# INTERIM REPORT 2012

RWS GROUP · RWS Holdings plc

INTERIM REPORT 2012

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2009

RWS GROUP
www.rws.com

# Contents

The Group has delivered a resilient performance in the first half of the current financial year, particularly when compared to a strong first half in the prior year, with most of the Group's global operating divisions having performed well despite the continued uncertainty in the wider economy. In addition, we are pleased to have acquired an initial minority stake in inovia in October 2011, adding a highly complementary and scaleable web-based patent filing platform to our existing patent search and translation offering.

The core patent translations business further consolidated its market leading position with increases in the level of activity for both new and existing clients and its strong reputation for quality has underpinned recent momentum in new business conversion. We have also been pleased with the promising levels of transfer of translation work from inovia. This transfer was always only scheduled to commence in March 2012 and therefore has not been reflected in our turnover in the first half. As previously reported, the commercial translations business has been held back by a weak performance in our Berlin operations during the reporting period which offset a strong performance from other areas of its activity, particularly medical translations. However, we have already taken action to restore the German operation to improved profitability. In our information services business, our primary driver of growth, PatBase, has achieved a significant growth in sales, up 15%, following a strong renewal period in January. In addition, our strategy of hedging our trading exposure to Euros and US dollars has removed much of the volatility experienced in previous periods.

## Business Overview

RWS is the world's leading provider of patent translations and one of Europe's leading players in the provision of intellectual property support services and high level technical, commercial, legal and financial translation services. Its main business – patent translation – translates well over 65,000 patents and intellectual property related documents each year. It has a blue-chip multinational client base from Europe, North America and Asia, 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 and commercial translation services, and Information, which includes a comprehensive range of patent search, retrieval and monitoring services as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is sold exclusively 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 increases in the worldwide patent filing activities of our existing and potential multinational clients, the growing demand for language services and our ability to increase our market share by winning new clients attracted by 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 commercial translation and intellectual property support services spaces. We seek niche businesses capable of delivering well above industry average levels of profitability or highly complementary businesses capable of reinforcing our dominant position in intellectual property support services.

## Results and Financial Review

Sales for the six months ended 31 March 2012 were up 4% at £33.7 million (2011: £32.4 million), achieved without any benefit from the transfer of inovia translation work or any price increases.

After finance income of £0.4 million (2011: £0.1 million), which includes gains and losses on the fair value of forward foreign exchange contracts, profit before tax and amortization of intangibles was £8.1 million against a particularly strong first half in the prior year (2011: £8.2 million), representing an increase from the £7.9 million achieved in the second half of the prior year.

Adjusted diluted earnings per share were up 3% to 14.4p (2011: 14.0p).

At 31 March 2012, shareholder funds had reached £58.5 million (2011: £54.2 million), of which net cash represented £22.5 million (2011: £19.9 million). Having invested £3.7 million in an initial one third interest in inovia during the period, these figures demonstrate the Group's continued strong underlying levels of cash generation.

Other significant cash outlays included corporation tax and the final dividend for 2011, paid in February 2012, of £5.0 million (2011: £4.3 million). Free cash flow rose marginally to £6.4 million (2011: £6.3 million).

## Currency Effects and Hedging

Overall, there was limited net currency impact on revenues with the weakness of the Euro compared to last year largely offset by the relative strength in the Yen and Swiss Franc, whilst the US Dollar was relatively stable over the period. As such revenues were up 4.2% on a constant currency basis. However, there was a £0.2 million negative impact from currency, net of gains and losses arising on the fair value of forward foreign exchange contracts, when comparing profit before tax in the first half of 2012 with the first half of 2011.

The average rate used for conversion of the euro was 84.24 pence (H1 2011: 85.69 pence) and the average rate for conversion of the dollar was 1.585 pence (H1 2011: 1.593 pence). Looking forward, the Group has its estimated net Euro and US dollar trading exposure hedged at average maturity rates of 1 Euro = 87.2 pence until 31 January 2013 and at $1.60 = £1 until 30 September 2012 respectively.

