



Annual Report 2009
RWS Holdings plc



UK USA FRANCE GERMANY SWITZERLAND CHINA JAPAN



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2009

RWS GROUP

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I am delighted to report another year of progress for RWS. For its sixth year as a public company it has delivered further growth in sales, profits and dividends.

■ 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 full range of patent search, retrieval and monitoring services as well as an extremely comprehensive patent database service accessible by subscribers, known as PatBase.

■ Strategy

Our strategy is focused upon organic growth complemented by deploying our substantial cash holdings for selective acquisitions providing they can be demonstrated to enhance shareholder value. Organic growth is driven by RWS leveraging its financial strength, leading market position and reputation in an otherwise fragmented and largely freelance sector.

In terms of acquisitive growth, having been pleased with the return on acquisitions to date, we continue to search for suitable potential acquisitions in the high level technical translation and intellectual property support services spaces. We seek niche businesses with above industry average levels of profitability.

■ Results and Financial Review

Against an extremely challenging economic background, the Group achieved further growth in sales and profit for the year. Sales advanced by 2.2% to £55.3 million (2008: £54.1 million); profit before tax and intangibles amortization increased by 3.8% to £14.5 million (2008: £13.9 million). The effective cash tax rate was 29.3% (2008: 21.7%). Basic earnings per share before intangibles amortization and the exceptional tax credit (see below) advanced by 5% to 25.2p (2008: 24.0p).

This resilient performance was delivered against a backdrop of a full year's impact of the London Agreement, a deep recession in all of our markets and a significant decline in interest income and favourable movements in

currency, especially in the first half of the financial year. The rate for our key currency, the Euro, advanced during the year from 1.26 to 1.09 = £1, with an average rate of 1.15 (2008: 1.30) and exchange gains having been much more pronounced in the first half of the year.

As market leaders we continued to exert tight control over translation costs, and shared some pricing pressures with key suppliers. Combined with small increases in productivity and the excellent margins achieved by our fast growing patent database product – PatBase – we succeeded in maintaining margins in a tough environment.

We have emphasized our strong financial position in previous annual reports. This has been particularly important at a time of extreme financial sensitivity. Shareholder funds have advanced to £48.1 million, including net cash of £24.3 million. This figure was boosted by the release of a £4.4 million provision for corporation tax in respect of capital gains first realised in 2003 and offsetting capital losses now agreed by HMRC. Free cash flow increased to £11.2 million. Capital expenditure was again modest at £332,000. In May 2009 we made a secured development loan of £2.3 million to Barwood Developments Limited in respect of the construction of RWS' new offices which are expected to be occupied in late July 2010. The loan was provided at commercial rates, i.e. significantly above current deposit rates.

The overall growth in our net cash balances of £2.2 million was achieved after disbursing £2.8 million in respect of the acquisitions of Communicare Limited and Ifama GmbH, the Barwood loan referred to above and financing significantly larger dividend payments. We were able to maintain tight control over receivables despite deteriorating credit conditions and days' sales in receivables were stable at 51 days at 30 September 2009.

■ Dividend

The Board recommends a final dividend of 8.85p per share, which, together with the interim payment, will result in a total dividend payout for the year of 11.65p per share, an increase of 12% over 2008.

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 19 February 2010 to all shareholders on the register at 22 January 2010.

■ Acquisitions

RWS acquired Communicare Limited, a technical translations business based in London, in March 2009. Communicare specialises in providing high quality translations for the medical and pharmaceutical industries and especially for contract research organisations. The

cash consideration was £2.2 million and the transaction was immediately earnings enhancing.

In July 2009 RWS acquired Ifama GmbH based in Basle, Switzerland. Ifama is a significant customer of Document Service Centre in Berlin, which was acquired in February 2008. It will form the base for our business in Switzerland, focused upon German speaking corporates. The net cash outlay was £567,000.

RWS has pursued an active strategy of acquiring translation assets to compensate for the reduction in patent translations resulting from the London Agreement. We continue to review such opportunities and our financial strength ensures a favourable position in negotiations. Acquisitions are most likely in the technical translations space where we seek niche players with superior margins.

■ Operating Review

Translations

Patent translations continue to be the Group's core business, accounting for 69% of sales revenues and a niche in which RWS is the leading player. The business model predicated that we are the principal supplier of patent translations for all our major clients, that we will add significant new accounts each year and not lose existing ones. This model has stood up well in 2008–09 despite the severe recession and the full implementation of the London Agreement, and we have acquired new international corporates with good growth potential. RWS remains the key provider of high quality, convenient and cost-effective solutions for corporates generating large patent volumes requiring comprehensive geographical intellectual property protection.

In Japan our patent translation activities have encountered severe competition, principally from Japanese patent attorneys whose local business has shrunk. The downturn we have experienced has been largely offset by the weakness of sterling versus the yen. Responsibility for PatBase marketing in Japan has been assumed by our Tokyo office and activity will be stepped up in 2009/10. The Beijing office is now close to breakeven after experiencing difficulties in sourcing high calibre staff.

Technical non-patent translations account for some 24% of overall sales revenues and most of our acquisition activities fall into this sector. Here we also encounter our most direct competition which has undoubtedly intensified during the global economic downturn. We endeavour to achieve preferred supplier status with large corporates who appreciate high quality service and financial stability particularly in the delivery of their business critical translations. Our business in Germany initially experienced the most severe downturn, but again this was largely offset by the weakness of sterling, and conditions have since improved.

Information

The information division represents approximately 7% of sales, albeit with superior margins. Patent search and litigation services suffered from somewhat lower demand than we anticipated. However, PatBase – our highly scalable, comprehensive and searcher-friendly patent database – enjoyed further significant growth with subscriber revenues 62% ahead of 2008.

■ Principal Risks

The Directors remain convinced that the principal risks to the business are errors in the provision of the Group's services; in a mismatch between currencies (especially as between the euro and sterling); and in regulatory changes to patent translation requirements in Europe. Additionally, as with any people business delivering high quality services, the Group depends upon its ability to attract and retain well trained staff.

These risks are mitigated as follows :

- Failings in service provision are most likely to arise as a result of human error. RWS was one of the earliest adopters of ISO certification and invests in exhaustive and regularly updated procedures to minimise the risk of error. In addition, the Group carries substantial professional indemnity insurance.
- Currency risk is normally addressed via hedging operations. Currently, sterling/dollar exposure for the whole of 2009/10 has been hedged at \$1.65=£1. We sold our euro cash balances in late November 2009 at a rate of Euro 1.11=£1. There are presently no other hedges in place but the position is monitored actively. The 2009/10 budget is based upon a rate of Euro 1.15=£1, which was also the average rate achieved in 2008/09.
- The London Agreement was implemented in May 2008 and the financial year 2008/09 has therefore borne the full effect, which was broadly in line with our expectations. RWS would also be impacted if a further initiative – the European Community Patent – were to become effective. This latter initiative was decisively rejected in 2005 but continues to be discussed. The thrust of our acquisition strategy since 2005 has been to target technical translation businesses which have zero exposure to any developments in the patent field.
- As a major employer in the local area of South Buckinghamshire, we believe we offer stability of employment, competitive salaries and a good working environment. In the current economic environment we have been successful in recruiting high calibre staff as required.

