2009

RWS Holdings plc · INTERIM REPORT

RWS GROUP

Contents

Executive Chairman's Statement	1
Consolidated Income Statement	5
Consolidated Statement of Recognised Income and Expense	6
Consolidated Balance Sheet	7
Consolidated Cash Flow Statement	8
Notes	9
Contact Information	13

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2009

RWS GROUP
www.rws.com

The Group has again achieved record results for the six months to 31 March 2009, which reflect solid organic performances across many of the Group's activities. The anticipated loss of revenues arising from the London Agreement has been successfully countered by the Group's acquisitions and favourable exchange rates.

Business Overview

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

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 the increasing numbers of patent applications worldwide, the growing demand for language services and our ability to enhance our market share by exploiting our leading position and reputation in an otherwise fragmented sector.

In terms of acquisitive growth, having been pleased with the return on acquisitions made 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 capable of delivering well above industry average levels of profitability.

Results and Financial Review

Sales for the six months ended 31 March 2009 were in line with the prior year at £26.8 million despite the full impact of the London Agreement. This result exceeded the Board's expectations and was due in no small measure to favourable currency trends.

Profit before tax and amortization of intangibles rose by 17.1% to £8 million (2008: £6.8 million) as a result of further margin improvement, assisted by currency rates.

Normalised earnings per share were up by 21.6% to 13.5 pence (2008: 11.1 pence) on an increased number of shares in issue following the exercise of options in Summer 2008. Earnings per share as disclosed in the accounts of 24.2 pence (2008: 11.4 pence) have been significantly enhanced by the release of a corporation tax provision of £4.4 million following agreement with HMRC in respect of capital gains realised in 2003.

Our strong financial position has been further enhanced both through operational cash flow and the release of the tax provision above. At 31 March 2009, shareholders' funds had reached £44.8 million (2008: £31.4 million), of which net cash represented £24.5 million. Significant outlays included the acquisition of Communicare Limited for £2.2 million and the final dividend of £3.1 million paid in February 2009. Free cash flow made a further substantial advance to £7.2 million (2008: £5.3 million). Capital expenditure of £167,000 was again modest. The net working capital increase necessary to fund the business was £0.2 million.

Currency movements in the period were generally favourable to a business reporting in sterling. The Group's principal exposure is to Euros, with somewhat less activity transacted in Yen, US$ and Swiss Francs. Without exception, these exchange rates rose from the beginning of October 2008 to levels well above those assumed by management in setting the budget for 2008/09. At 30 September 2008 the Euro/GBP rate was 79.4, whilst the average rate for the period was 87.9. At present, US$ exposure is hedged at 1.60 = £1, but other currencies have not been hedged. Our hedging policy is kept under continual review.

Interest income on the Group's substantial cash balances reduced significantly as the Bank of England cut base rates. This trend will be more marked in the second half.

Dividend

The Directors have approved an interim dividend of 2.8 pence per share, an increase of 12% over the 2008 interim dividend of 2.5 pence per share. The dividend will be paid on 17 July to shareholders on the register on 19 June 2009. In line with our progressive dividend policy, we expect the total dividend for the year to continue to advance in line with the Group's growth for the year as a whole.

Operating Review

Translations

The patent translations business, which accounts for almost 70% of Group revenues, demonstrated its defensive qualities in the face of the anticipated loss of sales revenues from the first full six month period of the London Agreement. RWS' high quality and competitive "translate and file" service, which was developed in a European context, has now been extended to Japan and China with increasing interest being shown by North American and European multinational corporates. The US market is of particular promise to RWS and we have both enhanced our direct sales effort as well as partnering with a US-based consultancy focused on delivering cost saving patenting solutions to large filers.

Our commercial translation services account for 26% of Group revenues. These are non patent related services (medical, legal, financial and other technical translations) where we do experience significant levels of competition and where the current economic environment has proved to be challenging. We acquired Document Service Center (DSC), a Berlin-based provider of technical translations in February 2008 for 5.8 million net. The performance of DSC has been impacted by its exposure to German exporters, but it has nevertheless been an earnings enhancing acquisition. We also announced on 3 March 2009 the acquisition of Communicare Limited, a London-based provider of medical and life sciences translations for 2.2 million. At this very early stage, we fully anticipate that Communicare will be earnings enhancing in the current year.

Information

The information services business accounts for less than 10% of sales but a somewhat higher proportion of profit. The core patent search and watch services have suffered reduced demand which we attribute to economic pressures on clients.

