ANNUAL REPORT 2008

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RWS Holdings plc

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THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2004

RWS GROUP

I am delighted to report another year of significant progress for RWS. For its fifth 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 international 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 an 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 for leveraging RWS' size, financial strength, 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 17% to £54.1 million (2007: £46.2 million); profit before tax and intangibles amortization increased by 26.4% to £13.9 million (2007: £11.0 million). The effective cash tax rate was 21.7% (2007: 24%). Basic earnings per share before intangibles amortization advanced by 25% to 24.0p (2007: 19.2p).

This strong performance was achieved despite the implementation of the London Agreement on 1 May 2008, and owed much to client retention, demand for our services, and the successful integration of the DSC acquisition, whilst it was also assisted by a favourable euro/sterling exchange rate. The rate rose from Euro 1.44=£1 at the beginning of the period to 1.26 at the end, with the average experienced throughout the year at 1.30. We continued to exert tight control over translation costs (particularly the use of freelances) and this, combined with improved productivity and the excellent margins in our growing patent database, PatBase, contributed to the further margin improvement. Overall, the profit before tax and intangibles amortization margin rose from 23.8% to 25.8% of sales revenues.

At a time when the markets are increasingly sensitive to a company's financial position, RWS' financial base has strengthened further. Shareholder funds have advanced to £36.4 million, including net cash of £22.1 million. Free cash flow increased to £10.4 million with modest capital expenditure of £460,000. The overall growth was achieved with minimal increases in working capital and tight control of receivables despite deteriorating credit conditions. The acquisition of Document Service Center in Berlin required a net outlay of £5.8 million. Even after this acquisition, and substantially larger tax and dividend payments, net cash advanced by £1.7 million.

Dividend

The Board recommends a final dividend of 7.9p per share, which, together with the interim payment, will result in a total dividend payout for the year of 10.4 per share, a 20% increase over 2007.

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 20 February 2009 to all shareholders on the register at 23 January 2009.

Acquisitions

RWS acquired Document Services Center (DSC), a technical translations business based in Berlin, in February 2008. DSC's customers are major industrial corporates in Germany and Switzerland. The existing RWS business in Berlin has since moved to DSC's premises in central Berlin under a single management structure.

Having been pleased with the return on all of our acquisitions to date, we continue to review acquisition opportunities, and our financial resources ensure a favourable position when competing for acquisitions. Such acquisitions are likely to be in the technical translations space, with our selection criteria including good margins, growth prospects and the enhancement of shareholder value.

Operating Review

Translations

Patent translations are the Group's core business and account for 70% of sales revenues. Our business model is built upon the premise that we will execute all of the patent translations of our key clients and on our track record of adding new clients and not losing existing ones, whilst the overall numbers of patents granted worldwide continue to grow. We believe that this model performed satisfactorily in 2007-08 despite the commencement of the London Agreement in May 2008, which caused some potential clients to defer changes to their existing arrangements with patent attorneys. The RWS services have long attained a reputation as a high quality, convenient and cost-effective solution for those corporates generating significant patent volumes requiring comprehensive geographical intellectual property protection.

In Japan, we have experienced significant levels of competition during a time when the yen has been weak. More recently, the yen has risen dramatically and we expect to be able to report better results in sterling terms. Our Tokyo office has now also assumed responsibility for marketing PatBase in Japan. Our Beijing office is still in its start up phase, but sales and expressions of interest in our patent translations are encouraging.

All of our recent acquisitions have been in the technical, non-patent area, and have contributed to these activities now accounting for 23% of overall sales revenues. This area of our business encounters the clearest competition which is likely to intensify with the global downturn. Its performance in 2007-08 has fulfilled our expectations. The key to success lies in preferred supplier or approved contractor status, handling larger and/or more difficult assignments.

Since the advent of the global banking problems and the intensification of economic malaise, we have seen potential clients for our services become increasingly concerned about the possible failure of suppliers to deliver business critical translations. As such, we expect the Group's financial strength and scale to position it well in what is otherwise a highly fragmented market.

Information

The information division accounts for only 7% of group sales but produces excellent margins. This has continued to be the case as we enjoy European market leadership in the provision of patent search, patent watch and document services. Sales benefited from one, unusually large, assignment.

Additionally, the information division includes PatBase, an extremely comprehensive and searcher-friendly patent database (PatBase). Available only on subscription, PatBase has achieved in excess of 70% growth in gross subscription revenues in 2008 accompanied by outstanding margins.

Investment

During the reporting year, we commenced an investment programme which we expect to continue through the new financial year. Whilst historically much of our patent translation work has come as a result of referrals, we have more recently increased our sales effort, particularly in the USA, and this trend will continue in 2009.

Additionally, we are implementing a number of new systems to further support our workflow, customer interface and documentation management. These include a new web portal to allow clients interactive access; translation memory software which will be used for selective assignments and a comprehensive document and customer relationship management system expected to go live in 2009. We expect the implementation of these systems to enhance efficiency and reduce costs when fully operational.

Principal Risks

The Directors continue to believe that the principal risks to the business are 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.

The Group addresses these risks as follows:

- Failings in service provision are most likely to arise as a result of human error. RWS has long been ISO-certified and has exhaustive and regularly updated procedures in place to minimise the risk of error. The Group also carries extensive professional indemnity insurance.

- Currency risks can normally be addressed via hedging operations. During the financial year ended 30 September 2008, we experienced unfavourable hedges in the first half and favourable hedges in the second half of the year. Sterling/dollar exposure for the whole of 2008/09 has been fixed at \$1.60=£1. All of the Group's euro cash balances were sold in November 2008 at a rate of Euro

1.16=£1. There are presently no other hedges in place as we believe sterling weakness will continue in the short term.

● At the time RWS floated on AIM in November 2003, two regulatory initiatives were identified as possible threats to our patent translations business. The first – a European Community Patent – was decisively rejected in 2005, although discussions continue. The second – the London Agreement – came into effect in its first phase on 1 May 2008. This voluntary arrangement amongst certain European countries is expected to reduce profits before tax by not less than £2 million in a full year, which we have already factored into our expectations. As previously highlighted, our core patent translation activities (into English, primarily for filing at the US Patent Office) are entirely unaffected; the loss of work comprises the into European language translations performed by freelances. We are, therefore, better able to manage the direct costs related to this work and we continue to focus on managing our cost base as the impact of the London Agreement flows through. In addition, the Group's acquisition strategy, which will target technical translations, is designed to more than compensate for the reduction in profits from the impacted business.

People

Quality business support services rely heavily upon human resources for excellent execution. The RWS brand is a byword for quality in the intellectual property services space. That is testament to the continuing efforts of our entire staff and evidenced by yet another set of excellent results.

Current Trading and Outlook

In the face of arguably the most challenging economic environment in our lifetime we are cautiously optimistic that the business will broadly prove to be resilient.

Trading in the first two months of the current financial year has been in line with the Board's expectations and we enter this period of severe economic downturn in a strong financial position, with good opportunities for niche acquisitions, and market leadership in our core business. These factors and the investments we intend to make in both organic growth and enhanced systems, underpin our commitment to grow our market share and demonstrate progress in 2009.

Andrew Brode
Executive Chairman

10 December 2008

A S Brode (68)
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, Independent Media Support Group plc and other private equity financed media companies.

Mrs E A Lucas (52)
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 (61)
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.

Registered office
55 Baker Street, London W1U 7EU

Company registration number
3002645

J C Ivey (66)
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 (51)
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.

The Directors present their annual report together with the audited financial statements for the year ended 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) for the pharmaceutical, chemical, medical, telecoms, aerospace, defence 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, key performance indicators and outlook are dealt with in the Executive Chairman's Statement on pages 2 to 4.

Restructuring

On 29 February 2008, all the business, assets and liabilities of Japanese Language Services Limited were hived-up into RWS Translations Limited as part of a rationalisation process.

Financial results

The financial statements set out the results of the Group for the year ended 30 September 2008 which are shown on page 16.

The profit before amortization of intangibles and taxation was £13.9 million (2007: £11.0 million) and with an amortization charge of £0.26 million the resulting profit before tax was £13.7 million. The current tax expense (excluding deferred tax) of £3.0 million represented a rate of 21.7% on the profit before tax (2007: 24%)

Dividends

The Directors recommend a final dividend of 7.9 pence per Ordinary share to be paid on the 20 February 2009 to shareholders on the register at 23 January 2009, which, together with the dividend of 2.50 pence paid in July 2008, makes a total dividend for the year of 10.4 pence (2007: 8.65 pence). The final dividend will be reflected in the financial statements for the year ending 30 September 2009.