■ Queen's Award

We were delighted to win the Queen's Award for Enterprise – International Trade, for 2009. This is the fourth occasion on which the Group has been honoured with the UK's most prestigious award recognising export achievement.

■ Corporate Social Responsibility

Our staff contribute generously and regularly to a selection of local and national charitable causes and their contributions are matched by the Group. In addition, this year the Group has provided financial sponsorship for the Freeplay Foundation, a charity dedicated to empowering and improving the quality of life for people in sub-Saharan Africa. We are also providing funding for one of our employees to visit Malawi shortly to observe at first hand the impact of this new sponsorship.

■ People

The year 2008/09 has been difficult for most corporates and RWS is no exception. We have continued to deliver the exceptional levels of quality and service which are our hallmark and whose execution depends upon our excellent staff. Our Queen's Award and our results are testament to their continuing commitment.

■ Current Trading and Outlook

The business environment remains competitive and challenging. Whilst the recession may have bottomed out, we are cautious about any significant upturn.

Trading in the first two months of the current financial year has been in line with the Board's expectations. We face the future in a strong financial position, with opportunities for acquisitions and consolidating our market leadership in our core business. We therefore expect that the Group will deliver enhanced progress in 2010.

Andrew Brode

Executive Chairman

11 December 2009

A S Brode (69)

Executive Chairman

Member of the Audit Committee and Remuneration Committee

Appointed as a Director 11 April 2000.

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

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

Mrs E A Lucas (53)

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 (62)

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 (67)

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 (52)

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 2009.

■ 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.

■ Financial results

The financial statements set out the results of the Group for the year ended 30 September 2009 which are shown on page 14.

The profit before amortization of intangibles and taxation was £14.5 million (2008: £13.9 million) and with a charge for amortization of customer relationships and trademarks of £0.5 million the resulting profit before tax was £14.0 million. The current tax expense (before an exceptional tax credit of £4.4 million) of £4.1 million represented a rate of 29.3% on the profit before tax (2008: 21.7%).

A corporation tax provision of £4.4 million in respect of capital gains realised in 2003 has been released as offsetting capital losses are now agreed by HM Revenue & Customs.

■ Dividends

The Directors recommend a final dividend of 8.85 pence per Ordinary share to be paid on the 19 February 2010 to shareholders on the register at 22 January 2010, which, together with the dividend of 2.80 pence paid in July 2009, makes a total dividend for the year of 11.65 pence (2008: 10.4 pence). The final dividend will be reflected in the financial statements for the year ending 30 September 2010.

■ 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 18 to the financial statements.

■ Political and charitable contributions

Financial contributions to charities and good causes during the year amounted to £29,000 (2008: £6,000). There were no political donations.

■ Post balance sheet events

No significant change has occurred since 30 September 2009.

■ Directors

Details of members of the Board during the year and at 30 September 2009 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 10 in the Directors' Remuneration Report. There have been no changes to the shareholdings of directors between 30 September 2009 and 11 December 2009.

Elisabeth Lucas and Michael McCarthy retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election. The Company's Annual General Meeting will be held in London on 15 February 2010.

■ 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 seven 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 twice.

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 9 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 2009, excluding the Directors, the following were substantial shareholders:

| | % holding |
|---------------------------------|-----------|
| Blackrock Investment Management | 13.9 |
| Invesco Perpetual | 6.7 |
| Liontrust Asset Management | 3.4 |
| Octopus Investments | 3.4 |

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 549 of the Companies Act 2006, the directors are prevented, subject to certain exceptions, from allotting shares or from granting rights to subscribe for or to convert any security into shares without the authority of the shareholders in general meeting or the Company's articles of association (the "Articles"). An ordinary resolution will be proposed at the forthcoming Annual General Meeting to authorise the directors to allot shares, and to grant rights to subscribe for or convert any security into shares, up to an aggregate nominal value of £688,400, representing approximately one third of the share capital of the Company in issue at 11 December 2009 (being the last practicable date prior to the publication of this

Annual Report). The directors' authority will expire on the earlier of 14 May 2011 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 561 of the Companies Act 2006, 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 14 May 2011 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 £206,520 (representing in accordance with institutional investor guidelines, approximately 10% of the share capital in issue as at 11 December 2009 (being the last practicable date prior to the publication of this Annual Report) as if the pre-emption rights of section 561 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.

■ Amendments to the Company's Articles of Association – Director vacating office by reason of attaining the age of 70

A special resolution will also be proposed at the Annual General Meeting to amend the Articles by deleting Article 74. Article 74 of the Articles contains provisions requiring a director to vacate office by reason of his attaining the age of 70 and requiring a director's age to be disclosed in the notice convening a meeting at which the director is proposed to be appointed or reappointed if he will be 70 or more years of age at the date of the meeting. Such provisions could now fall foul of the Employment Equality (Age) Regulations 2006 and it is therefore proposed to remove them from the Articles.

The directors consider that the proposed resolution to amend the Articles is in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of it and unanimously recommends that you do so as well.

■ 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 26 days (2008: 32 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 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

11 December 2009

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 2009 was £787,000 (2008: £750,000). The remuneration of individual directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

| | Salary or fees £'000 | Bonus £'000 | Taxable benefits £'000 | 2009 | 2009 | 2008 | 2008 |
|------------------|----------------------------|----------------|------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|
| | | | | Total £'000 | Pension contributions £'000 | Total £'000 | Pension contributions £'000 |
| Andrew Brode | 231 | – | 3 | 234 | 26 | 233 | 26 |
| Elisabeth Lucas | 214 | 60 | 1 | 275 | 5 | 237 | 5 |
| Michael McCarthy | 215 | 12 | 1 | 228 | 5 | 230 | 5 |
| John Ivey | 25 | – | – | 25 | – | 25 | – |
| Peter Mountford | 25 | – | – | 25 | – | 25 | – |
| | 710 | 72 | 5 | 787 | 36 | 750 | 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 2008 and 30 September 2009 are shown below. 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 price Pence | First date exercisable | Last date exercisable |
|--------------|-------------------------------|-----------|----------------|-------------------------|---------------------------|--------------------------|
| | 01 Oct 2008 | Exercised | 30 Sep 2009 | | | |
| E A Lucas | 354,515 | – | 354,515 | 23.00 | 11.11.2004 | 12.12.2011 |
| M A McCarthy | 151,257 | – | 151,257 | 23.00 | 11.11.2004 | 12.12.2011 |
| S J Lodge | 354,515 | – | 354,515 | 23.00 | 11.11.2004 | 12.12.2011 |
| R K Ottway | 151,693 | – | 151,693 | 23.00 | 11.11.2004 | 12.12.2011 |