The PatBase database subscription service has enjoyed further worldwide subscriber interest. We invested last year in improving its coverage and searchability. This investment has paid dividends in the form of a 76% growth in subscription revenues in the period, well ahead of our expectations. The scaleability and operational gearing of PatBase should ensure that it becomes a meaningful contributor to Group profit in the near future.

People

As is to be expected from a business support services leader, success derives from the quality of our staff. This is especially the case in times of economic challenge. As at 31 March 2009, the Group employed 425 people, similar to a year ago.

The announcement of a fourth Queen's Award for Enterprise – International Trade bears testimony to the outstanding contribution of our people.

Current Trading and Outlook

We have seen solid trading in the opening weeks of the second half year. Overall, providing sterling remains relatively weak, we expect the second half to exceed the Board's expectations.

The economic climate remains challenging in all of our key markets. However, we believe that our strong financial position and market leadership will enable us to achieve further progress.

Andrew Brode
Executive Chairman

2 June 2009

Consolidated Income Statement
for the six months ended 31 March 2009

	Note	Unaudited 6 months ended 31 March 2009 £'000	Audited Year ended 30 Sept. 2008 £'000	Restated unaudited 6 months ended 31 March 2008 £'000
Revenue		**26,804**	54,106	26,992
Cost of sales		**(14,395)**	(31,746)	(16,264)
Gross profit		**12,409**	22,360	10,728
Administrative expenses		**(4,976)**	(9,598)	(4,461)
Operating profit		**7,433**	12,762	6,267
Analysed as:				
Operating profit before amortization of customer relationships and trademarks		**7,645**	13,028	6,344
Amortization of customer relationships and trademarks		**(212)**	(266)	(77)
Operating profit		**7,433**	12,762	6,267
Finance income		**368**	919	500
Finance expense		**(1)**	(1)	(1)
Profit before taxation		**7,800**	13,680	6,766
Taxation credit/(charge)	2	**2,179**	(4,093)	(2,161)
Profit for the period		**9,979**	9,587	4,605
Attributable to:				
Equity holders of the Company	6	**9,979**	9,587	4,605
Basic earnings pence per Ordinary share	4	**24.2**	23.5	11.4
Diluted earnings pence per Ordinary share	4	**23.6**	22.7	10.9

Consolidated Statement of Recognised Income and Expense

for the six months ended 31 March 2009

	Note	Unaudited 6 months ended 31 March 2009 £'000	Audited Year ended 30 Sept. 2008 £'000	Restated unaudited 6 months ended 31 March 2008 £'000
Profit for the period		**9,979**	9,587	4,605
Exchange gains on retranslation of foreign operations	6	**1,901**	667	350
Total recognised income and expense for the period		**11,880**	10,254	4,955
Attributable to:				
Equity holders of the Company		**11,880**	10,254	4,955
Minority interest		**–**	–	–

Consolidated Balance Sheet
31 March 2009

	Note	Unaudited 6 months ended 31 March 2009 £'000	Audited Year ended 30 Sept, 2008 £'000	Restated unaudited 6 months ended 31 March 2008 £'000
Assets				
Non-current assets				
Goodwill		**13,829**	10,924	10,760
Intangible assets		**3,793**	3,532	3,374
Property, plant and equipment		**794**	738	792
Deferred tax assets		**1,034**	1,265	1,333
		19,450	16,459	16,259
Current assets				
Trade and other receivables		**11,067**	10,861	12,243
Cash and cash equivalents	5	**24,495**	22,081	17,898
		35,562	32,942	30,141
Total assets		**55,012**	49,401	46,400
Liabilities				
Current liabilities				
Bank overdraft	5	–	–	13
Trade and other payables		**7,226**	6,790	7,961
Income tax payable		**1,991**	5,328	6,080
Derivative financial instruments		–	–	11
		9,217	12,118	14,065
Non-current liabilities				
Deferred tax liabilities		**989**	884	935
		989	884	935
Total liabilities		**10,206**	13,002	15,000
Total net assets		**44,806**	36,399	31,400
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital		**2,065**	2,065	2,052
Share premium		**3,401**	3,401	3,123
Reverse acquisition reserve		**(8,483)**	(8,483)	(8,483)
Foreign currency reserve		**2,583**	682	365
Retained earnings		**45,230**	38,724	34,333
		44,796	36,389	31,390
Minority interest		10	10	10
Total equity	6	**44,806**	36,399	31,400

