial statements of adopting reverse acquisition accounting rather than following the legal form is widespread. However, the following table indicates the principal effect on the composition of the reserves.

	Reverse acquisition accounting	Normal acquisition accounting	Impact of reverse acquisition accounting
	£'000	£'000	£'000
Called up share capital	1,889	1,889	—
Share premium reserve	737	737	—
Share option reserve	2,030	2,030	—
Reverse acquisition reserve	(8,483)	—	(8,483)
Other reserve	—	5,533	(5,533)
Profit and loss account	16,426	(6,602)	23,028
	12,599	3,587	9,012

As severe long-term restrictions substantially hinder the rights of the Group over Pang Health Limited, which is in liquidation, it has been excluded from the consolidation in accordance with Financial Reporting Standard 2 'Accounting for subsidiary undertakings'. The Group's investment in Pang Health Limited has been recorded as £nil.

2 Accounting policies

The financial statements have been prepared under the historical cost convention, applying accounting policies consistent with those applied in earlier periods, and, are in accordance with applicable accounting standards. The main accounting policies under UK GAAP are described below and are unchanged from the previous year apart from the adoption of certain new Financial Reporting Standards (FRS).

Changes in accounting policies

The adoption of FRS '20 Share based payment' has had no impact on the financial statements.

Turnover Turnover represents sales to outside customers at invoiced amounts less value added tax. Revenue, other than subscription revenue, is recognised as a transaction, filing or search is fulfilled in accordance with agreed client instructions. Subscription revenue is recognised on a straight line basis over the term during which the service is provided.

Accrued income represents amounts not invoiced for work that has been performed.

For the financial year ended 30 September 2006 in accordance with UITF 40 'Revenue recognition and service contracts', services for translations and filings were not accounted for as long term contracts as the impact of activity falling into different accounting periods was considered not to be material to the financial statements.

For the financial year ended 30 September 2007, work in progress reported in the previous financial year has been reclassified as accrued income to be consistent with the current year in accordance with FRS 28 'Corresponding Amounts'. The corresponding amounts for the profit and loss account have not been adjusted as the effects are considered not to be significant.

Intangible assets On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill arising on acquisitions is capitalised and amortized through the Profit and Loss Account over the Directors' estimate of its useful economic life (ranging between 8 and 20 years). Goodwill is reviewed for impairment when there are indications that the carrying value may not be recoverable.

Other purchased goodwill is capitalised and amortized through the Profit and Loss Account over the Directors' estimate of the useful economic life. The economic life for each asset within this category is considered individually and ranges between 8 and 20 years.

Tangible assets All tangible fixed assets are stated at cost less depreciation and any impairment recognised.

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets over their expected useful lives. It is calculated at the following rates on a straight line basis:

Long leasehold and leasehold improvements – over the term of the lease

Furniture and equipment – 10% to 33%

Motor vehicles – 25%

Fixed asset investments Investments acquired through the issue of shares are held at nominal value where the acquisition met the relevant conditions under Sections 131 and 133 of the Companies Act 1985 plus the fair value of any other consideration. Other investments are stated at cost less any impairment in value.

Foreign currencies Foreign currency transactions by Group companies are booked in local currency at the exchange rate ruling on the date of the transaction. Foreign currency assets and liabilities are translated into local currency at the rates of exchange ruling at the balance sheet date. Exchange differences are included in operating profit.

Assets and liabilities of overseas subsidiary undertakings are translated into sterling at rates of exchange ruling at the date of the Group Balance Sheet. The results and cash flows of overseas subsidiary undertakings are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the period retained by overseas subsidiary undertakings are translated into sterling, less exchange differences arising on related foreign currency borrowings, are taken directly to reserves and reported in the Statement of Total Recognised Gains and Losses.

Financial instruments The Group does not hold or issue derivative financial instruments for trading purposes. Forward foreign exchange contracts are used to hedge currency exposures on up to the next 12 months' expected sales. The gains and losses on



foreign exchange contracts hedging anticipated currency exposures on sales are deferred until the date the hedge contract matures. Short term trade debtors and creditors are not treated as financial assets or liabilities except for currency disclosures.