■ 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

11 December 2009

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union and the company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

■ Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company'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 company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

We have audited the financial statements of RWS Holdings plc for the year ended 30 September 2009 which comprise the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standard (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

■ Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

■ Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

■ Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

■ Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

■ Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Julian Frost, senior statutory auditor
For and on behalf of BDO LLP, statutory auditor
London United Kingdom
11 December 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



| | Note | 2009 £'000 | 2008 £'000 |
|---|------|---------------|---------------|
| Revenue | 3 | 55,321 | 54,106 |
| Cost of sales | | (30,068) | (31,746) |
| Gross profit | | 25,253 | 22,360 |
| Administrative expenses | | (11,859) | (9,598) |
| Operating profit | | 13,394 | 12,762 |
| Analysed as: | | | |
| Operating profit before amortization of customer relationships and trademarks | | 13,889 | 13,028 |
| Amortization of customer relationships and trademarks | | (495) | (266) |
| Operating profit | 4 | 13,394 | 12,762 |
| Finance income | 6 | 593 | 919 |
| Finance expense | 6 | (1) | (1) |
| Profit before taxation | | 13,986 | 13,680 |
| Taxation credit/(expense) | 7 | 490 | (4,093) |
| Profit for the year | | 14,476 | 9,587 |
| Attributable to: | | | |
| Equity holders of the Company | | 14,476 | 9,587 |
| Basic earnings per Ordinary share (pence per share) | 9 | 35.0 | 23.5 |
| Diluted earnings per Ordinary share (pence per share) | 9 | 34.3 | 22.7 |

The notes on pages 17 to 39 form part of these financial statements.

| | Note | 2009 £'000 | 2008 £'000 |
|---|------|---------------|---------------|
| Exchange gains on retranslation of foreign operations | 20 | 1,745 | 667 |
| Deferred tax on share options | | (131) | 612 |
| Net income recognised directly in equity | | 1,614 | 1,279 |
| Profit for the year | | 14,476 | 9,587 |
| Total recognised income and expense for the year | | 16,090 | 10,866 |
| Attributable to: | | | |
| Equity holders of the Company | | 16,090 | 10,866 |

The notes on pages 17 to 39 form part of these financial statements.

| | Note | 2009 £'000 | 2008 £'000 |
|---|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | 10 | 13,281 | 10,924 |
| Intangible assets | 11 | 4,885 | 3,532 |
| Property, plant and equipment | 12 | 762 | 738 |
| Investment in joint venture | 13 | 170 | – |
| Deferred tax assets | 14 | 1,143 | 1,265 |
| Other receivables | 15 | 2,467 | – |
| | | 22,708 | 16,459 |
| Current assets | | | |
| Trade and other receivables | 15 | 11,641 | 10,861 |
| Cash and cash equivalents | 21 | 24,269 | 22,081 |
| | | 35,910 | 32,942 |
| Total assets | | 58,618 | 49,401 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 6,496 | 6,180 |
| Income tax payable | | 2,139 | 5,328 |
| | | 8,635 | 11,508 |
| Non-current liabilities | | | |
| Provisions | 17 | 586 | 610 |
| Deferred tax liabilities | 14 | 1,328 | 884 |
| | | 1,914 | 1,494 |
| Total liabilities | | 10,549 | 13,002 |
| Total net assets | | 48,069 | 36,399 |
| Equity | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 19/20 | 2,065 | 2,065 |
| Share premium | 20 | 3,401 | 3,401 |
| Reverse acquisition reserve | 20 | (8,483) | (8,483) |
| Foreign currency reserve | 20 | 2,427 | 682 |
| Retained earnings | 20 | 48,649 | 38,724 |
| | 20 | 48,059 | 36,389 |
| Minority interest | 20 | 10 | 10 |
| Total equity | 20 | 48,069 | 36,399 |

The notes on pages 17 to 39 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 December 2009 and were signed on its behalf by:

Andrew Brode

Director

| | Note | 2009 £'000 | 2008 £'000 |
|---|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 13,986 | 13,680 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 289 | 315 |
| Amortization of intangible assets | | 601 | 359 |
| Finance income | | (593) | (919) |
| Finance expense | | 1 | 1 |
| Operating cash flow before movements in working capital and provisions | | 14,284 | 13,436 |
| (Increase)/decrease in trade and other receivables | | (672) | 402 |
| (Decrease)/increase in trade and other payables | | (30) | 244 |
| Cash generated from operations | | 13,582 | 14,082 |
| Interest paid | | (1) | (1) |
| Income tax paid | | (2,700) | (4,119) |
| Net cash inflow from operating activities | | 10,881 | 9,962 |
| Cash flows from investing activities | | | |
| Interest received | | 656 | 889 |
| Development loan | 15 | (2,363) | – |
| Acquisition of subsidiaries, net of cash acquired | 22 | (2,826) | (5,817) |
| Purchases of property, plant and equipment | 12 | (279) | (258) |
| Purchases of intangibles (computer software) | 11 | (53) | (202) |
| Net cash outflow from investing activities | | (4,865) | (5,388) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of share capital | 20 | – | 458 |
| Dividends paid | 8 | (4,420) | (3,647) |
| Net cash outflow from financing activities | | (4,420) | (3,189) |
| Net increase in cash and cash equivalents | | 1,596 | 1,385 |
| Cash and cash equivalents at beginning of the year | 21 | 22,081 | 20,389 |
| Exchange gains on cash and cash equivalents | | 592 | 307 |
| Cash and cash equivalents at end of the year | 21 | 24,269 | 22,081 |
| Free cash flow | | | |
| Analysis of free cash flow | | | |
| Net cash generated from operating activities | | 13,582 | 14,082 |
| Net interest received | | 656 | 888 |
| Income tax paid | | (2,700) | (4,119) |
| Purchases of property, plant and equipment | | (279) | (258) |
| Purchases of intangibles (computer software) | | (53) | (202) |
| Free cash flow | | 11,206 | 10,391 |

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 17 to 39 form part of these financial statements

1 Accounting policies

Basis of accounting and preparation of financial statements

RWS Holdings plc is a Company incorporated in the UK.

The Group financial statements consolidate those of the parent Company and its subsidiaries. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Company has elected to prepare the Company financial statements in accordance with UK Accounting Standards. These are presented on pages 40 to 44 and the accounting policies in respect of Company information are set out on page 41.

