





THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE

RWS GROUP

www.rws.com

Executive Chairman's Statement	2
Group Profit and Loss Account	4
Group Statement of Total Recognised Gains and Losses	5
Group Balance Sheet	6
Statement of Group Cash Flow	7
Notes to the Statement of Group Cash Flow	8
Notes	9
Contact Information	12

Executive Chairman's Statement

Business Overview

I have pleasure in presenting yet another record set of results for the Group for the six months ended 31 March 2007.

RWS is Europe's leading provider of intellectual property support services and high level technical, legal and financial translation services. The core business - patent translations - is the largest operation of its kind in Europe, translating over 50,000 patents and intellectual property related documents each year. It services a blue chip multinational client base from Europe, North America and Japan, active in patent filing in the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries, as well as patent agents acting on behalf of such clients. The Group comprises two principal business units - Translations and Information. The Translations' activities account for over 90% of sales. The Information unit offers a comprehensive range of patent search, retrieval and monitoring services and has recently developed PatBase, the largest searchable commercial patent database, available as a subscription service.

Strategy

Our strategy continues to focus upon organic growth driven by the rising numbers of patent applications worldwide, and the increasing demand for language services. We expect to build market share through the exploitation of our leading position and reputation in what is otherwise a fragmented sector. We will deploy our substantial cash holdings for selective acquisitions providing they can be demonstrated to enhance shareholder value.

In line with this growth strategy, the search for suitable potential acquisitions in the high level technical translation and intellectual property support spaces has continued and RWS has very recently entered into exclusive negotiations to acquire a small but highly profitable company in its chosen acquisition field. Further details will be released in due course.

Results

Growth has continued apace during the first half of the financial year, driven by the Group's market leading position in its core patent translation activity.

Sales and profit for the period once again achieved record levels: sales grew by 17% to £22.6m; profit before tax and goodwill amortization rose by 21% to £5.4m (2006: £4.5m), as the Group benefited from margin improvement and increased productivity, although this was to some extent offset by unfavourable currency movements.

Earnings and Dividend

Normalised earnings per share were up 26% at 10.2 pence (2006: 8.1 pence) on an increased number of shares in issue following the exercise of employee options and a consequently lower tax rate. This lower tax rate is likely to be charged for the year as a whole, but is expected to return to the standard rate in RWS' next financial year.

The Directors have approved an interim dividend of 2.15 pence per share, an increase of 16% over the 2006 interim dividend of 1.85 pence per share.

Executive Chairman's Statement (continued)

Operating Review **Translations** Patent translations, which account for 80% of Group business, showed continued progress from a combination of increased patent grants and new corporate clients, with significant wins in Europe and the USA. The RWS "translate and file" service commends itself to multinational corporates seeking comprehensive geographical patent protection, and is both competitive and of high quality. We have successfully replicated the European model in Japan and have begun to capitalise upon strong client interest in our embryonic operation in China.

Commercial translations (medical, legal, financial etc.) have all performed well in a competitive marketplace.

Information The Information business unit accounts for around 10% of sales. The core patent search and watch services resumed modest growth. Costs are under firm control and margins, already very healthy, have improved further.

The PatBase subscription database service continues to attract worldwide subscriber interest and has already become a useful contributor to Group profits. We have now completed a comprehensive upgrade to the functionality of the service and are marketing simplified access to broaden the appeal to corporate research departments. PatBase revenues grew by 81% in the period.

Financial Review RWS' financial strength has improved further, with shareholders' funds standing at £23.8m at the half year end, of which net cash represented £18m. Free cash flow advanced to £3.2m with overall net cash inflow of £2.1m. Capital expenditure was again extremely modest for a business of RWS' size, amounting to £115,000 for the six months' period. Additional working capital of £1.2m was required to fund the growth in revenues.

Currencies have moved against the Group in the period, particularly the US dollar and Japanese yen. The Group has entered into hedge arrangements for Euro/Sterling at rates in excess of 69 pence to the euro, but is otherwise unhedged.

People RWS is a quintessential 'people' business and owes its strong customer loyalty to the quality of its staff and the services they deliver. As at 31 March 2007 the Group employed 366 people, up from 344 a year ago, clearly demonstrating that productivity has continued to advance. We believe that we offer market leading remuneration to key skilled staff, but recruitment of the right calibre to match client requirements remains the key challenge.