Deferred taxation The Group accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax liabilities and assets are not discounted.

Operating leases Annual rentals are charged to the Profit and Loss Account on a straight line basis over the lease term.

Pension costs Company contributions to the group personal pension scheme are charged to the Profit and Loss Account in the period in which they become payable.

Notes to the financial statements (continued)

3 Segment information

	2007	2006
	£'000	£'000
Turnover by class of business		
Translation and localization services	43,121	38,032
Information services	3,087	2,747
	46,208	40,779
The tables below show information by geographic area and, for turnover and assets, material countries.		
Turnover by geographic location of Group undertakings		
United Kingdom	42,010	36,673
Continental Europe	817	616
Japan	3,190	3,304
United States of America	191	186
	46,208	40,779
Turnover by geographic market in which customers are located		
United Kingdom	7,123	5,676
Continental Europe		
Germany	15,349	14,296
France	4,828	4,812
Other	10,105	8,228
	30,282	27,336
Japan	2,408	2,470
United States of America	6,076	5,061
Other	319	236
	46,208	40,779
Total assets by location of Group undertakings		
UK	38,796	30,476
Others	1,637	1,756
	40,433	32,232
Net assets by location of Group undertakings		
UK	25,924	19,898
Others	1,199	1,341
Net assets	27,123	21,239

Profit before taxation by business sector and location of Group undertakings

In the opinion of the Directors, disclosure would be seriously prejudicial to the interests of the Group.

4 Employees

	2007		2006	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Staff costs consist of:				
Wages and salaries	12,094	280	11,261	280
Social security costs	1,396	31	1,315	31
Pension costs	245	26	231	24
	13,735	337	12,807	335
The average number of employees (including Directors) during the year was as follows:	Number	Number	Number	Number
Production staff	307	–	280	–
Administrative staff	72	3	66	3
	379	3	346	3

Included within the above are Directors and their remuneration, except for gains on options exercised.

There were Group pension contributions of £35,092 outstanding at the year end (30 September 2006: £30,951).

There were no outstanding pension contributions for the Company at the end of either year.

5 Directors' remuneration

	2007	2006
	£'000	£'000
Directors' emoluments	702	671
Gains on the exercise of share options	1,470	268
Company contributions to pension schemes	36	33

Details of the Directors' emoluments and pension contributions and the interests of Directors and Senior Executives in the Ordinary shares of the Company are set out on pages 10 to 12 in the Directors' Remuneration Report.

There were two directors in the Group's defined contribution pension scheme during the year (2006: 2). The Executive Chairman has personal pension arrangements.

Emoluments of the highest paid director were £232,000 (2006: £231,000). Contributions in respect of personal pension arrangements amounted to £26,000 (2006: £24,000).

6 Net interest

	2007	2006
	£'000	£'000
Bank interest receivable		
Short-term deposits	765	484
Bank interest payable on short-term borrowings	(7)	(1)
	758	483

7 Profit on ordinary activities before taxation

	2007	2006
	£'000	£'000
This is arrived at after charging:		
Depreciation (note 13)	316	307
Amortization of goodwill (note 12)	635	631
Auditors' remuneration		
– Audit fees – Company	30	31
– Audit fees – subsidiary undertakings	72	63
– Non-audit services – taxation	68	38
Operating lease rentals		
– Equipment	104	136
– Land and buildings	825	777

8 Taxation

	2007	2006
	£'000	£'000
Analysis of tax charge:		
Corporation tax	2,437	2,403
Adjustments in respect of prior years	(69)	(154)
Overseas taxation	266	260
Total current tax charge	2,634	2,509
Taxation reconciliation to UK statutory rate		
The table below reconciles the UK statutory tax charge to the Group's current tax charge on ordinary activities before taxation.		
Profit on ordinary activities before taxation	10,416	8,408
Notional taxation charge at UK corporation tax rate of 30% (2006: 30%)	3,125	2,522
Effects of:		
Items not deductible or not chargeable for tax purposes	(514)	48
Depreciation in excess of capital allowances	17	20
Differences in effective overseas tax rates	75	73
Adjustments in respect of prior periods	(69)	(154)
Current tax charge for the year	2,634	2,509

The Group has estimated capital losses of £20 million available for offset against the capital gain arising on the redemption of loan notes in the year ended 30 September 2004. As the quantum of the capital losses has not been agreed the offset of the capital losses has not been recognised in the current tax charge and no deferred tax asset recognised.