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

Amendments to IFRS1 'First time adoption of IFRS' (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU. The IFRS does not apply as the Group has adopted IFRS from 1 October 2006.

Revised IFRS3, 'Business Combinations' (effective for accounting periods beginning on or after 1 July 2009). This revised standard has been endorsed by the EU and management are currently assessing any impact on the accounts.

IFRS8, '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 IAS1, 'Presentation of Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). This revised standard has been endorsed for use in 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.

Amendments to IAS27, 'Consolidated and Separate Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU. Management are currently assessing the impact on the accounts.

IFRIC15, 'Agreements for the construction of real estate' (effective for accounting periods beginning on or after 1 January 2009). This IFRIC has been endorsed for use in the EU. This IFRIC does not apply to the Group.

IFRIC16, 'Hedges of a net investment in a Foreign Operation' (effective for accounting periods beginning on or after 1 October 2008). This IFRIC has been endorsed for use in the EU. The Group do not expect to apply this interpretation.

IFRIC17, 'Distributions of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009). This IFRIC has been endorsed for use in the EU. The Group do not expect to apply this interpretation.

Amendments to IAS39 and IFRS7 'Reclassification of Financial Instruments' (effective for accounting periods beginning on or after 1 July 2008). This amendment has been endorsed for use in the EU. Management are currently assessing the impact on the results.

Amendment to IAS23, 'Borrowing Costs' (effective for accounting periods starting on or after 1 January 2009). This amendment has been endorsed for use in the EU. This amendment is not currently applicable to the Group.

Amendment to IFRS2, 'Share-based payment: vesting conditions and cancellations' (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU. This amendment is not currently applicable as the Group does not have any share based remuneration schemes within the scope of IFRS2.

Amendments to IAS32 and IAS1 'Puttable Financial Instruments and Obligations arising on liquidation' (effective for accounting periods starting on or after 1 January 2009). These amendments have been endorsed for use in the EU. Management are assessing the impact on results.

Amendments to IFRS1 and IAS27 'Costs of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate' (effective for accounting periods beginning on or after 1 January 2009). These amendments have been endorsed for use in the EU. Management are currently assessing the impact on results.

Amendments to IAS39 'Reclassification of Financial Assets: Effective Date and Transition' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU. Management are currently assessing the impact on results.

Amendment to IAS39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU. Management are currently assessing the impact on results.

Amendment to IFRIC9 and IAS39 'Embedded Derivatives' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU. Management are currently assessing the impact on results.

Amendment to IFRS7 'Improving Disclosures about Financial Instruments' (effective for accounting periods starting on or after 1 July 2008). This amendment has been endorsed for use in the EU. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

IFRIC18, 'Transfers of Assets from Customers' (effective for accounting periods beginning on or after 1 July 2009). This interpretation has been endorsed for use in the EU. This interpretation is not currently applicable to the Group.

Revised IAS24 'Related Party Disclosures' (effective for accounting periods beginning on or after 1 January 2011). This revision has not yet been endorsed for use in the EU. This revision will only impact disclosure and have no effect on the net assets or results of the Group.

Amendment to IAS32 'Classification of Rights Issues' (effective for accounting periods beginning on or after 1 February 2010). This amendment has not yet been endorsed for use in the EU. Management are currently assessing the impact on results.

Amendment to IFRS1 'Additional Exemptions for First-time Adopters' (effective for accounting periods beginning on or after 1 January 2010). This amendment has not yet been endorsed for use in the EU. The IFRS does not apply as the Group has adopted IFRS from 1 October 2006.

IFRIC19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010). This interpretation has not yet been endorsed for use in the EU.

Amendment to IFRIC14, 'Prepayments of a Minimum Funding Requirement' (effective for accounting periods beginning on or after 1 January 2011). This amendment has not yet been endorsed for use in the EU. This amendment is not expected to apply to the Group.

IFRS9, 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2010). This standard has not yet been endorsed for use in the EU. Management are currently assessing the impact on results.

In addition, the IASB2008 annual improvements project includes minor amendments to various accounting standards which will be effective for accounting periods beginning on or after 1 January 2009 has been endorsed for use in the EU and is not expected to affect the Group.

The IASB2009 annual improvement project includes further minor amendments to various accounting standards and is effective from various dates from 1 January 2009 onwards, but has not yet been endorsed for use in the EU. Management are currently assessing the impact on results.

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.

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.

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.

Investment in joint venture

Joint ventures are equity accounted in the consolidated financial statements. The Group's investment in joint ventures is initially recognised at cost. The Group's share of profits and losses is recognised in the consolidated income statement with the cost of the investment in the joint venture adjusted accordingly.

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 appropriate to that intangible asset. 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 element of 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 and carried at amortized cost where there is objective evidence of any impairment.

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.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefits that can reasonably be estimated.

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. Equity issued by the Company is recorded as the proceeds received net of direct issue costs.

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. More details on the carrying value of goodwill is included in note 10.

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 2009 are as follows:

| | Translations | Information | Unallocated | Group |
|--|---------------|--------------|--------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Revenue | 51,535 | 3,786 | – | 55,321 |
| Operating profit/(loss) before amortization of customer relationships and trademarks | 13,125 | 1,494 | (730) | 13,889 |
| Amortization of customer relationships and trademarks | (495) | – | – | (495) |
| Operating profit/(loss) | 12,630 | 1,494 | (730) | 13,394 |
| Finance income | | | | 593 |
| Finance expense | | | | (1) |
| Profit before taxation | | | | 13,986 |
| Taxation | | | | 490 |
| Profit for the year | | | | 14,476 |

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

| | Translations £'000 | Information £'000 | Unallocated £'000 | Group £'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 |

The segment assets and liabilities at 30 September 2009 are as follows:

| | Translation £'000 | Information £'000 | Unallocated £'000 | Group £'000 |
|--------------------------|----------------------|----------------------|----------------------|----------------|
| Total assets | 41,057 | 3,066 | 14,495 | 58,618 |
| Total liabilities | 6,830 | 1,338 | 2,381 | 10,549 |
| Capital expenditure | 1,743 | 129 | 64 | 1,936 |
| Depreciation | 329 | 49 | 59 | 437 |
| Amortization | 574 | – | 27 | 601 |

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

| | Translation £'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 |
| 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.