## Dividend

The Directors have approved an interim dividend of 4.02 pence per share, an increase of 10% over the 2011 interim dividend of 3.65p, reflecting the Board's confidence in the Group's continued progress in the full financial year and thereafter. This dividend will be paid on 20 July 2012 to those shareholders on the register on 22 June 2012. The Group remains committed to a progressive dividend policy and expects the total dividend for the year to continue to advance.

## Operating Review

### *Translations*

The Group's core patent translations business, which accounts for approximately 70% of Group sales, grew its revenues to £23.5 million (2011: £22.9 million) at a time of continued economic uncertainty. The Group has continued to consolidate its market leadership, with its European and International blue-chip client base representing many of the world's most active patent filers; its clients include 12 of the top 20 applicants at the World Intellectual Property Office in 2011 and 14 of the top 20 applicants at the European Patent Office in 2011. We are particularly pleased with our recent progress in strengthening our new business pipeline with wins including a leading Japanese consumer electronic products group, a leading Japanese pharmaceutical company (which we hope will be a reference point which will engender future success in Japan) and a UK-based top tier intellectual property law firm. We are also pleased to have been re-awarded significant volumes of work from two clients on quality grounds after a period where orders had been placed elsewhere for much of the first half.

Our direct sales presence in the US continues to make progress in spite of intense pricing pressure. Our Chinese operation, which is focussed on patent translation for European and North American corporates filing patent applications in China, has continued to grow strongly from a higher base, with revenues up 17% and profits stable following additional investment in staff, training and IT systems. Our contracts with international patent bodies executed from China are showing promising signs of growth and we are winning a favourable reputation for quality. Our Japanese operation grew strongly, with sales 25% ahead of the comparable period and we have continued to invest in both strengthening the management team and expanding its resource base.

Our commercial translations business, which accounts for approximately 23% of Group sales, grew its revenues to £7.7 million (2011: £7.3 million), within which we experienced considerable variability across regions and market segments. Our commercial translations business includes all non-patent translations and is typically more exposed to competition and the economic cycle than our patent translations business, though it remains differentiated by its ability to manage larger projects and deliver high quality client service, whilst its focus on technical, specialist niches enables it to achieve acceptable margins. Growth during the period was driven primarily by a strong performance in medical translations, which grew its revenues by a third, and by large projects for existing clients at major EU institutions, offset by the previously reported weak performance in our Berlin operations and a continued competitive environment for government work. As reported on 10 April 2012, we have taken steps to improve profitability in our German operations, the initial benefits of which we expect to flow through from the second half of the current financial year, with a broader operational review underway to optimise the business' performance going forward.

### *Information*

Our information business, which accounts for 7% of Group sales and a significantly higher proportion of operating profit, grew its revenues to £2.5m (2011: £2.2m). This performance was primarily driven by an approximate 15% growth in revenues from PatBase, our subscription database service. Our continued investment in improving its searchability and coverage has also enabled us to secure a strong level of new subscriptions during the important renewal window in January as well as an increase of the number of users within existing client accounts. Beyond PatBase, we saw a continued stabilisation in revenues for our patent search and watch services.

## inovia Acquisition

On 11 October 2011, we announced the US$5.8 million acquisition of an initial one third interest in inovia Holdings Pty Limited ("inovia"), a leading provider of web-based international patent filing solutions, and an agreement to acquire the remaining two thirds of the issued share capital, with a maximum of US$25.4 million becoming due, based on an earn out formula.

Headquartered in New York, inovia is the largest non-law firm provider of international patent filing solutions globally. Its patented, web-based technology provides over 1000 law firm and corporate clients with cost effective processing of international patent applications, typically producing cost savings in excess of 30%. From its locations in the US, Australia and Europe, its patent filing service covers 62 jurisdictions in 84 countries.

inovia's sales for the year ended 30 June 2011 were US$15.1 million, an increase of 33.5% over 2010. In the nine months to 31 March 2012 sales amounted to

US$14.3 million, a rise of 30% over the corresponding period in the prior year. The inovia team is delivering on their promises to exploit new commercial opportunities and collaboration initiatives between inovia and RWS are progressing well. Having launched the latest version of its technical platform in mid-November, inovia's management remains confident of achieving 2013 results in line with its earn out targets.