9 Dividends

	2007	2006
	£'000	£'000
On each 5 pence Ordinary share		
Final proposed 2005 (paid 16 February 2006) – 4.35 pence per share	–	1,672
Interim, paid on 14 July 2006 – 1.85 pence per share	–	723
Final proposed 2006 (paid 16 February 2007) – 5.35 pence per share	2,123	–
Interim, paid on 13 July 2007 – 2.15 pence per share	867	–
	2,990	2,395
Final dividend proposed for the year of 6.50 pence per share (2006: 5.35 pence)	2,621	2,091

The proposed final dividend has not been accrued as it was declared after the balance sheet date. The final proposed dividend will reduce shareholders' funds by an estimated £2.6 million.

10 Earnings per Ordinary share

	2007		2006	
	Earnings	EPS	Earnings	EPS
	£'000	Pence	£'000	Pence
Basic				
Earnings	7,782	19.5	5,899	15.2
Goodwill amortization	635	1.6	631	1.6
Adjusted earnings	8,417	21.1	6,530	16.8
Diluted				
Earnings	7,782	18.5	5,899	14.2
Goodwill amortization	635	1.6	631	1.6
Adjusted earnings	8,417	20.1	6,530	15.8

No significant tax effect arose from the adjustment for goodwill in either the current or prior year.

	Number of shares	Number of shares
Diluted earnings per share are based on the group profit for the year and a weighted average of Ordinary shares in issue during the year calculated as follows:		
In issue	39,883,725	38,763,414
Dilutive potential Ordinary shares arising from unexercised share options	2,108,859	2,863,444
	41,992,584	41,626,858

At 30 September 2007, there were unexercised options over a total of 1,996,533 (2006: 3,234,472) Ordinary shares.

11 Profit attributable to the members of RWS Holdings plc

No Profit and Loss Account has been presented for the Company, as permitted by Section 230 of the Companies Act 1985. The Group profit for the year includes a profit after tax of £354,000 (2006: loss £71,000) which is dealt with in the financial statements of the parent company.

12 Intangible assets

	Goodwill £'000
Group	
Cost at beginning of year	14,527
Additions (see note 26)	1,082
Cost at end of year	15,609
Amortization at beginning of year	8,109
Provision for the year	635
Amortization at end of year	8,744
Net book value at beginning of year	6,418
Net book value at end of year	6,865

At 30 September 2007, the net book value of goodwill arising on consolidation was £6,544,000 (2006: £6,069,000), and the net book value of other goodwill was £321,000 (2006: £349,000).

13 Tangible assets

	Leasehold land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Group				
Cost at beginning of year	898	1,636	27	2,561
Additions	15	226	9	250
Disposals and other movements	(17)	—	(27)	(44)
Cost at end of year	896	1,862	9	2,767
Depreciation at beginning of year	441	1,265	19	1,725
Provision for the year	73	237	6	316
Disposals and other movements	—	—	(23)	(23)
Depreciation at end of year	514	1,502	2	2,018
Net book value at beginning of year	457	371	8	836
Net book value at end of year	382	360	7	749

14 Investments

	Subsidiary undertakings
	£'000
Company	
Cost and net book value at beginning of year	4,965
Additions	8,560
Cost and net book value at end of year	13,525

On 26 September 2007, the Company was allotted and subscribed cash for 8,560,000 Ordinary shares at £1 each fully paid in Bybrook Limited.