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

| | Assets 2009 £'000 | Liabilities 2009 £'000 | Assets 2008 £'000 | Liabilities 2008 £'000 |
|--|-------------------------|------------------------------|-------------------------|------------------------------|
| Segment assets and liabilities | 44,123 | 8,168 | 39,023 | 5,669 |
| Unallocated: | | | | |
| Deferred tax | 1,143 | 1,328 | 1,265 | 884 |
| Current tax | – | 56 | – | 5,328 |
| Property, plant and equipment | 61 | – | 89 | – |
| Non-financial assets | 3,055 | 410 | 355 | 511 |
| Other financial assets and liabilities | 10,236 | 587 | 8,669 | 610 |
| Total unallocated | 14,495 | 2,381 | 10,378 | 7,333 |
| | 58,618 | 10,549 | 49,401 | 13,002 |

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 formats – 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.

| | 2009 £'000 | 2008 £'000 |
|---------------------------------------|---------------|---------------|
| UK | 7,490 | 7,903 |
| Continental Europe | 39,557 | 38,757 |
| Asia and the United States of America | 8,274 | 7,446 |
| | 55,321 | 54,106 |

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 | |
|---------------------------------------|---------------|---------------|----------------|---------------|---------------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| UK | 45,522 | 46,632 | 51,181 | 37,966 | 1,866 | 320 |
| Continental Europe | 5,850 | 4,101 | 4,699 | 9,440 | 39 | 3,146 |
| Asia and the United States of America | 3,949 | 3,373 | 2,738 | 1,995 | 31 | 18 |
| | 55,321 | 54,106 | 58,618 | 49,401 | 1,936 | 3,484 |

4 Operating profit

| | 2009 | 2008 |
|--|--------|--------|
| | £'000 | £'000 |
| This has been arrived at after charging/(crediting): | | |
| Staff costs (note 5) | 18,242 | 16,108 |
| Depreciation of property, plant and equipment (note 12) | 289 | 315 |
| Amortization of intangible assets (note 11) | 601 | 359 |
| Foreign exchange gains | (510) | (583) |
| Operating lease rentals: | | |
| – Property | 1,099 | 933 |
| – Plant and equipment | 119 | 136 |
| Auditors' remuneration | | |
| Fees payable to the Company's auditor for the audit of the Group's annual accounts | 50 | 49 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| – the audit of the subsidiaries pursuant to legislation | 61 | 60 |
| – taxation | 39 | 73 |
| – all other services | 20 | 48 |
| Total fees | 170 | 230 |

5 Staff costs

| | 2009 | 2008 |
|---|--------|--------|
| | £'000 | £'000 |
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 15,947 | 14,141 |
| Social security costs | 2,000 | 1,700 |
| Pension costs | 295 | 267 |
| | 18,242 | 16,108 |

The Group operates a defined contribution pension scheme making payments on behalf of employees to their personal pension schemes. Payments of £295,000 (2008: £270,000) 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 £35,000 (2008: £32,000).

Details of directors' remuneration, pension contributions and share options are disclosed in the Directors' Remuneration Report on pages 9 to 10.

Key management compensation

| | 2009 | 2008 |
|--|-------|-------|
| | £'000 | £'000 |
| Salaries, bonuses and short-term employee benefits | 1,907 | 1,812 |

The key management compensation includes the five (2008: 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:

| | 2009 | 2008 |
|----------------------|--------|--------|
| | Number | Number |
| Production staff | 380 | 368 |
| Administrative staff | 96 | 83 |
| | 476 | 451 |

6 Finance income and expense

| | 2009 | 2008 |
|----------------------------------|-------|-------|
| | £'000 | £'000 |
| Finance income | | |
| – Returns on short-term deposits | 593 | 919 |
| Finance expense | | |
| – interest on overdrafts | (1) | (1) |
| Net finance income | 592 | 918 |

7 Taxation

| | 2009 | 2008 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Taxation recognised in the income statement is as follows: | | |
| Current tax expense | | |
| Tax on profits for the current year | | |
| – UK | 3,669 | 2,750 |
| – Overseas | 532 | 472 |
| Adjustment to prior years | (4,536) | (254) |
| | (335) | 2,968 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | (155) | 872 |
| Adjustment to prior years | – | 253 |
| | (155) | 1,125 |
| Total taxation (credit)/expense in the income statement | (490) | 4,093 |

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

| | 2009 | 2008 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Profit before taxation | 13,986 | 13,680 |
| Multiplied by the rate of corporation tax in the UK of 28% (2008: 29%) | 3,916 | 3,967 |
| Effects of: | | |
| Items not deductible for tax purposes | 52 | 116 |
| Items not chargeable for tax purposes | – | (18) |
| Depreciation in excess of capital allowances | 26 | – |
| Overseas tax rate differences | 61 | 33 |
| Adjustment to prior years | (4,545) | – |
| Other | – | (5) |
| Total tax (credit)/expense for the year | (490) | 4,093 |

A corporation tax provision of £4.4 million in respect of capital gains realised in 2003 has been released as offsetting capital losses are now agreed by HM Revenue & Customs.

8 Dividends to shareholders

| | 2009 | 2009 | 2008 | 2008 |
|--|--------------------|-------|--------------------|-------|
| | pence per share | £'000 | pence per share | £'000 |
| Final, paid 20 February 2009 (2008: paid 22 February 2008) | 7.90 | 3,263 | 6.50 | 2,621 |
| Interim, paid 17 July 2009 (2008: paid 18 July 2008) | 2.80 | 1,157 | 2.50 | 1,026 |
| | 10.70 | 4,420 | 9.00 | 3,647 |

The Directors recommend a final dividend in respect of the financial year ending 30 September 2009 of 8.85 pence per Ordinary share to be paid on 19 February 2010 to shareholders who are on the register at 22 January 2010. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2009. The final proposed dividend will reduce shareholders' funds by an estimated £3.7 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:

| | 2009 | 2008 |
|--|------------|------------|
| Weighted average number of Ordinary shares in issue for basic earnings | 41,303,988 | 40,790,376 |
| Dilutive impact of share options outstanding | 925,678 | 1,370,712 |
| Weighted average number of Ordinary shares for diluted earnings | 42,229,666 | 42,161,088 |

An adjusted earnings per Ordinary share has also been presented to eliminate the effects of amortization of customer relationships and trademarks and the exceptional tax credit. 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:

| | | | 2009 | 2008 | 2009 | 2008 |
|--|---------|-------|--------------------------|--------------------------|----------------------------|----------------------------|
| | 2009 | 2008 | Basic earnings per share | Basic earnings per share | Diluted earnings per share | Diluted earnings per share |
| | £'000 | £'000 | pence | pence | pence | pence |
| Profit for the year | 14,476 | 9,587 | 35.0 | 23.5 | 34.3 | 22.7 |
| Amortization of customer relationships and trademarks (after taxation) | 356 | 192 | 0.9 | 0.5 | 0.8 | 0.5 |
| Exceptional tax credit (prior year capital losses) | (4,439) | – | (10.7) | – | (10.5) | – |
| Adjusted earnings | 10,393 | 9,779 | 25.2 | 24.0 | 24.6 | 23.2 |

10 Goodwill

| | 2009 | 2008 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Cost and net book value | | |
| At 1 October | 10,924 | 7,144 |
| Additions (note 22) | 1,686 | 3,615 |
| Exchange adjustments | 671 | 165 |
| At 30 September | 13,281 | 10,924 |

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, being the Group's pre-tax weighted average cost of capital. No impairments were identified (2008 – no impairment) and a 1% increase in the discount rate would not give rise to any impairment.