Going concern accounting basis

In view of the Company's resources, results of operations and overall financial condition, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

Information about the use of financial instruments by the Group is given in note 17 to the financial statements.

Political and charitable contributions

Financial contributions to charities and good causes during the year amounted to £6,000 (2007: £2,000). There were no political donations.

Post balance sheet events

No significant change has occurred since the 30 September 2008.

Directors

Details of members of the Board during the year and at 30 September 2008 are set out on page 5.

The interests of directors and senior executives during the year in shares and share options are set out on page 11 in the Directors' Remuneration Report. There have been no changes to the shareholdings of directors between 30 September 2008 and 10 December 2008.

Andrew Brode retires by rotation at the Annual General Meeting and being eligible offers himself for re-election. The Company's AGM will be held in London on 12 February 2009.

Corporate governance

Statement by the Directors on compliance with the Combined Code

The Company is listed on the Alternative Investment Market (AIM). The 2006 Financial Reporting Council's revised Combined Code on Corporate Governance does not apply to AIM companies, however, the Board is committed to ensuring that the Group is well governed and follows the principles of the Code in so far as is practicable and relevant to its size and status.

The Board

The Board comprises three executive and two non-executive directors. The Board considers that both of 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 six 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; Reinhard Ottway, Business Development Director, and, Charles Sitch, Managing Director UK Translations Division. These and other senior managers are invited to attend board meetings and report on the areas of responsibility delegated to them.

Audit Committee

The members of the Audit Committee are Peter Mountford (committee Chairman), John Ivey and Andrew Brode. The members, with the exception of Andrew Brode, are non-executive directors and the Board is satisfied that they have recent and relevant financial experience. The Finance Director and representatives from the external auditors attend meetings at the request of the committee. During the year the committee met three times.

The committee reviews and makes recommendations to the Board on: any change in accounting policies; decisions requiring a major element of judgement and risk; compliance with accounting standards and legal and regulatory requirements; disclosures in the interim and annual report and accounts; dividend policy and payment; any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group; and, any matters that may significantly affect the independence of the external auditor.

Remuneration Committee

The members of the Remuneration Committee are John Ivey (committee Chairman), Peter Mountford and Andrew Brode. With the exception of Andrew Brode, the members are non-executive directors. Further information about the committee and the Company's remuneration policy is set out on page 10 in the Directors' Remuneration Report.

Internal controls and risk management

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

The Directors believe that the Group has internal control systems in place appropriate to the size and nature of the business. The key elements are: bimonthly plc board meetings with reports from and discussions with senior executives on performance and key risk areas in the business; monthly financial reporting, for each subsidiary, of actual performance compared to budget and previous year; annual budget setting; and, a defined organisational structure with appropriate delegation of authority. The Board also receives a report from the external auditor on matters identified in the course of the statutory audit work.

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 2008, excluding the Directors, the following were substantial shareholders:

	% holding
Blackrock Investment Management	10.0
Invesco Perpetual	4.6
Old Mutual Asset Managers	4.5
Phoenix Asset Management	3.6
Liontrust Asset Management	3.3
Octopus Investments	3.0

Adrian Bradshaw, under an agreement dated 10 October 2003, had 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 was exercisable at any time on or before 11 November 2008. During the year he exercised options over 258,553 Ordinary shares of the Company and at 30 September 2008 all of his options had been exercised.

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 2.5% of the issued share capital of the Company at the year end.

Authority to allot

Under section 80 of the Companies Act 1985, the Directors are prevented, subject to certain exceptions, from allotting relevant securities without the authority of the shareholders in general meeting. Relevant securities are defined in the act to include the Company's ordinary shares or securities convertible into the Company's ordinary shares. An ordinary resolution will be proposed at the forthcoming Annual General Meeting to authorise the directors to allot relevant securities up to an aggregate nominal value of £688,400, representing approximately one third of the share capital of the Company in issue at 10 December 2008 (being the last practicable date prior to the publication of this Annual Report). The directors' authority will expire on the earlier of 12 May 2010 and the conclusion of the next Annual General Meeting. This authority complies with guidelines issued by institutional investors. The directors have no immediate plans to make use of this authority. As at the date of this report the Company does not hold any ordinary shares in the capital of the Company in treasury.

Statutory Pre-emption Rights

Under section 89 of the Companies Act 1985, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. A special resolution will be proposed at the forthcoming Annual General Meeting which renews, for the period ending on 12 May 2010 or, if earlier, the date of the next Annual General Meeting, the authorities previously granted to the directors to:
(a) allot shares of the Company in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £103,260 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 10 December 2008 (being the last practicable date prior to the publication of this Annual Report)) as if the pre-emption rights of section 89 did not apply. Save in respect of issues of shares in respect of the existing employee share option scheme the directors have no immediate plans to make use of these authorities. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years. During the year the Company issued 984,553 ordinary shares to fulfil options.

Amendments to the Company's Articles of Association – Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the previous law but with some changes. Under the Companies Act 2006, since 1 October 2008 a director has had a duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. A special resolution will be proposed at the forthcoming Annual General Meeting which will if passed amend the articles of association of the Company to include such provisions. The amended articles of association will give the Directors authority to approve such situations and will include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amended articles of association should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the situation giving rise to the potential conflict has previously been authorised by the Directors.

The Directors consider the proposal to be considered at the forthcoming Annual General Meeting to amend the articles of association to be in the best interests of the Company and the shareholders as a whole.

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 32 days (2007: 30 days) average purchases. The Company had no trade creditors at the year end.

Auditors

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

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 2008

The Company is listed on the Alternative Investment Market (AIM) and is therefore not required to prepare a report on directors' remuneration. The following information is voluntarily disclosed.

Remuneration Committee

The members of the Remuneration Committee are John Ivey (committee Chairman), 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 of the Company for service in all capacities during the year ended 30 September 2008 was £750,000 (2007: £702,000). The remuneration of individual directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

				2008	2008	2007	2007
	Salary or fees	Bonus	Taxable benefits	Total	Pension contributions	Total	Pension contributions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Andrew Brode	231	–	2	233	26	232	26
Elisabeth Lucas	187	49	1	237	5	221	5
Michael McCarthy	194	35	1	230	5	199	5
John Ivey	25	–	–	25	–	25	–
Peter Mountford	25	–	–	25	–	25	–
	662	84	4	750	36	702	36

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 2007 and 30 September 2008 are shown top right. There were no shares acquired or sold 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	3,325
	18,604,137

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.

	Number of shares under option			Exercise	First date	Last date
	01 Oct	Exercised	30 Sep	price	exercisable	exercisable
	2007		2008	Pence		
E A Lucas	604,515	250,000	354,515	23.00	11.11.2004	12.12.2011
M A McCarthy	302,257	151,000	151,257	23.00	11.11.2004	12.12.2011
S J Lodge	604,515	250,000	354,515	23.00	11.11.2004	12.12.2011
R K Ottway	226,693	75,000	151,693	23.00	11.11.2004	12.12.2011

During the year the following directors exercised options:

	Date exercised	Number	Market price at date of exercise	Gain
			Pence	£'000
E A Lucas	12 March 2008	250,000	360.00	843
M A McCarthy	12 March 2008	151,000	360.00	509
		401,000		1,352

Transactions with directors

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

On behalf of the Board

Michael McCarthy
Director

10 December 2008

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the proper representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

- provide additional disclosures when compliance with the specific requirements in IFRS's is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent Company financial statements

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 of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website 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 website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The work of the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have audited the Group and parent company financial statements (the 'financial statements') of RWS Holdings plc for the year ended 30 September 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense 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 Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and for preparing the parent Company 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.