Outlook With multinational corporate profitability buoyant and expenditure on research and development continually rising, the Group expects to benefit further from expansion of its comprehensive intellectual property protection services. Our financial position is strong; our customer base continues to broaden and the Board has every reason to be confident about the outturn for 2007 and beyond.

Andrew Brode, Executive Chairman
30 May 2007

Group Profit and Loss Account

	Note	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Turnover	1	22,627	40,779	19,400
Cost of sales		(13,150)	(24,141)	(11,488)
Gross profit		9,477	16,638	7,912
Administrative expenses				
Amortization of goodwill		(309)	(631)	(323)
Other		(4,371)	(8,082)	(3,607)
		(4,680)	(8,713)	(3,930)
Group operating profit before goodwill amortization		5,106	8,556	4,305
Group operating profit and profit on ordinary activities before interest		4,797	7,925	3,982
Net interest		342	483	210
Profit on ordinary activities before taxation		5,139	8,408	4,192
Taxation	2	(1,412)	(2,509)	(1,372)
Profit for the financial period (Profit attributable to shareholders)		3,727	5,899	2,820
All amounts relate to continuing activities.				
Earnings per share	4	Pence	Pence	Pence
Basic		9.4	15.2	7.3
Diluted		8.9	14.2	6.8

Group Statement of Total Recognised Gains and Losses

	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Profit for the financial period	3,727	5,899	2,820
Exchange adjustments on retranslation of net assets of subsidiary undertakings	(26)	(67)	(24)
Total recognised gains and losses for the financial period	3,701	5,832	2,796

Group Balance Sheet

	Note	31 March 2007 £'000	30 Sept. 2006 £'000	31 March 2006 £'000
Fixed assets				
Intangible assets		6,109	6,418	6,726
Tangible assets		798	836	896
		6,907	7,254	7,622
Current assets				
Work in progress		1,880	1,240	1,011
Debtors: due within one year		8,355	7,599	7,284
Cash at bank		18,406	16,139	13,494
		28,641	24,978	21,789
Creditors: amounts due within one year	5	(11,701)	(10,993)	(10,759)
Net current assets		16,940	13,985	11,030
Net assets		23,847	21,239	18,652
Capital and reserves				
Called up share capital		2,006	1,954	1,942
Share premium account		2,955	1,977	1,719
Capital reserve		292	157	157
Share option reserve		1,738	1,873	1,873
Reverse acquisition reserve		(8,483)	(8,483)	(8,483)
Profit and loss account		25,329	23,751	21,434
Shareholders' funds	6	23,837	21,229	18,642
Minority interest		10	10	10
		23,847	21,239	18,652

Statement of Group Cash Flow

	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Net cash inflow from operating activities	4,087	7,967	3,650
Returns on investments and servicing of finance			
Interest received	347	474	204
Interest paid	(5)	(1)	(1)
	342	473	203
Tax paid	(1,153)	(2,485)	(1,077)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(115)	(208)	(113)
Free cash flow	3,161	5,747	2,663
Dividends paid to shareholders	(2,123)	(2,395)	(1,676)
Cash inflow before financing	1,038	3,352	987
Financing			
Issue of ordinary shares	1,030	631	361
Increase in cash	2,068	3,983	1,348

Notes to the Statement of Group Cash Flow

	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Reconciliation of operating profit to net cash flow from operating activities			
Group operating profit	4,797	7,925	3,982
Depreciation and amortization	462	938	474
Work in progress increase	(640)	(467)	(238)
Debtors increase	(757)	(1,017)	(705)
Creditors increase	253	653	161
Other non-cash movements	(28)	(65)	(24)
Net cash inflow from operating activities	4,087	7,967	3,650
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	2,068	3,983	1,348
Net funds at beginning of the period	15,912	11,929	11,929
Net funds at end of the period	17,980	15,912	13,277
Analysis of net funds			
	At 1 October 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash	16,139	2,267	18,406
Overdrafts	(227)	(199)	(426)
	15,912	2,068	17,980

	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
1 Segment information			
Turnover by class of business			
Translation and localization services	21,154	38,032	18,143
Information services	1,473	2,747	1,257
	22,627	40,779	19,400
Turnover by geographic location of Group undertakings			
United Kingdom	20,590	36,673	17,454
Continental Europe	351	616	308
Japan	1,581	3,304	1,548
United States of America	105	186	90
	22,627	40,779	19,400
Turnover by geographic market in which customers are located			
United Kingdom	3,349	5,676	2,481
Continental Europe			
Germany	7,622	14,296	7,328
France	2,349	4,812	2,432
Other	4,816	8,228	3,855
	14,787	27,336	13,615
Japan	1,261	2,470	1,172
United States of America	3,120	5,061	2,052
Other	110	236	80
	22,627	40,779	19,400

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.