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

| | 2009 | 2008 |
|-----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Translations | | |
| UK – RWS Group | 4,592 | 4,592 |
| UK – Eclipse Translations Limited | 2,029 | 2,029 |
| UK – Communicare Limited | 1,444 | – |
| Continental Europe | 4,782 | 3,869 |
| | 12,847 | 10,490 |
| Information | 434 | 434 |
| At 30 September | 13,281 | 10,924 |

Goodwill on the acquisition of Ifama GmbH has been allocated to the Continental Europe cash generating unit.

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 | Customer relationships | Software | Total |
|------------------------------------|------------|------------------------|------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 October 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 |
| Additions | – | – | 53 | 53 |
| Acquisitions | – | 1,436 | – | 1,436 |
| Disposals | – | – | (2) | (2) |
| Currency translation | 37 | 476 | 15 | 528 |
| At 30 September 2009 | 272 | 5,306 | 422 | 6,000 |
| Amortization and impairment | | | | |
| At 1 October 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 |
| Amortization charge | 52 | 443 | 106 | 601 |
| Acquisitions | – | – | – | – |
| Disposals | – | – | (2) | (2) |
| Currency translation | 7 | 44 | 12 | 63 |
| At 30th September 2009 | 90 | 745 | 280 | 1,115 |
| Net book value | | | | |
| At 1 October 2007 | – | 478 | 50 | 528 |
| At 30 September 2008 | 204 | 3,136 | 192 | 3,532 |
| At 30 September 2009 | 182 | 4,561 | 142 | 4,885 |

12 Property, plant and equipment

| | Leasehold land, buildings and improvements | Furniture and equipment | Motor vehicles | Total |
|-----------------------------|--|-------------------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 October 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 |
| Currency translation | – | 54 | – | 54 |
| Additions | 82 | 180 | 17 | 279 |
| Acquisitions | – | 168 | – | 168 |
| Disposals | – | (260) | – | (260) |
| At 30 September 2009 | 978 | 2,106 | 26 | 3,110 |
| Depreciation | | | | |
| At 1 October 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 |
| Currency translation | – | 35 | – | 35 |
| Acquisitions | – | 148 | – | 148 |
| Depreciation charge | 44 | 233 | 12 | 289 |
| Disposals | – | (255) | – | (255) |
| At 30 September 2009 | 637 | 1,695 | 16 | 2,348 |
| Net book value | | | | |
| At 1 October 2007 | 382 | 343 | 7 | 732 |
| At 30 September 2008 | 303 | 430 | 5 | 738 |
| At 30 September 2009 | 341 | 411 | 10 | 762 |

13 Investment in joint venture

| | 2009 | 2008 |
|-----------------------------|-------|-------|
| | £'000 | £'000 |
| Investment in joint venture | 170 | – |

The Group has a 50% interest in Profile Patent Services LLC (PPS), incorporated in the United States of America, which meets the definition of a joint venture and has been equity accounted in the consolidated financial statements. The amounts of assets, liabilities and reserves relating to the joint venture are not material to the Group.

14 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:

| | Share based payments | Accelerated tax depreciation | Other temporary differences | Total |
|--|-------------------------|------------------------------------|-----------------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Deferred tax assets | | | | |
| At 1 October 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 |
| Credited/(charged) to income | – | 18 | (9) | 9 |
| Charged to equity | (131) | – | – | (131) |
| At 30 September 2009 | 785 | 157 | 201 | 1,143 |
| | | Intangibles | | Total |
| | | £'000 | | £'000 |
| Deferred tax liabilities | | | | |
| At 1 October 2007 | | 133 | | 133 |
| Acquisition of subsidiary | | 823 | | 823 |
| Credited to income | | (72) | | (72) |
| At 30 September 2008 | | 884 | | 884 |
| Acquisition of subsidiary | | 402 | | 402 |
| Credited to income | | (137) | | (137) |
| Charged to equity | | 179 | | 179 |
| At 30 September 2009 | | 1,328 | | 1,328 |
| | | 2009 | | 2008 |
| | | £'000 | | £'000 |
| Deferred tax assets | | 1,143 | | 1,265 |
| Deferred tax liabilities | | (1,328) | | (884) |
| Net deferred tax balance at 30 September 2009 | | (185) | | 381 |

15 Trade and other receivables due in less than one year

| | 2009 | 2008 |
|------------------------------------|--------|--------|
| | £'000 | £'000 |
| Trade receivables | 8,871 | 8,229 |
| Less: allowance for doubtful debts | (76) | (53) |
| | 8,795 | 8,176 |
| Other receivables | 528 | 270 |
| Prepayments and accrued income | 2,318 | 2,415 |
| | 11,641 | 10,861 |

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: | 2009 | 2008 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Sterling | 1,787 | 1,839 |
| Euros | 5,318 | 4,825 |
| Japanese Yen | 541 | 525 |
| US Dollars | 766 | 558 |
| Swiss Francs | 342 | 402 |
| Other | 41 | 27 |
| | 8,795 | 8,176 |
| | | |
| The ageing of trade receivables at the reporting date was: | 2009 | 2008 |
| | £'000 | £'000 |
| Not past due | 5,580 | 5,300 |
| Past due 1–30 days | 2,085 | 1,838 |
| Past due 31–60 days | 743 | 562 |
| Past due 61–90 days | 296 | 353 |
| Past due > 90days | 91 | 123 |
| | 8,795 | 8,176 |
| | | |
| Movement in allowance for doubtful debts: | 2009 | 2008 |
| | £'000 | £'000 |
| At 1 October | 53 | 46 |
| Utilised | (8) | (3) |
| Charged | 31 | 10 |
| At 30 September | 76 | 53 |

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.

| | 2009 | 2008 |
|--|--------------|----------|
| | £'000 | £'000 |
| Other receivables – due in more than one year | 2,467 | – |

A secured development loan in respect of the construction of RWS' new offices which are expected to be occupied in July 2010.

16 Trade and other payables

| | 2009 | 2008 |
|---------------------------------------|--------------|---------------------|
| | £'000 | (restated) £'000 |
| Trade payables | 1,827 | 2,098 |
| Other tax and social security payable | 590 | 678 |
| Other creditors | 1,337 | 968 |
| Accruals and deferred income | 2,742 | 2,436 |
| | 6,496 | 6,180 |

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

A provision of £610,000 in 2008 has been reclassified from Other Payables to Provisions.