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, the Directors' Remuneration Report and the Statement of Directors' Responsibilities. 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 and for the purpose 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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 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 2008;

- 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
Registered Auditors
55 Baker Street, London W1U 7EU

10 December 2008

FINANCIAL STATEMENTS

RWS Holdings plc

Consolidated Income Statement for the year ended 30 September

	Note	2008 £'000	2007 £'000
Revenue	3	**54,106**	46,208
Cost of sales		**(31,746)**	(26,920)
Gross profit		**22,360**	19,288
Other operating income		**–**	5
Administrative expenses		**(9,598)**	(9,087)
Operating profit		**12,762**	10,206
Analysed as:			
Operating profit before amortization of customer relationships and trademarks		**13,028**	10,222
Amortization of customer relationships and trademarks		**(266)**	(16)
Operating profit	4	**12,762**	10,206
Finance income	6	**919**	765
Finance expense	6	**(1)**	(7)
Profit before taxation		**13,680**	10,964
Taxation	7	**(4,093)**	(3,315)
Profit for the year		**9,587**	7,649
Attributable to:			
Equity holders of the Company		**9,587**	7,649
Basic earnings per Ordinary share (pence per share)	9	**23.5**	19.2
Diluted earnings per Ordinary share (pence per share)	9	**22.7**	18.2

The notes on pages 19 to 43 form part of these financial statements.

Consolidated Statement of Recognised Income and Expense for the year ended 30 September

	Note	2008 £'000	2007 £'000
Exchange gains on retranslation of foreign operations	19	**667**	15
Net income recognised directly in equity		**667**	15
Profit for the year		**9,587**	7,649
Total recognised income and expense for the year		**10,254**	7,664
Attributable to:			
Equity holders of the Company		**10,254**	7,664
Minority interest		**–**	–

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Goodwill	10	**10,924**	7,144
Intangible assets	11	**3,532**	528
Property, plant and equipment	12	**738**	732
Deferred tax assets	13	**1,265**	1,849
		16,459	10,253
Current assets			
Trade and other receivables	14	**10,861**	10,642
Cash and cash equivalents	20	**22,081**	22,144
		32,942	32,786
Total assets		**49,401**	43,039
Liabilities			
Current liabilities			
Bank overdraft	20	**–**	1,755
Trade and other payables	15	**6,790**	6,058
Income tax payable		**5,328**	6,308
Derivative financial instruments	16	**–**	63
		12,118	14,184
Non-current liabilities			
Deferred tax liabilities	13	**884**	133
		884	133
Total liabilities		**13,002**	14,317
Total net assets		**36,399**	28,722
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	18/19	**2,065**	2,016
Share premium	19	**3,401**	2,992
Reverse acquisition reserve	19	**(8,483)**	(8,483)
Foreign currency reserve	19	**682**	15
Retained earnings	19	**38,724**	32,172
	19	**36,389**	28,712
Minority interest	19	**10**	10
Total equity	19	**36,399**	28,722

The notes on pages 19 to 43 form part of these financial statements.
The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2008 and were signed on its behalf by:

Andrew Brode
Director

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Profit before taxation		**13,680**	10,964
Adjustments for:			
Depreciation of property, plant and equipment		**315**	305
Amortization of intangible assets		**359**	54
Finance income		**(919)**	(765)
Finance expense		**1**	7
Gain on sale of property, plant and equipment		**–**	(5)
Other non cash movements		**–**	38
Operating cash flow before movements in working capital and provisions		**13,436**	10,598
Decrease/(increase) in trade and other receivables		**402**	(1,751)
Increase in trade and other payables		**244**	8
Cash generated from operations		**14,082**	8,855
Interest paid		**(1)**	(7)
Income tax paid		**(4,119)**	(1,859)
Net cash inflow from operating activities		**9,962**	6,989
Cash flows from investing activities			
Interest received		**889**	752
Acquisition of subsidiary, net of cash acquired	21	**(5,817)**	(1,130)
Purchases of property, plant and equipment	12	**(258)**	(245)
Purchases of intangibles (computer software)	11	**(202)**	(39)
Sale of property, plant and equipment		**–**	26
Net cash outflow from investing activities		**(5,388)**	(636)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	**458**	1,077
Dividends paid	8	**(3,647)**	(2,990)
Net cash inflow from financing activities		**(3,189)**	(1,913)
Net increase in cash and cash equivalents		**1,385**	4,440
Cash and cash equivalents at beginning of the year	20	**20,389**	15,912
Exchange gains on cash and cash equivalents		**307**	37
Cash and cash equivalents at end of the year	20	**22,081**	20,389

Free cash flow

Analysis of free cash flow		
Net cash generated from operating activities	**14,082**	8,855
Net interest received	**888**	745
Income tax paid	**(4,119)**	(1,859)
Purchases of property, plant and equipment	**(258)**	(245)
Purchases of intangibles (computer software)	**(202)**	(39)
Sale of property, plant and equipment	**–**	26
Free cash flow	**10,391**	7,483

The Directors consider that the free cash flow analysis above indicates the cash generated from normal activities excluding acquisitions and dividends paid.

The notes on pages 19 to 43 form part of these financial statements

1 Accounting policies

Basis of accounting and preparation of financial statements
The Group has previously prepared consolidated financial statements in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Practice (UK GAAP). From 1 October 2007 the Group is required to prepare its consolidated financial statements in accordance with the Companies Act 1985, International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. The Group's date of transition to IFRS is 1 October 2006, the start of the previous period that has been presented as comparative information. The consolidated information presented in this document has been prepared on the basis of the IFRS in issue and effective at 30 September 2008.

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2008 or later periods and which the group has decided to not adopt early:

Amendments to IFRS 1, 'First time adoption of IFRS' (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The IFRS does not apply as the group has adopted IFRS from 1 October 2006.

Amendments to IFRS 2, 'Share-based Payment' (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The IFRS is not applicable as the group does not provide any share based remuneration schemes.

Revised IFRS 3, 'Business Combinations' (effective for accounting periods beginning on or after 1 July 2009). This revised standard is still to be endorsed by the EU.

Amendments to IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. Management is currently assessing the impact of the amendment on the accounts.

IFRS 8, 'Operating Segments' (effective for accounting periods beginning on or after 1 January 2009). The group expects to apply this standard in the accounting period beginning on 1 October 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the group.

Revised IAS 1, 'Presentation of Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). This revised standard is still to be endorsed by the EU. The group expects to apply this standard in the accounting period beginning on 1 October 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the group.

Revised IAS 27, 'Consolidated and Separate Financial Statements' (effective for accounting periods beginning on or after 1 July 2009). This revised standard is still to be endorsed by the EU. Management is currently assessing the impact on the accounts.

Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. Management is currently assessing the impact on the accounts.

IFRIC 13, 'Customer Loyalty Programmes' (effective for accounting periods beginning on or after 1 July 2008). This IFRIC is still to be endorsed by the EU. The IFRIC does not apply to the group.

IFRIC 15, 'Agreements for the construction of real estate' (effective for accounting periods beginning on or after 1 January 2009). This IFRIC is still to be endorsed by the EU. The IFRIC does not apply to the group.

IFRIC 16, 'Hedges of a net investment in a Foreign Operation' (effective for accounting periods beginning on or after 1 October 2008). This IFRIC is still to be endorsed by the EU. The IFRIC does not apply to the group.

IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009). This IFRIC is still to be endorsed by the EU. The IFRIC does not apply to the group.

In addition, the IASB 2008 annual improvements project includes minor amendments to various accounting standards which will be effective for accounting periods beginning on or after 1 January 2009 and is not expected to affect the Group.

The Company has elected to prepare the Company financial statements in accordance with UK Accounting Standards. These are presented on pages 44 to 48 and the accounting policies in respect of Company information are set out on page 45.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Judgements include classification of transactions between the income statement and the balance sheet, whilst estimations focus on areas such as carrying values and estimated lives.

Implementation of International Financial Reporting Standards
The implementation of International Financial Reporting Standards and reconciliations to previously presented financial statements are set out in note 26.

Consolidation
The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. A subsidiary is an entity controlled , directly or indirectly. Control is regarded as the power to govern the financial and operating policies of the entity so as to benefit from its activities. The financial results of subsidiaries are consolidated from the date control is obtained until the date that control ceases. All intra-group transactions are eliminated as part of the consolidation process.

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. Goodwill arose on the difference between the fair value of the legal parent's share capital and the 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.

The Directors consider that the Group no longer controls Pang Health Limited, which is in voluntary liquidation, and accordingly it has been excluded from the consolidation in accordance with IAS 27 'Consolidated and separate financial statements'. The Group's investment in Pang Health Limited has been recorded as £nil.