The following were the principal wholly owned subsidiary undertakings and have been consolidated in the financial statements:

	Country of incorporation	Nature of business
Bybrook Limited	England	Holding company
Eclipse Translations Limited	England	Technical and legal translations
Japanese Language Services Limited	England	Technical and legal translations
KK RWS Group	Japan	Patent, technical and legal translations
Lawyers' and Merchants' Translation Bureau Inc	USA	Technical and legal translations
Plastics Translations Limited	England	Holding company
RWS Group GmbH	Germany	Technical and legal translations
RWS Group Limited	England	Holding company
RWS Information Limited	England	Patent and technical information searches
RWS (Overseas) Limited	England	Holding company
RWS Translations Limited	England	Patent, technical and legal translations

All principal subsidiary undertakings, except Bybrook Limited, are held indirectly.

15 Debtors

	2007		2006	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts due within one year				
Trade debtors	7,911	—	6,641	—
Accrued income	1,562	—	1,240	—
Amounts owed by Group undertakings	—	118	—	10,134
Other debtors	470	409	374	1
Prepayments	732	58	584	23
	10,675	585	8,839	10,158

Debtors include prior year amounts of £1,240,000 reclassified from work in progress as explained within Note 2.

16 Creditors: amounts due within one year

	2007		2006	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank overdraft – secured (note 18)	1,755	–	227	–
Trade creditors	1,604	–	1,722	–
Other creditors	1,172	410	703	–
Creditors for taxation and social security	546	–	927	–
Corporation tax	6,308	4,439	5,533	4,434
Accruals and deferred income	1,925	118	1,881	153
	13,310	4,967	10,993	4,587

The corporation taxation amount includes £4,434,000 being the liability on the gain arising on the redemption of loan notes in the year ended 30 September 2004 (see note 8).

17 Financial instruments and related disclosures

The Group's principal financial instruments, other than derivatives, are cash, short term deposits and bank overdrafts which are used to manage the Group's funding and liquidity requirements. The Group has other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The principal financial risks to which the Group is exposed are those of interest rate, liquidity, foreign exchange and credit.

Interest rate risk The Group's interest rate risk exposure is primarily to changes in variable interest rates. Most available funds, after meeting working capital requirements, are invested in short term Sterling and Euro deposits. Deposits had maturities not exceeding 3 months and generated interest at rates ranging between 1% and 6.7% (2006: 1% and 5%). Bank overdrafts at the balance sheet date amounted to £1,755,000 (2006: £227,000) were bearing interest at a rate of 1% (2006: 1%) over Barclays Bank base rate.

Interest rate profile	Floating rate financial assets	Floating rate financial assets
	2007	2006
	£'000	£'000
Sterling	16,967	11,083
Euros	3,571	3,205
Yen	805	980
Swiss Francs	144	457
US Dollar	657	414
Gross assets	22,144	16,139

Liquidity risk In addition to cash balances and short term deposits the Group has a Sterling overdraft facility. The Group's policy is to ensure that borrowing facilities are sufficient for its anticipated working capital needs for at least 12 months ahead.

Foreign currency risk The Euro is the Group's most significant currency. More than half of expected future sales give rise to currency exposures but the Group's cost base is primarily Sterling. The Group seeks to hedge these exposures through forward foreign exchange contracts; none of these have a maturity of more than one year after the balance sheet date.

Credit risk The Group's credit risk is primarily attributable to its trade receivables and the financial counterparties for hedged currency exposures, foreign exchange transactions at spot and short term deposits. Forward foreign exchange contracts and short term deposits are transacted only with financial institutions appointed as group company bankers. Foreign exchange contracts at spot are transacted through the company bankers and other specialist foreign exchange intermediaries approved at Group level after due consideration of their credit rating. Trade receivables are managed locally in the operating units where they arise. The Group is mainly exposed to major multinational corporations drawn from Europe, North America and Japan who operate in a diverse range of business sectors.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset recorded in the balance sheet.