17 Provisions

| | 2009 | 2008 (restated) |
|----------------------------|-------|--------------------|
| | £'000 | £'000 |
| At 1 October | 610 | 675 |
| Paid in year | (65) | (65) |
| Unwinding of discount rate | 41 | – |
| At 30 September | 586 | 610 |

The provision relates to ongoing future pension payments to a third party.

18 Financial instruments and financial risk management

Categories of financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are held at amortized cost.

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

| | Carrying value 2009 | Carrying value 2008 |
|---------------------------------------|------------------------|------------------------|
| | £'000 | £'000 |
| Financial assets | | |
| Trade and other receivables – current | 10,395 | 9,645 |
| Other receivables – non-current | 2,467 | – |
| Cash and cash equivalents | 24,269 | 22,081 |
| | 37,131 | 31,726 |
| Financial liabilities | | |
| Trade and other payables | 4,125 | 4,182 |
| | 4,125 | 4,182 |

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 2%.

The interest rate and currency profiles of the Group's cash and cash equivalents at 30 September 2009 are set out below.

| | Floating rate 2009 | Floating rate 2008 |
|---------------|-----------------------|-----------------------|
| | £'000 | £'000 |
| Assets | | |
| Sterling | 17,932 | 13,515 |
| Euros | 3,744 | 6,574 |
| Yen | 1,623 | 1,209 |
| US Dollars | 442 | 450 |
| Swiss Francs | 528 | 333 |
| | 24,269 | 22,081 |

If interest rates changed by 1% the profit and loss impact would not be material to the Group's results in either the current or prior year.

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 A+ or A 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 2009.

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% (2008 – 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

Approximately 59% (2008 – 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, Switzerland, 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 2009 £'000 | Liabilities 2008 £000 | Assets 2009 £'000 | Assets 2008 £000 |
|--------------|------------------------------|-----------------------------|-------------------------|------------------------|
| Euros | 1,390 | 947 | 4,587 | 9,500 |
| US Dollars | 67 | 80 | 1,095 | 955 |
| Swiss Francs | – | – | 599 | 735 |
| Yen | 162 | 191 | 169 | 647 |
| Other | 42 | 141 | – | 27 |
| | 1,661 | 1,359 | 6,450 | 11,864 |

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 2009 £'000 | Profit and loss impact 2008 £000 |
|--------------|---|--|
| Euros | 291 | 778 |
| US Dollars | 93 | 80 |
| Swiss Francs | 54 | 67 |
| Yen | 1 | 41 |
| | 439 | 965 |

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 and 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.

19 Share capital

| | 2009 Number | 2009 £'000 | 2008 Number | 2008 £'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 | 41,303,988 | 2,065 | 40,319,435 | 2,016 |
| Share options exercised | – | – | 984,553 | 49 |
| At 30 September | 41,303,988 | 2,065 | 41,303,988 | 2,065 |

20 Statement of changes in equity and reserves

| | Share capital | Share premium account | Other reserves (see below) | Retained earnings | Attributable to equity holders of the Company | Minority interest | Total equity |
|-----------------------------------|---------------|-----------------------|----------------------------|-------------------|---|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 October 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 |
| Equity element of deferred tax on | | | | | | | |
| share based payments | – | – | – | (131) | (131) | – | (131) |
| Dividends | – | – | – | (4,420) | (4,420) | – | (4,420) |
| Profit for the year | – | – | – | 14,476 | 14,476 | – | 14,476 |
| Currency translation differences | – | – | 1,745 | – | 1,745 | – | 1,745 |
| At 30 September 2009 | 2,065 | 3,401 | (6,056) | 48,649 | 48,059 | 10 | 48,069 |

| Other reserves | Foreign exchange reserve | Reverse acquisition reserve | Total other reserves |
|----------------------------------|--------------------------|-----------------------------|----------------------|
| | £'000 | £'000 | £'000 |
| At 1 October 2007 | 15 | (8,483) | (8,468) |
| Currency translation differences | 667 | – | 667 |
| At 30 September 2008 | 682 | (8,483) | (7,801) |
| Currency translation differences | 1,745 | – | 1,745 |
| At 30 September 2009 | 2,427 | (8,483) | (6,056) |

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.

21 Cash and cash equivalents

| | 2009 | 2008 |
|--------------------------|--------|--------|
| | £'000 | £'000 |
| Cash at bank and in hand | 20,886 | 19,621 |
| Short-term deposits | 3,383 | 2,460 |
| | 24,269 | 22,081 |

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

22 Acquisitions

Acquisitions during the period

Communicare Limited

On 3 March 2009, the Group acquired the entire issued share capital of Communicare Limited, whose principal activity is the provision of technical translations for the medical and pharmaceutical industries, for a cash consideration of £2,233,000.

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 | 22 | (20) | 2 |
| Intangible assets – customer rights | 2 | (2) | – |
| Intangible assets – customer relationships | – | 1,056 | 1,056 |
| Trade and other receivables | 405 | (196) | 209 |
| Overdraft | (26) | – | (26) |
| Trade and other payables | (156) | – | (156) |
| Deferred tax liabilities | – | (296) | (296) |
| | 247 | 542 | 789 |
| Goodwill | | | 1,444 |
| Total consideration | | | 2,233 |
| Satisfied by: | | | |
| Cash | | | 2,122 |
| Directly attributable costs: legal and professional fees | | | 111 |
| Total consideration | | | 2,233 |
| Cash flow: | | | |
| Total consideration | | | 2,233 |
| Overdraft included in undertaking acquired | | | 26 |
| Net cash consideration | | | 2,259 |

The intangible assets acquired identified solely as customer relationships are to be amortized over their estimated useful lives of 10 years.

The main factors leading to a recognition of goodwill on the acquisition of Communicare Limited are, the presence of certain intangible assets in the acquired entity which do not qualify for separate recognition such as the assembled workforce and cost synergies within the Group's operations in the United Kingdom, and, an unidentified proportion representing the balance contributing to profit generation.

Communicare contributed £1.1 million revenue and £0.3 million 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 year would have been £55.9 million and group profit attributable to equity holders of the parent would have been £14.6 million.

Ifama GmbH

On 7 July 2009, the Group acquired the entire issued share capital of Ifama GmbH, whose principal activity is the provision of technical translations to a cross-section of Swiss corporates for a cash consideration of CHF 1,273,000 (£722,000).