Business combinations
Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ('acquisition accounting'). The cost of a business acquisition is the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset, such as customer relationships or trademarks, is recognised if it meets the definition of an intangible asset in IAS 38 'Intangible assets', and its fair value can be measured reliably. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intangible assets
(i) Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. Prior to 1 October 2006, goodwill was amortized over its estimated useful life; such amortization ceased on 30 September 2006. Goodwill that arose at the reverse acquisition date, referred to in the note 'Consolidation', will remain eliminated against reserves.

(ii) Intangible assets separately identified from goodwill acquired as part of a business combination are initially stated at fair value. The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the Group. The assets are amortized over their estimated useful lives which range from five to ten years.

(iii) Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight line method over their estimated useful lives (not exceeding three years). Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that it is estimated will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Revenue recognition

Group revenue represents the fair value of the consideration received or receivable for the rendering of services, net of value added tax and other similar sales based taxes, rebates and discounts and after eliminating inter-company sales. Revenue, other than subscription and commission income, is recognised as a translation, filing or search is fulfilled in accordance with agreed client instructions and includes, where contracts are partially completed, the revenue on the work completed but not yet delivered.

Subscription revenue is recognised on a straight line basis over the term during which the service is provided. Commission income is credited to revenue upon securing the related sale.

Accrued income represents the full receivable value of work completed not yet invoiced.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the individual financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences on all transactions are taken to operating profit.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency reserve.

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

Segment reporting

Segmental reporting reflects how management controls the business. This is primarily by the type of service supplied and then by the geographic location of the business units delivering those services. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Property, plant and equipment
The Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its estimated residual value systematically over its estimated useful life using the straight-line method on the following bases:
Long leasehold and leasehold improvements – the length of the lease
Furniture and equipment – 10% to 33%
Motor vehicles – 25%

All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the income statement.

The gain or loss on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

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

Trade and other receivables
Trade and other receivables represent amounts due from customers in the normal course of business. All amounts are initially stated at fair value after making provision for doubtful debts and, where necessary, any impairment on an individual basis. Changes in fair value are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at call with banks and highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

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

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

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

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

Share-based remuneration
The Group had share options that vested before the date of transition to IFRS and accordingly has not accounted for them under IFRS 2 'Share based payments'. Since then, the Group has not granted any share options.

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

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

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

Leases
Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

The Group currently has no material finance leases.

Capital
The Group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has historically considered equity funding as the most appropriate form of capital for the Group but keeps this under review bearing in mind the risks, costs and benefits to equity shareholders of introducing debt finance.

2 Critical judgements in applying the Group's accounting policies

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions are reviewed on an ongoing basis. In the future, actual experience may vary materially from management expectation.

Key sources of estimation uncertainty
The following critical judgements have the most significant effect on the amounts recognised in the financial statements:

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the cash-generating units and the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Useful lives of intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in notes 11 and 12.

Deferred tax on share options

The deferred tax asset on share option charges is affected by the difference between the grant price of the share options and the market price of the Company's shares at the accounting year end. If the market value of the shares at the date of exercise were to be lower than the market value at the accounting year end the amount of tax relief obtained would be less than anticipated in the deferred tax calculations.

3 Segmental information

Based on risks and returns the Directors consider that the primary reporting format is by business segment and that the secondary reporting format is by geographic segments.

Primary reporting format – business segments

For management purposes the Group is currently organised into two operating divisions – Translations and Information. The unallocated segment relates to corporate overheads, assets and liabilities.

The segment results for the year ended 30 September 2008 are as follows:

	Translations	Information	Unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	50,444	3,662	–	54,106
Operating profit/(loss) before amortization of customer relationships and trademarks	12,122	1,469	(563)	13,028
Amortization of customer relationships and trademarks	(266)	–	–	(266)
Operating profit/(loss)	**11,856**	**1,469**	**(563)**	**12,762**
Finance income				919
Finance expense				(1)
Profit before taxation				13,680
Taxation				(4,093)
Profit for the year				**9,587**
Capital expenditure	3,373	38	73	3,484
Depreciation	198	38	79	315
Amortization	316	–	43	359

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

The segment results for the year ended 30 September 2007 are as follows:

	Translations	Information	Unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	43,121	3,087	–	46,208
Operating profit/(loss) before amortization of customer relationships and trademarks	9,784	1,032	(594)	10,222
Amortization of customer relationships and trademarks	(16)	–	–	(16)
Operating profit/(loss)	9,768	1,032	(594)	10,206
Finance income				765
Finance expense				(7)
Profit before taxation				10,964
Taxation				(3,315)
Profit for the year				7,649
Capital expenditure	602	48	128	778
Depreciation	189	27	89	305
Amortization	28	–	26	54

The segment assets and liabilities at 30 September 2008 are as follows:

	Translations £'000	Information £'000	Unallocated £'000	Group £'000
Total assets	**37,698**	**1,325**	**10,378**	**49,401**
Total liabilities	**4,696**	**973**	**7,333**	**13,002**

The segment assets and liabilities at 30 September 2007 are as follows:

	Translations £'000	Information £'000	Unallocated £'000	Group £'000
Total assets	28,143	1,958	12,938	43,039
Total liabilities	5,534	669	8,114	14,317

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

	Assets **2008** **£'000**	Liabilities **2008** **£'000**	Assets 2007 £'000	Liabilities 2007 £'000
Segment assets and liabilities	**39,023**	**5,669**	30,101	6,203
Unallocated:				
Deferred tax	**1,265**	**884**	1,849	133
Current tax	**–**	**5,328**	–	6,308
Derivative financial instruments	**–**	**–**	–	63
Property, plant and equipment	**89**	**–**	130	–
Non-financial assets	**355**	**511**	670	934
Other financial assets and liabilities	**8,669**	**610**	10,289	676
Total unallocated	**10,378**	**7,333**	12,938	8,114
	49,401	**13,002**	43,039	14,317

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

Liabilities allocated to a segment comprise primarily trade payables and other operating liabilities.

Secondary reporting format – geographic segments
The Group's operations are based in UK, Europe, Asia and the United States of America.

The table below shows turnover by the geographic market in which customers are located.

	2008 **£'000**	2007 £'000
UK	**7,903**	7,123
Continental Europe	**38,757**	30,282
Asia and the United States of America	**7,446**	8,803
	54,106	46,208

The following is an analysis of revenue, carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the Group's undertakings are located.

	Revenue		Segment assets		Capital expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
UK	**46,632**	42,010	**37,966**	41,297	**320**	760
Continental Europe	**4,101**	817	**9,440**	209	**3,146**	6
Asia and the United States of America	**3,373**	3,381	**1,995**	1,533	**18**	12
	54,106	46,208	**49,401**	43,039	**3,484**	778

4 Operating profit

	2008	2007
	£'000	£'000
This has been arrived at after charging/(crediting):		
Staff costs (note 5)	**16,108**	13,735
Depreciation of property, plant and equipment (note 12)	**315**	305
Amortization of intangible assets (note 11)	**359**	54
Foreign exchange gains	**(583)**	(1)
Operating lease rentals:		
– Property	**933**	825
– Plant and equipment	**136**	104
Profit on disposal of property, plant and equipment	**–**	(5)
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**49**	30
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the subsidiaries pursuant to legislation	**60**	72
– taxation	**73**	68
– all other services	**48**	–
Total fees	**230**	170

5 Staff costs

	2008	2007
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	**14,141**	12,094
Social security costs	**1,700**	1,396
Pension costs	**267**	245
	16,108	13,735

The Group operates a defined contribution pension scheme making payments on behalf of employees to their personal pension schemes. Payments of £270,000 (2007: £245,000) were made in the year and charged to the income statement in the period they fell due. At the year end there were unpaid amounts included within Other Creditors totalling £32,000 (2007: £35,000).

Details of directors' remuneration, pension contributions and share options are disclosed in the Directors' Remuneration Report on pages 10 to 11.

Key management compensation

	2008 £'000	2007 £'000
Salaries, bonuses and short-term employee benefits	**1,812**	1,683

The key management compensation includes the five (2007: five) RWS Holdings plc directors, the three members of the senior executive team disclosed in the Directors' Report under 'Corporate governance' who are not directors of RWS Holdings plc and the three managing directors of the operating subsidiary undertakings based overseas.