Functional currency of group operations	Net foreign currency monetary assets and liabilities			
	Euro £'000	US Dollar £'000	Other £'000	Total £'000
At 30 September 2006				
Sterling	4,894	1,130	886	6,910
At 30 September 2007				
Sterling	6,518	1,584	583	8,685

Fair value of financial assets and financial liabilities	2007		2006	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Short term overdrafts	(1,755)	(1,755)	(227)	(227)
Cash	22,144	22,144	16,139	16,139
	20,389	20,389	15,912	15,912

Gains and losses on hedges The Group's policy is to seek to hedge currency exposures on expected future sales through forward foreign currency contracts. The table below shows the extent to which the Group has off balance sheet (unrecognised) and off balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the Profit and Loss Account for the year and those gains and losses which are expected to be included in Profit and Loss Accounts in subsequent years. At the year end about one third of the principal currency exposure to the Euro on future sales was hedged using foreign exchange contracts, but exposure to the US Dollar on future sales was unhedged.

	Gains £'000	Losses £'000	Total net losses £'000
Unrecognised gains and losses at beginning of year	—	—	—
Unrecognised gains and losses arising in previous years recognised in the year	—	—	—
Unrecognised loss arising in the year	—	63	63
Unrecognised loss at end of year	—	63	63
Loss expected to be recognised in 2007/08	—	63	63
Gains and losses expected to be recognised in 2008 or later	—	—	—

The fair value, the estimated amount the Group would pay if the transactions were terminated, of open ended forward foreign exchange contracts at the year end in aggregate was £63,000 (2006: £nil).

18 Guarantees and other financial commitments

In respect of sterling overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees that are secured by fixed and floating charges over the assets of the Group. At the end of the year the liabilities covered by these guarantees totalled £1,755,000 (2006: £227,000).

19 Commitments and contingent liabilities

	2007	2006
	£'000	£'000
Group		
Forward foreign exchange contracts		
At the balance sheet date the Group had outstanding contracts, for periods of twelve months or less, to sell foreign currency having a principal amount of	6,242	—
Annual commitments under operating leases which expire:		
Land and buildings		
Within one year	30	113
Between one and five years	771	619
After five years	43	43
	844	775
Equipment		
Within one year	12	5
Between one and five years	85	87
	97	92

The Group had no capital commitments contracted for but not provided for in the financial statements.

20 Share capital

	2007	2006
	£'000	£'000
Authorised		
100,000,000 Ordinary shares of 5 pence	5,000	5,000
Allotted, called up and fully paid		
40,319,435 Ordinary shares of 5 pence (2006: 39,081,496)	2,016	1,954

During the year, as a result of options exercised, 1,237,939 Ordinary shares of 5 pence each were issued for a cash consideration of £1,076,755.

Details of Directors' and Senior Executives' options to subscribe for the Ordinary shares of the Company are set out in the Directors' Remuneration Report. In aggregate these options represent 4.3% of the issued share capital of the Company at the year end. Other unexercised options represent 0.6% of the issued share capital of the Company at 30 September 2007.

21 Shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
Group					
At beginning of year	1,954	1,977	(6,453)	23,751	21,229
Issue of share capital in respect of share options	62	1,015	—	—	1,077
Dividends	—	—	—	(2,990)	(2,990)
Profit retained for the financial year	—	—	—	7,782	7,782
Exchange movements	—	—	—	15	15
At end of year	2,016	2,992	(6,453)	28,558	27,113
	Reverse acquisition reserve £'000	Share option reserve £'000	Capital reserve £'000	Total other reserves £'000	
Other reserves					
At beginning of year	(8,483)	1,873	157	(6,453)	
Issue of share capital in respect of share options	—	(317)	317	—	
At end of year	(8,483)	1,556	474	(6,453)	
	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
Company					
At beginning of year	1,954	1,977	7,563	9,181	20,675
Issue of share capital in respect of share options	62	1,015	—	—	1,077
Dividends	—	—	—	(2,990)	(2,990)
Profit for the financial year	—	—	—	354	354
At end of year	2,016	2,992	7,563	6,545	19,116
	Merger reserve £'000	Share option reserve £'000	Capital reserve £'000	Total other reserves £'000	
Other reserves					
At beginning of year	5,533	1,873	157	7,563	
Issue of share capital in respect of share options	—	(317)	317	—	
At end of year	5,533	1,556	474	7,563	