Consolidated Cash Flow Statement

for the six months ended 31 March 2009

	Note	Unaudited 6 months ended 31 March 2009 £'000	Audited Year ended 30 Sept. 2008 £'000	Restated unaudited 6 months ended 31 March 2008 £'000
Cash flows from operating activities				
Profit before taxation		**7,800**	13,680	6,766
Adjustments for:				
Depreciation of property, plant and equipment		**151**	315	154
Amortization of intangible assets		**267**	359	77
Finance income		**(368)**	(919)	(500)
Finance expense		**1**	1	1
Other non cash movements		**–**	–	(147)
Operating cash flow before movements in working capital and provisions		**7,851**	13,436	6,351
(Increase)/decrease in trade and other receivables		**(36)**	402	(945)
Increase in trade and other payables		**289**	244	1,492
Cash generated from operations		**8,104**	14,082	6,898
Interest paid		**(1)**	(1)	(1)
Income tax paid		**(1,176)**	(4,119)	(1,953)
Net cash inflow from operating activities		**6,927**	9,962	4,944
Cash from investing activities				
Interest received		**418**	889	459
Acquisition of subsidiary, net of cash acquired	7	**(2,259)**	(5,817)	(5,817)
Purchases of property, plant and equipment		**(151)**	(258)	(120)
Purchases of intangibles (computer software)		**(16)**	(202)	–
Net cash outflow from investing activities		**(2,008)**	(5,388)	(5,478)
Cash flow from financing activities				
Proceeds from the issue of shares		**–**	458	167
Dividends paid		**(3,263)**	(3,647)	(2,621)
Net cash outflow from financing activities		**(3,263)**	(3,189)	(2,454)
Net increase/(decrease) in cash and cash equivalents		**1,656**	1,385	(2,988)
Cash and cash equivalents at beginning of period		**22,081**	20,389	20,389
Exchange gains on cash and cash equivalents		**758**	307	484
Cash and cash equivalents at end of the period	5	**24,495**	22,081	17,885

Free cash flow

Analysis of free cash flow			
Net cash generated from operating activities	**8,104**	14,082	6,898
Net interest received	**417**	888	458
Income tax paid	**(1,176)**	(4,119)	(1,953)
Purchases of property, plant and equipment	**(151)**	(258)	(120)
Purchases of intangibles (computer software)	**(16)**	(202)	–
Free cash flow	**7,178**	10,391	5,283

Notes

1 Accounting policies

Basis of preparation

The interim financial statements were approved by the Board of Directors on 1 June 2009 and the interim results for the half years ended 31 March 2009 and 31 March 2008 are neither audited nor reviewed by our auditors. The accounts in this interim report do not constitute statutory accounts in accordance with Section 240 of the Companies Act 1985. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2008. The Group's statutory accounts for the year ended 30 September 2008 have been filed with the Registrar of Companies. The auditors have reported on the accounts for the year ended 30 September 2008; their report was unqualified, did not contain any statements under s237 (2) or (3) of the Companies Act 1985 and did not contain any matters to which the auditors drew attention without qualifying their report.

The financial information presented in this document has been prepared on the basis of the IFRS in issue that are either endorsed by the EU and effective at 30 September 2009 or are expected to be endorsed before the financial statements are approved and authorised for issue. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied when the annual IFRS statements are prepared for the year ended 30 September 2009. In addition, the adopted IFRS that will be effective in the annual financial statements for the year ended 30 September 2009 are still subject to change and to additional interpretations and therefore can not be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements for the Group are prepared for the year ended 30 September 2009.

The comparatives for the six months ended 31 March 2008 have been restated in line with the accounting policies and IFRS adjustments determined finally in preparing the Annual Report for the year ended 30 September 2008. This has affected goodwill, intangibles acquired, deferred tax and employee related liabilities.

---

2 Taxation – the charge for the 6 months ended 31 March 2009 is at the likely effective tax rate that will be applicable for the whole year.

HM Revenue & Customs have now agreed capital losses that offset capital gains arising on the redemption of loan notes in the year ended 30 September 2004. Therefore, the provision of £4.4 million has been released against the current year tax charge.