The average number of people employed by the Group, including directors and part-time employees, during the year was:

	2008 Number	2007 Number
Production staff	**368**	307
Administrative staff	**83**	72
	451	379

6 Finance income and expense

	2008 £'000	2007 £'000
Finance income		
– returns on short-term deposits	**919**	765
Finance expense		
– interest on overdrafts	**(1)**	(7)
Net finance income	**918**	758

7 Taxation

	2008 £'000	2007 £'000
Taxation recognised in the income statement is as follows:		
Current tax expense		
Tax on profits for the current year		
– UK	**2,750**	2,437
– Overseas	**472**	266
Adjustment to prior years	**(254)**	(69)
	2,968	2,634
Deferred tax expense		
Origination and reversal of temporary differences	**872**	681
Adjustment to prior years	**253**	–
	1,125	681
Total taxation expense in the income statement	**4,093**	3,315

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

	2008 £'000	2007 £'000
Profit before taxation	**13,680**	10,964
Multiplied by the rate of corporation tax in the UK of 29% (2007: 30%)	**3,967**	3,289
Effects of:		
Items not deductible for tax purposes	**116**	9
Items not chargeable for tax purposes	**(18)**	7
Overseas tax rate differences	**33**	75
Adjustment to prior years	**–**	(69)
Other	**(5)**	4
Total tax charge for the year	**4,093**	3,315

8 Dividends to shareholders

	2008 pence per share	2008 £'000	2007 pence per share	2007 £'000
Final, paid 22 February 2008 (2007: paid 16 February 2007)	**6.50**	**2,621**	5.35	2,123
Interim, paid 18 July 2008 (2007: paid 13 July 2007)	**2.50**	**1,026**	2.15	867
	9.00	**3,647**	7.50	2,990

The Directors recommend a final dividend in respect of the financial year ending 30 September 2008 of 7.9 pence per Ordinary share to be paid on 20 February 2009 to shareholders who are on the register at 23 January 2009. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2008. The final proposed dividend will reduce shareholders' funds by an estimated £3.3 million.

9 Earnings per Ordinary share

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

	2008	2007
Weighted average number of Ordinary shares in issue for basic earnings	**40,790,376**	39,883,725
Dilutive impact of share options outstanding	**1,370,712**	2,108,859
Weighted average number of Ordinary shares for diluted earnings	**42,161,088**	41,992,584

An adjusted earnings per Ordinary share has also been presented to eliminate the effects of amortization of customer relationships and trademarks. This presentation shows the trend in earnings per Ordinary share that is attributable to the underlying trading activities. The reconciliation between the basic and adjusted figures is as follows:

	2008 Total £'000	2007 Total £'000	2008 Basic earnings per share pence	2007 Basic earnings per share pence	2008 Diluted earnings per share pence	2007 Diluted earnings per share pence
Profit for the year	**9,587**	7,649	**23.5**	19.2	**22.7**	18.2
Amortization of customer relationships and trademarks (after taxation)	**192**	12	**0.5**	–	**0.5**	–
Adjusted earnings	**9,779**	7,661	**24.0**	19.2	**23.2**	18.2

10 Goodwill

	2008	2007
	£'000	£'000
Cost and net book value		
At 1 October	**7,144**	6,418
Additions (note 21)	**3,615**	726
Exchange adjustments	**165**	–
At 30 September	**10,924**	7,144

Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. Prior to 1 October 2006, goodwill was amortized over its estimated useful life; such amortization ceased on 30 September 2006.

During the year, goodwill was tested for impairment. The recoverable amount for cash-generating units has been measured based on a value in use calculation using performance projections over 5 years with residual growth assumed at 2%. A risk adjusted pre-tax discount rate of 21% has been applied to the projections. No impairments were identified (2007 – no impairment).

The allocation of goodwill to cash generating units is as follows:

	2008	2007
	£'000	£'000
Translations		
UK – RWS Group	**4,592**	4,592
UK – Eclipse Translations Limited	**2,029**	2,029
Continental Europe	**3,869**	89
	10,490	6,710
Information	**434**	434
At 30 September	**10,924**	7,144

Subsidiaries

A list of the subsidiaries whose results or financial position principally affect the figures shown in the Group financial statements is shown in note 5 to the Company's separate financial statements.

11 Intangible assets

	Trademarks £'000	Customer relationships £'000	Software £'000	Total £'000
Cost				
At 1 October 2006	–	–	55	55
Additions	–	–	39	39
Acquisitions	–	494	–	494
At 30 September 2007	–	494	94	588
Additions	–	–	202	202
Acquisitions	220	2,721	87	3,028
Disposals	–	–	(27)	(27)
Currency translation	15	179	–	194
At 30 September 2008	**235**	**3,394**	**356**	**3,985**
Amortization and impairment				
At 1 October 2006	–	–	6	6
Amortization charge	–	16	38	54
At 30 September 2007	–	16	44	60
Amortization charge	30	236	93	359
Acquisitions	–	–	54	54
Disposals	–	–	(27)	(27)
Currency translation	1	6	–	7
At 30 September 2008	**31**	**258**	**164**	**453**
Net book value				
At 1 October 2006	–	–	49	49
At 30 September 2007	–	478	50	528
At 30 September 2008	**204**	**3,136**	**192**	**3,532**

12 Property, plant and equipment

	Leasehold land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 October 2006	898	1,609	27	2,534
Additions	15	221	9	245
Disposals	(17)	–	(27)	(44)
At 30 September 2007	896	1,830	9	2,735
Currency translation	–	41	–	41
Additions	–	258	–	258
Acquisitions	–	140	–	140
Disposals	–	(305)	–	(305)
At 30 September 2008	**896**	**1,964**	**9**	**2,869**
Depreciation				
At 1 October 2006	441	1,261	19	1,721
Depreciation charge	73	226	6	305
Disposals	–	–	(23)	(23)
At 30 September 2007	514	1,487	2	2,003
Currency translation	–	28	–	28
Acquisitions	–	90	–	90
Depreciation charge	79	234	2	315
Disposals	–	(305)	–	(305)
At 30 September 2008	**593**	**1,534**	**4**	**2,131**
Net book value				
At 1 October 2006	457	348	8	813
At 30 September 2007	382	343	7	732
At 30 September 2008	**303**	**430**	**5**	**738**

13 Deferred tax

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

Deferred tax assets	Share based payments £'000	Accelerated tax depreciation £'000	Other temporary differences £'000	Total £'000
At 1 October 2006	1,889	122	225	2,236
Credited /(charged) to income	(752)	46	20	(686)
Credited to equity	299	–	–	299
At 30 September 2007	1,436	168	245	1,849
Charged to income	(1,132)	(29)	(36)	(1,197)
Credited to equity	612	–	–	612
Other	–	–	1	1
At 30 September 2008	**916**	**139**	**210**	**1,265**

Deferred tax liabilities	Intangibles £'000	Total £'000
At 1 October 2006	–	–
Acquisitions	138	138
Credited to income	(5)	(5)
At 30 September 2007	133	133
Acquisition of subsidiary	823	823
Credited to income	(72)	(72)
At 30 September 2008	**884**	**884**

	2008 £'000	2007 £'000
Deferred tax assets	**1,265**	1,849
Deferred tax liabilities	**(884)**	(133)
Net deferred tax balance at 30 September	**381**	1,716

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.

14 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	**8,229**	7,957
Less: allowance for doubtful debts	**(53)**	(46)
	8,176	7,911
Other receivables	**270**	470
Prepayments and accrued income	**2,415**	2,261
	10,861	10,642

Trade receivables are non-interest bearing and generally have a 30 day term. Due to their short maturities, the carrying amount of trade and other receivables approximate to their fair value.

Trade receivables

Net of allowances are held in the following currencies:	2008	2007
	£'000	£'000
Sterling	1,839	1,874
Euros	4,825	4,030
Japanese Yen	525	540
US Dollars	558	1,035
Swiss Francs	402	399
Other	27	33
	8,176	7,911

The ageing of trade receivables at the reporting date was:	2008	2007
	£'000	£'000
Not past due	5,300	4,864
Past due 1 – 30 days	1,838	1,945
Past due 31 – 60 days	562	806
Past due 61 – 90 days	353	237
Past due > 90days	123	59
	8,176	7,911

Movement in allowance for doubtful debts:	2008	2007
	£'000	£'000
At 1 October	46	76
Utilised	(3)	(3)
Charged/(credited)	10	(27)
At 30 September	53	46

Given the profile of our customers no further credit risk has been identified with the trade receivables other than those balances for which an allowance has been made.