Notes to the financial statements (continued)

22 Reconciliation of movements on shareholders' funds

	2007		2006	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Profit/(loss) for the financial year	7,782	354	5,899	(71)
Dividends paid (note 9)	(2,990)	(2,990)	(2,395)	(2,395)
Net additions to shareholders' funds	4,792	(2,636)	3,504	(2,466)
Opening shareholders' funds	21,229	20,675	17,161	22,510
Additions to shareholders' funds	4,792	(2,636)	3,504	(2,466)
Issue of share capital in respect of share options	1,077	1,077	631	631
Exchange adjustment on consolidation	15	—	(67)	—
Shareholder's funds at end of year	27,113	19,116	21,229	20,675

23 Reconciliation of operating profit to net cash flow from operating activities

	2007	2006
	£'000	£'000
Group operating profit	9,658	7,925
Depreciation and amortization	951	938
Profit on sale of tangible assets	(5)	—
Debtors increase	(1,756)	(1,484)
Creditors increase	—	653
Other non-cash movements	10	(65)
Net cash inflow from operating activities	8,858	7,967

24 Reconciliation of net cash flow to movement in net funds

	2007	2006
	£'000	£'000
Increase in cash in the year	4,477	3,983
Net funds at beginning of year	15,912	11,929
Net funds at end of year	20,389	15,912

25 Analysis of net funds

	At 1 Oct 2006	Cash flow	At 30 Sept 2007
	£'000	£'000	£'000
Cash	16,139	6,005	22,144
Overdrafts	(227)	(1,528)	(1,755)
	15,912	4,477	20,389

26 Acquisition

On 8 June 2007, the Group acquired the whole of the issued share capital of Japanese Language Services Limited for a cash consideration of £1,174,000.

In calculating the goodwill arising on acquisition, there were no adjustments from book value in determining the fair value of net assets acquired.

	Book value and fair value £'000
Current assets:	
Debtors	66
Cash at bank	44
Total assets	110
Creditors: amounts due within one year	(18)
Net assets	92
Cash consideration (including expenses of £31,845)	1,174
Net assets acquired	92
Goodwill arising on consolidation (see note 12)	1,082

The results of Japanese Language Services Limited prior to its acquisition were as follows:

Profit and loss account	1 May 2007 to 8 June 2007 £'000	Year ended 30 April 2007 £'000
Turnover	53	465
Operating (loss)/profit	(222)	12
Income from shares in group companies	—	64
Net interest	1	5
(Loss)/profit on ordinary activities before taxation	(221)	81
Taxation credit/(charge) on (loss)/profit from ordinary activities	19	(4)
(Loss)/profit for the period	(202)	77

	Cash flows £'000
The net outflow of cash arising from the acquisition of Japanese Language Services Limited was as follows:	
Cash consideration (including expenses of £31,845)	1,174
Cash acquired	44
Net outflow of cash	1,130

27 Related party transactions

During the year there were no material recorded transactions between related parties (2006 – £nil).

28 Post balance sheet events

There have been no events since 30 September 2007 that require disclosure.



Contact Information

RWS Holdings plc
www.rws.com

Corporate headquarters

Europa House
Marshall Way
Gerrards Cross
Buckinghamshire
SL9 8BQ
United Kingdom
Tel: +44 (0)1753 480200
Fax: +44 (0)1753 480280

Registered office and registration number

8 Baker Street,
London W1U 3LL
No. 3002645

Public relations advisers

Smithfield Consultants Limited
10 Aldersgate Street
London EC1A 4HJ
Tel: +44 (0)20 7360 4900

Nominated Adviser and Broker

Numis Securities Ltd
London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Tel: +44 (0)20 7260 1000

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: +44 (0)87 0162 3100

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Solicitors

Olswang
90 High Holborn
London WC1V 6XX

Principal bankers

Barclays Bank plc
Level 28
1 Churchill Place
Canary Wharf
London E14 5HP