---

3 Dividends

	6 months ended 31 March 2009 Pence per share	6 months ended 31 March 2009 £'000	Year ended 30 Sept. 2008 Pence per share	Year ended 30 Sept. 2008 £'000	6 months ended 31 March 2008 Pence per share	6 months ended 31 March 2008 £'000
Interim for 2008: paid July 2008 (2007: 2.15 pence)	–	–	2.50	1,026	–	–
Final for 2008: paid February 2009 (2007: 6.50 pence)	**7.90**	**3,263**	6.50	2,621	6.50	2,621
Dividends paid to shareholders	**7.90**	**3,263**	9.00	3,647	6.50	2,621

An interim dividend of 2.80 pence per Ordinary share will be paid on 17 July 2009 to Shareholders on the register at 19 June 2009. This dividend, declared by the Directors after the balance sheet date, has not been recognised in these financial statements as a liability at 31 March 2009.

4 Earnings per Ordinary share

The Group shows both a basic and an adjusted earnings per share figure as the Directors believe that this information will be of interest to the users of the accounts in measuring the Group's performance and underlying trends.

	6 months ended 31 March 2009 Earnings £'000	6 months ended 31 March 2009 EPS Pence	Year ended 30 Sept. 2008 Earnings £'000	Year ended 30 Sept. 2008 EPS Pence	Restated 6 months ended 31 March 2008 Earnings £'000	Restated 6 months ended 31 March 2008 EPS Pence
Profit attributable to equity holders of the Company for basic earnings per share calculation	**9,979**	**24.2**	9,587	23.5	4,605	11.4
Amortization of customer relationships and trademarks (after taxation)	**153**	**0.3**	192	0.5	56	0.1
Exceptional tax credit (note 2)	**(4,434)**	**(10.7)**	–	–	–	–
Adjusted earnings	**5,698**	**13.8**	9,779	24.0	4,661	11.5
Basic diluted earnings	**9,979**	**23.6**	9,587	22.7	4,605	10.9
Adjusted diluted earnings	**5,698**	**13.5**	9,779	23.2	4,661	11.1

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

4 Earnings per Ordinary share (continued)

	Number of shares 6 months ended 31 March 2009	Number of shares Year ended 30 Sept. 2008	Number of shares 6 months ended 31 March 2008
Weighted average number of Ordinary shares in issue for basic earnings	**41,303,988**	40,790,376	40,394,812
Dilutive impact of share options outstanding	**916,408**	1,370,712	1,711,321
Weighted average number of Ordinary shares for diluted earnings	**42,220,396**	42,161,088	42,106,133

At 31 March 2009 there were unexercised options over a total of 1,011,980 (2008: 1,270,533) Ordinary shares.

5 Cash and cash equivalents

	6 months ended 31 March 2009 £'000	Year ended 30 Sept. 2008 £'000	6 months ended 31 March 2008 £'000
Cash at bank and in hand	**16,995**	19,621	6,198
Short-term deposits	**7,500**	2,460	11,700
Cash and cash equivalents	**24,495**	22,081	17,898
Bank overdrafts (secured)	**–**	–	13
Cash and cash equivalents in the cash flow statement	**24,495**	22,081	17,885

Short-term deposits have original maturity of three months or less.

6 Statement of changes in equity

	6 months ended 31 March 2009 £'000	Year ended 30 Sept. 2008 £'000	Restated 6 months ended 31 March 2008 £'000
Total equity at the beginning of the period	**36,399**	28,722	28,722
Profit for the period	**9,979**	9,587	4,605
Dividends (note 3)	**(3,263)**	(3,647)	(2,621)
Currency translation differences	**1,901**	667	350
Issue of shares	**–**	458	167
Equity element of deferred tax on share based payments	**(210)**	612	177
Total equity at the end of the period	**44,806**	36,399	31,400

7 Acquisition

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.

A full evaluation of goodwill and the identification of the acquired intangible assets has not yet been completed. Pending this the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Net assets acquired:			
Property, plant and equipment	22	–	22
Trade and other receivables	206	–	206
Corporation tax debtor	10	–	10
Overdrafts	(26)	–	(26)
Trade and other payables	(146)	–	(146)
	66	–	66
Goodwill			2,167
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 in cash flow statement			2,259

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

Registered office and registration number
55 Baker Street, London W1U 7EU
No. 3002645

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

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

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 087 1664 0300 (calls cost 10p per minute plus network charges)
+44 (0)20 8639 3399 (outside UK)
Email: ssd@capitaregistrars.com

Auditors
BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU

Solicitors
Olswang
90 High Holborn
London WC1V 6XX

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

www.rws.com

RWS Holdings plc · INTERIM REPORT **2009**