15 Trade and other payables

	2008	2007
	£'000	£'000
Trade payables	2,098	1,604
Other tax and social security payable	678	546
Other creditors	1,578	1,848
Accruals and deferred income	2,436	2,060
	6,790	6,058

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

16 Derivative financial instruments

	2008 £'000	2007 £'000
Derivatives not designated as hedging instruments – Forward foreign exchange contracts	–	63

The principal amount of the derivative financial instruments shown at fair value above at the year end was £nil (2007: £6.2 million). The fair value at the balance sheet date was confirmed by a third party.

17 Financial instruments and financial risk management

Categories of financial instruments
All financial instruments are classified as loans and receivables and all financial liabilities are measured at amortized cost, with the exception of derivative financial instruments which are measured at fair value through profit and loss.

The principal financial assets and liabilities on which financial risks arise are as follows:

	Carrying value 2008 £'000	Carrying value 2007 £'000
Financial assets		
Trade and other receivables	**9,645**	9,473
Cash and cash equivalents	**22,081**	22,144
	31,726	31,617
Financial liabilities		
Trade and other payables	**4,182**	3,554
Bank overdrafts	**–**	1,755
Derivative financial instruments	**–**	63
	4,182	5,372

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

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Liquidity risk
In addition to its cash balances the Group has an overdraft facility of £1.5 million which was undrawn as at the year end. Most available funds, after meeting working capital requirements, are invested in sterling and euro deposits with maturities not exceeding three months. Accordingly, the liquidity risk is considered to be low.

Interest rate risk
The majority of the Group's cash balances are held with its principal bankers earning interest at variable rates of interest. The target yield on deposits is UK base rate plus. To the extent the overdraft is utilised it attracts a rate of base plus 1%.

The interest rate and currency profiles of the Group's cash and cash equivalents at 30 September 2008 are set out below.

	Floating rate	Floating rate
	2008	2007
	£'000	£'000
Assets		
Sterling	**13,515**	16,967
Euros	**6,574**	3,571
Yen	**1,209**	805
US Dollar	**450**	657
Swiss Francs	**333**	144
	22,081	22,144
Liabilities		
Sterling	**–**	1,755

If interest rates changed by 1% the profit and loss impact would not be material to the Group's results.

Credit risk

The Group is exposed to credit risk on cash and cash equivalents, derivative instruments and trade and other receivables.

Cash balances, predominantly held in the UK, are placed with the Group's principal bankers who are rated AA by Standard & Poor's. During the year funds have been evenly spread between two institutions.

The Group does not use derivative financial instruments for speculative purposes. It has established spot and forward foreign exchange facilities with its principal bankers at a level that enables it to hedge most of its currency exposures on expected future sales over the next twelve months. Foreign exchange contracts at spot may also be transacted through a specialist foreign exchange intermediary approved by the Board after due consideration of their credit rating. There were no forward foreign exchange contracts held at the 30 September 2008 (see note 16).

Trade receivable exposures are managed locally in the operating units where they arise. The client base tends to be major blue chip organisations or self regulated bodies such as patent agents and legal firms. As a result the Group rarely considers a credit check is appropriate but, and where management have doubt, they will use their judgement and may impose a credit limit or require payment in advance. No client accounts for more than 6% of group revenues and there were no significant concentrations of credit risk at the balance sheet date.

Provisions for doubtful debts are established in respect of specific trade and other receivables where it is deemed they are impaired.

Foreign currency risk

The Euro is the Group's most significant currency. Approximately 58% of group external sales in the reporting period were denominated in Euros while the cost base of the Group is predominantly denominated in sterling.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in the functional currency with cash generated in that currency from their own operations. Transaction exposures arise from non-local currency sales and purchases by subsidiaries with gains and losses on transactions arising from fluctuations in exchange rates being recognised in the income statement. In entities which have a material exposure the policy is to seek to hedge the risk using forward foreign exchange contracts.

Assets and liabilities of Group entities located in Germany, the United States, Japan and China are principally denominated in their respective currencies and are therefore not exposed to currency risk. On translation to sterling gains or losses arising are recognised directly in equity.

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

	Liabilities	Liabilities	Assets	Assets
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Euros	**947**	591	**9,500**	7,151
US Dollars	**80**	35	**955**	1,619
Swiss Francs	**–**	–	**735**	543
Yen	**191**	57	**647**	220
Other	**141**	123	**27**	–
	1,359	806	**11,864**	9,533

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the major currencies listed in the table above. The sensitivity analysis includes only the outstanding denominated monetary items and adjusts their translation at the end of the period for a 10% change in the sterling exchange rate. A positive number below indicates an increase in profit and other equity where sterling weakens against the relevant currency. For a 10% strengthening of sterling against the relevant currency, there would be an equal and opposite impact on profit and other equity, and the balances would be negative. The sensitivities below are based on the exchange rates at the balance sheet date used to convert the assets or liability to sterling.

	Profit and loss impact	Profit and loss impact
	2008	2007
	£'000	£'000
Euros	**778**	596
US Dollars	**80**	144
Swiss Francs	**67**	49
Yen	**41**	15
	965	805

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

Capital risk

The Group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has historically considered equity funding as the most appropriate form of capital for the Group but keeps this under review bearing in mind the risks, costs and benefits to equity shareholders of introducing debt finance.

The Group is not subject to externally imposed capital requirements.

18 Share capital

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of 5 pence each	**100,000,000**	**5,000**	100,000,000	5,000
Allotted, called up and fully paid				
At 1 October	**40,319,435**	**2,016**	39,081,496	1,954
Share options exercised	**984,553**	**49**	1,237,939	62
At 30 September	**41,303,988**	**2,065**	40,319,435	2,016

Cash consideration of £457,956 was received for the 984,553 shares issued on the exercise of share options.

19 Statement of changes in equity and reserves

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Attributable to equity holders of the Company £'000	Minority interest £'000	Total equity £'000
At 1 October 2006	1,954	1,977	(8,483)	27,214	22,662	10	22,672
Issue of shares	62	1,015	–	–	1,077	–	1,077
Equity element of deferred tax on							
share based payments	–	–	–	299	299	–	299
Dividends	–	–	–	(2,990)	(2,990)	–	(2,990)
Profit for the year	–	–	–	7,649	7,649	–	7,649
Currency translation differences	–	–	15	–	15	–	15
At 30 September 2007	2,016	2,992	(8,468)	32,172	28,712	10	28,722
Issue of shares	49	409	–	–	458	–	458
Equity element of deferred tax on							
share based payments	–	–	–	612	612	–	612
Dividends	–	–	–	(3,647)	(3,647)	–	(3,647)
Profit for the year	–	–	–	9,587	9,587	–	9,587
Currency translation differences	–	–	667	–	667	–	667
At 30 September 2008	**2,065**	**3,401**	**(7,801)**	**38,724**	**36,389**	**10**	**36,399**

	Foreign exchange reserve £'000	Reverse acquisition reserve £'000	Total other reserves £'000
At 1 October 2006	–	(8,483)	(8,483)
Currency translation differences	15	–	15
At 30 September 2007	15	(8,483)	(8,468)
Currency translation differences	667	–	667
At 30 September 2008	**682**	**(8,483)**	**(7,801)**

The nature and purpose of each reserve within equity is as follows:
– Share capital is nominal value of the shares issued.
– Share premium is the amount received for shares issued in excess of their nominal value.
– Foreign exchange reserve is the gain or loss arising on retranslating the net assets of overseas operations into sterling.
– Reverse acquisition reserve was created when RWS Holdings plc became the legal parent of Bybrook Limited. The substance of this combination was that Bybrook Limited acquired RWS Holdings plc.
– Retained earnings are the cumulative net gains and losses.

20 Cash and cash equivalents

	2008	2007
	£'000	£'000
Cash at bank and in hand	**19,621**	14,644
Short-term deposits	**2,460**	7,500
Cash and cash equivalents	**22,081**	22,144
Bank overdrafts (secured)	**–**	(1,755)
	22,081	20,389

Short-term deposits have original maturity of three months or less. The carrying amounts of these assets supports their fair value.