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 | 15 | – | 15 |
| Intangible assets – customer relationships | – | 380 | 380 |
| Trade and other receivables | 245 | – | 245 |
| Cash and cash equivalents | 155 | – | 155 |
| Trade and other payables | (209) | – | (209) |
| Deferred tax liabilities | – | (106) | (106) |
| | 206 | 274 | 480 |
| Goodwill | | | 242 |
| Total consideration | | | 722 |
| Satisfied by: | | | |
| Cash | | | 681 |
| Directly attributable costs: legal and professional fees | | | 41 |
| Total consideration | | | 722 |
| Cash flow: | | | |
| Total consideration | | | 722 |
| Cash and cash equivalents included in undertaking acquired | | | (155) |
| Net cash consideration | | | 567 |

The intangible assets acquired identified solely as customer relationships are to be amortized over their estimated useful lives of 10 years.

The main factors leading to a recognition of goodwill on the acquisition of Ifama GmbH are, the presence of certain intangible assets in the acquired entity which do not qualify for separate recognition such as cost synergies and cross-selling opportunities within the Group's operations in Europe, and, an unidentified proportion representing the balance contributing to profit generation.

Ifama contributed £0.3 million revenue and £0.1 million 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 year would have been £55.6 million and group profit attributable to equity holders of the parent would have been £14.6 million.

Acquisition of the prior period

On 11 February 2008, the Group acquired the whole of the issued share capital of Document Service Center Technische Übersetzungen 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 interchange 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.

23 Related party transactions

During the year there were no material transactions between related parties (2008: £nil).

Key management compensation is disclosed in note 5.

24 Commitments and contingent liabilities

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

25 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.

| | 2009 | 2008 |
|---|---------------|--------------|
| | £'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 | 1,139 | 644 |
| In the second to fifth years inclusive | 3,734 | 530 |
| After five years | 9,814 | 98 |
| | 14,687 | 1,272 |

26 Post balance sheet events

There have been no events since 30 September 2009 that require disclosure.

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 41.

Company Balance Sheet at 30 September

| | Note | 2009 £'000 | 2008 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 5 | 13,525 | 13,525 |
| Debtors | 6 | 2,467 | – |
| | | 15,992 | 13,525 |
| Current assets | | | |
| Debtors | 6 | 20 | 338 |
| Cash at bank | | 10,989 | 10,855 |
| | | 11,009 | 11,193 |
| Creditors: amounts due within one year | 7 | 206 | 4,692 |
| Net current assets | | 10,803 | 6,501 |
| Net assets | | 26,795 | 20,026 |
| Capital and reserves | | | |
| Called up share capital | 8/9 | 2,065 | 2,065 |
| Share premium account | 9 | 3,401 | 3,401 |
| Merger reserve | 9 | 5,533 | 5,533 |
| Profit and loss account | 9 | 15,796 | 9,027 |
| Shareholders' funds | 9 | 26,795 | 20,026 |

The financial statements were approved by the Board of Directors and authorised for issue on 11 December 2009 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 2006 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.

Related party transactions

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 408 of the Companies Act 2006 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 2009 under UK GAAP was £11,189,000 (2008: £4,099,000).

Fees paid to BDO 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 (2008: 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:

| | 2009 | 2008 |
|--|------------|--------------|
| | £'000 | £'000 |
| Directors' emoluments | 787 | 750 |
| Pension costs – paid to the Director's personal pension scheme | 36 | 36 |
| Gains on exercise of share options | – | 1,352 |
| | 823 | 2,138 |

During the year the Company had 5 (2008: 5) directors, including non-executive directors, providing services to the Group.

During the year 3 directors (2008: 3) received contributions to their personal pension schemes.

Emoluments of the highest paid director:

| | 2009 | 2008 |
|--|------------|--------------|
| | £'000 | £'000 |
| Emoluments | 275 | 237 |
| Pension costs – paid to the Director's personal pension scheme | 5 | 5 |
| Gains on exercise of share options | – | 843 |
| | 280 | 1,085 |

Details of directors' remuneration, pension contributions and share options are disclosed in the Directors' Remuneration Report on pages 9 to 10.

4 Dividends to shareholders

| | 2009 | 2009 | 2008 | 2008 |
|--|--------------------|--------------|--------------------|--------------|
| | pence per share | £'000 | pence per share | £'000 |
| Final, paid 20 February 2009 (2008: paid 22 February 2008) | 7.90 | 3,263 | 6.50 | 2,621 |
| Interim, paid 17 July 2009 (2008: paid 18 July 2008) | 2.80 | 1,157 | 2.50 | 1,026 |
| | 10.70 | 4,420 | 9.00 | 3,647 |

The Directors recommend a final dividend in respect of the financial year ending 30 September 2009 of 8.85 pence per Ordinary share to be paid on 19 February 2010 to shareholders who are on the register at 22 January 2010. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2009. The final proposed dividend will reduce shareholders' funds by an estimated £3.7 million.

5 Investments

| | 2009 | 2008 |
|--|--------|--------|
| | £'000 | £'000 |
| Cost and net book value at beginning and end of year | 13,525 | 13,525 |

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 |
| Communicare Limited | England | Technical and legal translations |
| Document Service Center GmbH | Germany | Technical and legal translations |
| Eclipse Translations Limited | England | Technical and legal translations |
| Ifama GmbH | Switzerland | 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

| | 2009 | 2008 |
|---|-------|-------|
| | £'000 | £'000 |
| Amounts owed by Group undertakings | – | 251 |
| Other debtors | – | 1 |
| Prepayments | 20 | 86 |
| | 20 | 338 |
| | 2009 | 2008 |
| | £'000 | £'000 |
| Other debtors – due in more than one year | 2,467 | – |

A secured development loan in respect of the construction of RWS' new offices which are expected to be occupied in July 2010.

7 Creditors: amounts due within one year

| | 2009 | 2008 |
|------------------------------------|-------|-------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 85 | 92 |
| Corporation tax | – | 4,439 |
| Accruals | 121 | 161 |
| | 206 | 4,692 |

8 Share capital

| | 2009 Number | 2009 £'000 | 2008 Number | 2008 £'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 | 41,303,988 | 2,065 | 40,319,435 | 2,016 |
| Share options exercised | – | – | 984,553 | 49 |
| At end of year | 41,303,988 | 2,065 | 41,303,988 | 2,065 |

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 | 2,065 | 3,401 | 5,533 | 9,027 | 20,026 |
| Dividends | – | – | – | (4,420) | (4,420) |
| Profit for the year | – | – | – | 11,189 | 11,189 |
| At end of year | 2,065 | 3,401 | 5,533 | 15,796 | 26,795 |

10 Reconciliation of movements on shareholders' funds

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|---------------|---------------|
| Profit for the year | 11,189 | 4,099 |
| Dividends paid (note 4) | (4,420) | (3,647) |
| Net increase in shareholders' funds | 6,769 | 452 |
| Opening shareholders' funds | 20,026 | 19,116 |
| Net increase in shareholders' funds | 6,769 | 452 |
| Issue of shares (note 8) | – | 458 |
| Shareholder's funds at end of year | 26,795 | 20,026 |

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 (2008: £nil).

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