- 2 Taxation** – the charge for the 6 months ended 31 March 2007 is at the likely effective tax rate that will be applicable for the whole year. The UK standard rate of 30% is diluted by the effect of the deductible for employee share options exercised.

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.

3 Dividends	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Ordinary shares			
Interim paid of 1.85 pence	–	723	–
Final dividends for the prior year of:			
5.35 pence, paid 15 February 2007			
(4.35 pence, paid 16 February 2006) per share	2,123	1,672	1,676
	2,123	2,395	1,676

An interim dividend of 2.15 pence (interim 2006 - 1.85 pence, paid 14 July 2006) per Ordinary share will be paid on 13 July 2007 to Shareholders on the Register at 15 June 2007. This dividend, which was approved by the Directors after the balance sheet date, has not been recognised as a liability at 31 March 2007.

4 Earnings per Ordinary share	6 months ended 31 March 2007		Year ended 30 Sept. 2006		6 months ended 31 March 2006	
	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Basic earnings	3,727	9.4	5,899	15.2	2,820	7.3
Goodwill amortization	309	0.8	631	1.6	323	0.8
Normalised earnings	4,036	10.2	6,530	16.8	3,143	8.1
Diluted normalised earnings per share		9.7		15.8		7.6

4 Earnings per Ordinary share (continued)

	Number of shares 6 months ended 31 March 2007	Number of shares Year ended 30 Sept. 2006	Number of shares 6 months ended 31 March 2006
Diluted earnings per share are based on the group profit for the period and a weighted average of Ordinary shares in issue during the period calculated as follows:			
In issue	39,514,905	38,763,414	38,566,268
Dilutive potential Ordinary shares arising from unexercised share options	2,310,152	2,863,444	2,887,388
	<u>41,825,057</u>	<u>41,626,858</u>	<u>41,453,656</u>

The weighted average number of Ordinary shares in issue reflects the 1,034,553 Ordinary shares issued under options exercised during the period. At 31 March 2007 there were unexercised options over a total of 2,199,919 (2006 - 3,474,472) Ordinary shares.

- 5 Creditors: amounts due within one year** include corporation tax of £5,792,000 (31 March 2006 - £5,804,000). The 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.

6 Reconciliation of movements in shareholders' funds

	6 months ended 31 March 2007 £'000	Year ended 30 Sept. 2006 £'000	6 months ended 31 March 2006 £'000
Opening shareholders' funds	21,229	17,161	17,161
Profit for the financial period	3,727	5,899	2,820
Dividends (note 3)	(2,123)	(2,395)	(1,676)
Other net recognised gains and losses relating to the financial period	(26)	(67)	(24)
Shares issued under options exercised	1,030	631	361
Shareholders' funds at the end of the period	<u>23,837</u>	<u>21,229</u>	<u>18,642</u>

7 Basis of preparation

The interim financial statements were approved by the Board of Directors on 30 May 2007 and the interim results for the half years ended 31 March 2007 and 31 March 2006 are neither audited nor reviewed by our auditors. The accounts in this interim report do not constitute statutory accounts in accordance with Section 240 of the Companies Act 1985. The financial information contained in this document has been prepared on the basis of accounting policies consistent with those set out in the Group's statutory accounts for the year ended 30 September 2006, which received an unqualified report and have been lodged with the Registrar of Companies. The figures for the year ended 30 September 2006 have been extracted from those statutory accounts.

Contact Information

Corporate headquarters

Europa House
Marsham 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 EC14 4HJ
Tel: +44 (0)20 7360 4900

Nominated Adviser and Broker

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

Registrars

Capita Registrars
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

www.rws.com