21 Acquisitions

Acquisitions during the period

On 11 February 2008, the Group acquired the whole of the issued share capital of Document Service Center Technische Ubersetzungen und Software-Lokalisierung GmbH, whose principal activity is the provision of technical translations to a cross-section of German and Swiss corporates, for a cash consideration of €9,303,000 (£6,944,000). The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired:			
Property, plant and equipment	50	–	50
Intangible assets – software	33	–	33
Intangible assets – customer relationships	–	2,721	2,721
Intangible assets – trademarks	–	220	220
Trade and other receivables	593	–	593
Cash and cash equivalents	1,127	–	1,127
Trade and other payables	(349)	–	(349)
Current tax liabilities	(243)	–	(243)
Deferred tax liabilities	–	(823)	(823)
	1,211	2,118	3,329
Goodwill			3,615
Total consideration			**6,944**
Satisfied by:			
Cash			6,866
Directly attributable costs: legal and professional fees			78
Total consideration			6,944
Cash flow:			
Total consideration			6,944
Cash and cash equivalents included in undertaking acquired			(1,127)
Net cash consideration			**5,817**

The intangible assets acquired are to be amortized over their estimated useful lives, which is 5 years for trademarks and 10 years for customer relationships.

The main factors leading to a recognition of goodwill on the acquisition of Document Service Center are, the presence of certain intangible assets in the acquired entity which do not qualify for separate recognition such as the assembled workforce, cost synergies and technology inter–change and cross–selling opportunities within the Group's operations in Germany, and, an unidentified proportion representing the balance contributing to profit generation.

Document Service Center contributed £2.7million revenue and £0.7million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, group revenues for the period would have been £55.4 million and group profit attributable to equity holders of the parent would have been £10 million.

Acquisition of the prior period
In last year's financial statements, the identifiable net assets of Japanese Language Services Limited acquired on 8 June 2007 had been determined under UK GAAP. That fair value differs from the valuation under IFRS as follows:

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired:			
Intangible assets – customer relationships	–	494	494
Trade and other receivables	66	–	66
Cash and cash equivalents	44	–	44
Trade and other payables	(18)	–	(18)
Deferred tax liabilities	–	(138)	(138)
	92	356	448
Goodwill			726
Total consideration			1,174

Japanese Language Services contributed £0.2 million revenue and a loss of £0.1m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, group revenues for the period would have been £46.5 million and group profit attributable to equity holders of the parent would have been £7.8 million.

The effect on the income statement and balance sheet of the adjustments arising is set out in note 26.

22 Related party transactions

During the year there were no material transactions between related parties (2007: £nil).

Key management compensation is disclosed in note 5.

23 Commitments and contingent liabilities

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

The Group, during the year, established a business arrangement to further develop market penetration and extend its service offer initially in the United States of America. In the next financial year the Group has an obligation to pay a further $272,000 to support this venture.

24 Leases

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

	2008	2007
	£'000	£'000
At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
Within one year	**644**	955
In the second to fifth years inclusive	**530**	858
After five years	**98**	141
	1,272	1,954

The Group has entered into revenue agreements, including a pre-letting contract, the precise timing and liabilities of which cannot be determined at this time, but it is estimated £12.8 million will be spent over the life of these agreements which have an end date in 2027.

25 Post balance sheet events

There have been no events since 30 September 2008 that require disclosure.

26 Implementation of International Financial Reporting Standards

In implementing the transition to IFRS, the Group has followed the requirements of IFRS 1 'First time adoption of International Financial Reporting Standards', which in general requires IFRS accounting policies to be applied fully retrospectively in deriving the opening balance sheet at the date of transition. IFRS 1 contains certain mandatory exemptions and some optional exemptions to this principle of retrospective application. When the Group has taken advantage of the exemptions they are noted below. The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the Group. The principal areas of impact are described below.

(a) On adoption of IFRS 3 (2004) 'Business combinations' the Group has elected to take the exemption not to apply this retrospectively to business combinations occurring prior to the date of transition. Goodwill arising on such acquisitions has therefore been retained at its UK GAAP carrying value of £6,418,000 at 1 October 2006. Under IFRS 3 this goodwill is subject to impairment reviews and is not amortized, any goodwill previously amortized in the 30 September 2007 accounts under UK GAAP has been reversed. In 2007 the amount of amortization reversed was £635,000.

In respect of the acquisition of Japanese Language Services Limited in June 2007, a fair value of £494,000 has been attributed to intangible assets (customer relationships). This amount is being amortized over 10 years. The amount charged in the prior year was £16,000.

(b) IAS 12 'Income taxes' has been adopted and resulted in the recognition of deferred tax on temporary differences rather than just timing differences as under UK GAAP deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which tax deductible temporary differences can be utilised. Deferred tax liabilities have been recognised in respect of the intangible assets identified on the business combination with Japanese Language Services Limited in 2007. In addition, deferred tax assets have been recognised on employee benefit accruals and the anticipated future benefit arising from the exercise of share options.

(c) As a result of adopting IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', software which is not an integral part of a related item of hardware is now reclassified as an intangible asset, whereas under UK GAAP such software was included in tangible fixed assets. The measurement at the transition date was cost less accumulated depreciation.

(d) IAS 19 'Employee benefits' has been adopted and resulted in the provision for the unused element of employees' holiday entitlement and other benefits for each reporting period.

(e) On adopting IAS 21 'The effects of changes in foreign currency rates' cumulative exchange differences are deemed to be zero at the date of transition.

(f) The adoption of IAS 39 'Financial instruments recognition and measurement' has resulted in foreign forward exchange contracts being recognised at fair value through the consolidated income statement.

Reconciliations to previously presented financial statements are set out below.

Reconciliation of Consolidated Income Statement
for the year ended 30 September 2007

	Previously reported under UK GAAP	IFRS 3 Business combinations	IAS 12 Deferred tax	IAS 19 Employee benefits	IAS 39 Financial instruments	Restated under IFRS
Note		(a)	(b)	(d)	(f)	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	46,208	–	–	–	–	46,208
Cost of sales	(26,920)	–	–	–	–	(26,920)
Gross profit	19,288	–	–	–	–	19,288
Other operating income	5	–	–	–	–	5
Administrative expenses	(9,635)	619	–	(8)	(63)	(9,087)
Operating profit	9,658	619	–	(8)	(63)	10,206
Finance income	765	–	–	–	–	765
Finance expense	(7)	–	–	–	–	(7)
Profit before taxation	10,416	619	–	(8)	(63)	10,964
Taxation	(2,634)	–	(681)	–	–	(3,315)
Profit for the year	7,782	619	(681)	(8)	(63)	7,649
Attributable to:						
Equity holders of the parent	7,782	619	(681)	(8)	(63)	7,649
Basic earnings per Ordinary share (pence per share)	19.5					19.2
Diluted earnings per Ordinary share (pence per share)	18.5					18.2

Reconciliation of Consolidated Balance Sheet
at 30 September 2007

	Previously reported under UK GAAP	IFRS 3 Business combinations	IAS 12 Deferred tax	IAS 38 Intangibles - computer software	IAS 19 Employee benefits	IAS 21 Changes in foreign currency rates	IAS 39 Financial instruments	Restated under IFRS
Note		(a)	(b)	(c)	(d)	(e)	(f)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets								
Non-current assets								
Goodwill	6,865	141	138	–	–	–	–	7,144
Intangible assets	–	478	–	50	–	–	–	528
Property, plant and equipment	749	–	–	(17)	–	–	–	732
Deferred tax asset	–	–	1,849	–	–	–	–	1,849
	7,614	619	1,987	33	–	–	–	10,253
Current assets								
Trade and other receivables	10,675	–	–	(33)	–	–	–	10,642
Cash and cash equivalents	22,144	–	–	–	–	–	–	22,144
	32,819	–	–	(33)	–	–	–	32,786
Total assets	40,433	619	1,987	–	–	–	–	43,039
Liabilities								
Current liabilities								
Bank overdraft	1,755	–	–	–	–	–	–	1,755
Trade and other payables	5,247	–	–	–	811	–	–	6,058
Income tax payable	6,308	–	–	–	–	–	–	6,308
Derivative financial instruments	–	–	–	–	–	–	63	63
	13,310	–	–	–	811	–	63	14,184
Non-current liabilities								
Deferred tax liabilities	–	–	133	–	–	–	–	133
	–	–	133	–	–	–	–	133
Total liabilities	13,310	–	133	–	811	–	63	14,317
Total net assets	27,123	619	1,854	–	(811)	–	(63)	28,722
Equity								
Capital and reserves attributable to equity holders of the Company								
Share capital	2,016	–	–	–	–	–	–	2,016
Share premium account	2,992	–	–	–	–	–	–	2,992
Reverse acquisition reserve	(8,483)	–	–	–	–	–	–	(8,483)
Foreign currency reserve	–	–	–	–	–	15	–	15
Retained earnings	30,588	619	1,854	–	(811)	(15)	(63)	32,172
	27,113	619	1,854	–	(811)	–	(63)	28,712
Minority interest	10	–	–	–	–	–	–	10
Total equity	27,123	619	1,854	–	(811)	–	(63)	28,722

The share option reserve and capital reserve previously presented separately under UK GAAP have been aggregated into retained earnings.

Reconciliation of Consolidated Balance Sheet
at 1 October 2006

	Note	Previously reported under UK GAAP	IAS 12 Deferred tax	IAS 38 Intangibles - computer software	IAS 19 Employee benefits	Restated under IFRS
			(b)	(c)	(d)	
		£'000	£'000	£'000	£'000	£'000
Assets						
Non-current assets						
Goodwill		6418	–	–	–	6,418
Intangible assets		–	–	49	–	49
Property, plant and equipment		836	–	(23)	–	813
Deferred tax asset		–	2,236	–	–	2,236
		7,254	2,236	26	–	9,516
Current assets						
Trade and other receivables		8,839	–	(26)	–	8,813
Cash and cash equivalents		16,139	–	–	–	16,139
		24,978	–	(26)	–	24,952
Total assets		32,232	2,236	–	–	34,468
Liabilities						
Current liabilities						
Bank overdraft		227	–	–	–	227
Trade and other payables		5,233	–	–	803	6,036
Income tax payable		5,533	–	–	–	5,533
		10,993	–	–	803	11,796
Non-current liabilities						
Deferred tax liabilities		–	–	–	–	–
		–	–	–	–	–
Total liabilities		10,993	–	–	803	11,796
Total net assets		21,239	2,236	–	(803)	22,672
Equity						
Capital and reserves attributable to equity holders of the Company						
Share capital		1,954	–	–	–	1,954
Share premium account		1,977	–	–	–	1,977
Reverse acquisition reserve		(8,483)	–	–	–	(8,483)
Retained earnings		25,781	2,236	–	(803)	27,214
		21,229	2,236	–	(803)	22,662
Minority interest		10	–	–	–	10
Total equity		21,239	2,236	–	(803)	22,672

The share option reserve and capital reserve previously presented separately under UK GAAP have been aggregated into retained earnings.

The following parent entity financial statements are prepared under UK GAAP and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 45.

Company Balance Sheet at 30 September

	Note	2008 £'000	2007 £'000
Fixed assets			
Investments	5	**13,525**	13,525
Current assets			
Debtors	6	**338**	585
Cash at bank		**10,855**	9,973
		11,193	10,558
Creditors: amounts due within one year	7	**4,692**	4,967
Net current assets		**6,501**	5,591
Net assets		**20,026**	19,116
Capital and reserves			
Called up share capital	8/9	**2,065**	2,016
Share premium account	9	**3,401**	2,992
Merger reserve	9	**5,533**	5,533
Profit and loss account	9	**9,027**	8,575
Shareholders' funds	9	**20,026**	19,116

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2008 and were signed on its behalf by:

Andrew Brode
Director

1 Accounting policies

Basis of preparation
These financial statements present financial information for RWS Holdings plc as a separate entity, and have been prepared in accordance with the historical cost convention, the Companies Act 1985 and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). The Company's Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, are separately presented. The principal accounting policies adopted in these company financial statements are set out below and, unless otherwise indicated, have been consistently applied for all periods presented.

In accordance with FRS 18, Accounting policies, the Directors have reviewed the accounting policies of the Company as set out below and consider them to be appropriate.

Cash flow statement and related party transactions
The Company has taken advantage of the exemption from preparing a cash flow statement under FRS 1 (revised 1996), Cash flow statements. The Company is exempt under the terms of FRS 8, Related party disclosures, from disclosing related party transactions with entities that are part of the Group.

The principal accounting policies are:

Investments
Investments are stated at cost less provision for impairment.

Pensions
Contributions to personal pension plans are charged to the profit and loss account in the period in which they fall due.

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

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

Financial guarantee contracts
Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

2 Profit for the year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own Profit and Loss Account in these financial statements. The Company profit after tax for the year ended 30 September 2008 under UK GAAP was £4,099,000 (2007: £354,000).

Fees paid to BDO Stoy Hayward LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of RWS Holdings plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

3 Directors and employees

There were no employees (2007: nil) of the Company other than the Directors.

The remuneration of the Directors of RWS Holdings plc for services in all capacities is set out below:

	2008 £'000	2007 £'000
Directors' emoluments	**750**	702
Pension costs – paid to the Director's personal pension scheme	**36**	36
Gains on exercise of share options	**1,352**	1,470
	2,138	2,208

During the year the Company had 5 (2007: 5) directors, including non-executive directors, providing services to the Group.

During the year 3 directors (2007: 3) received contributions to their personal pension schemes.

Emoluments of the highest paid director:

	2008 £'000	2007 £'000
Emoluments	**237**	25
Pension costs – paid to the Director's personal pension scheme	**5**	–
Gains on exercise of share options	**843**	1,470
	1,085	1,495

Details of directors' remuneration, pension contributions and share options are disclosed in the Directors' Remuneration Report on pages 10 to 11.

4 Dividends to shareholders

	2008 pence per share	2008 £'000	2007 pence per share	2007 £'000
Final, paid 22 February 2008 (2007: paid 16 February 2007)	**6.50**	**2,621**	5.35	2,123
Interim, paid 18 July 2008 (2007: paid 13 July 2007)	**2.50**	**1,026**	2.15	867
	9.00	**3,647**	7.50	2,990

The Directors recommend a final dividend in respect of the financial year ending 30 September 2008 of 7.9 pence per Ordinary share to be paid on 20 February 2009 to shareholders who are on the register at 23 January 2009. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2008. The final proposed dividend will reduce shareholders' funds by an estimated £3.3 million.

5 Investments

	2008	2007
	£'000	£'000
Cost and net book value at beginning of year	**13,525**	4,965
Additions	–	8,560
Cost and net book value at end of year	**13,525**	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 as part of a capital reorganisation.

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
Document Service Center GmbH	Germany	Technical and legal translations
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.

6 Debtors

	2008	2007
	£'000	£'000
Amounts owed by Group undertakings	**251**	118
Other debtors	**1**	409
Prepayments	**86**	58
	338	585

7 Creditors: amounts due within one year

	2008	2007
	£'000	£'000
Amounts owed to group undertakings	**92**	–
Other creditors	–	410
Corporation tax	**4,439**	4,439
Accruals	**161**	118
	4,692	4,967

8 Share capital

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of 5 pence each	**100,000,000**	**5,000**	100,000,000	5,000
Allotted, called up and fully paid				
Ordinary shares of 5 pence each				
At beginning of the year	**40,319,435**	**2,016**	39,081,496	1,954
Share options exercised	**984,553**	**49**	1,237,939	62
At end of year	**41,303,988**	**2,065**	40,319,435	2,016

Cash consideration of £457,956 was received for the 984,553 shares issued on the exercise of share options.

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 the outstanding options represent 2.5% of the issued share capital of the Company at the year end.

9 Shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At beginning of year	2,016	2,992	5,533	8,575	19,116
Issue of shares (note 8)	49	409	–	–	458
Dividends	–	–	–	(3,647)	(3,647)
Profit for the year	–	–	–	4,099	4,099
At end of year	**2,065**	**3,401**	**5,533**	**9,027**	**20,026**

10 Reconciliation of movements on shareholders' funds

	2008 £'000	2007 £'000
Profit for the year	**4,099**	354
Dividends paid (note 4)	**(3,647)**	(2,990)
Net increase/(reduction) in shareholders' funds	**452**	(2,636)
Opening shareholders' funds	**19,116**	20,675
Net increase/(reduction) in shareholders' funds	**452**	(2,636)
Issue of shares (note 8)	**458**	1,077
Shareholder's funds at end of year	**20,026**	19,116

11 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 secured by fixed and floating charges over the assets of the Group. At the end of the year liabilities covered by these guarantees totalled £nil (2007: £1,755,000).

The Company has entered into revenue agreements, including a pre-letting contract, the precise timing and liabilities of which cannot be determined at this time, but it is estimated £12.8 million will be spent over the life of these agreements which have an end date in 2027.

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