## Post period acquisition

On 31 May 2012, RWS acquired the whole of the issued share capital of Davda & Associates Limited ("Davda"), whose principal activity is the provision of patent and technical search services, for a net cash consideration of £2.5 million. Davda's adjusted profit after tax for the year ended 31 August 2011 was £0.45 million and it will be earnings enhancing.

## Market and Regulatory Update

### *Patent Filing Statistics*

On March 5, the World Intellectual Property Office (WIPO) published figures showing a 10.7% increase in the annual PCT filings to 181,900 from 164,316, setting a new record and demonstrating that procuring international patent rights has remained an integral part of many intellectual property strategies despite the economic conditions. The European Patent Office also recently published figures showing that the total number of European patent filings increased by 3.7% to 244,437 in 2011 from 235,700 in 2010.

### *European Union Patent*

We have in the past highlighted the European Union Patent ("the Unitary Patent") as a potential risk. In recent months it has become more evident that the European Union's ("EU") competitiveness committee and the legal committee of the European Parliament will seek to give final approval to plans for such a patent. If successful, the first EU patents could be granted in 2014. However, Spain and Italy continue to oppose and appeal against the Unitary Patent and professional opinion remains highly sceptical of the current proposal, especially with regard to jurisdiction. Until the litigation system is tried and tested, patent attorneys and corporates are expected to be reluctant to use the new system because it is too risky to lose patent rights across the whole of the EU by relying on untested legislation. Opinion suggests that it will take 'a decade' before the European Patent Court gains sufficient standing and establishes enough precedents for corporates to be comfortable with relying on it. We believe this means that innovators are going to take time to consider their options before using the new regime.

## People

RWS has always been dependent upon the quality and commitment of its entire staff to provide and maintain the high levels of service expected by our clients. Headcount has now reached 485 full time equivalents (2011: 470) and productivity continues to improve.

## Directorate Change

RWS announced on 12 October 2011 that Liz Lucas, who has been with the Group for 34 years and Chief Executive of its Translation activities for 19 years, would retire with effect from 31 December 2011. We also announced the appointment of Reinhard Ottway as Group Chief Executive with effect from 1 January 2012. Reinhard joined RWS in 1993, and since 2001 has been a key member of the executive team as Business Development Director with a pivotal role in the Group's international expansion.

The Board, employees and shareholders owe Liz an enormous debt for her inspirational leadership and extreme professionalism. The management team she has left behind her is testament to the skills she has demonstrated in positioning RWS as the widely respected market leader. Since stepping down as Chief Executive, Liz has taken up a Non Executive Director role on the Board and represents RWS in a similar capacity on the Board of inovia.

## Current Trading and Outlook

Trading since the half year end has continued in line with our expectations. Whilst RWS is not immune to the fragile global economic situation, especially in the Eurozone, our expectations for the year as a whole remain unchanged with a greater second half weighting anticipated as a result of recent client wins, some benefit from the ongoing rationalisation in Germany, a full half year contribution from increased PatBase subscriptions, an increase in the number of translations being transferred from inovia, a strong order book and a healthy pipeline of opportunities.

Furthermore, we expect inovia's considerable growth prospects, in addition to the cross selling opportunities afforded by its acquisition, to materially enhance the Group's leading position in the intellectual property arena over the medium term.

Andrew Brode
Executive Chairman

6 June 2012

| | Note | Unaudited 6 months ended 31 March 2012 £'000 | Audited Year ended 30 Sept. 2011 £'000 | Unaudited 6 months ended 31 March 2011 £'000 |
|---|---|---|---|---|
| **Revenue** | | **33,690** | 65,394 | 32,447 |
| Cost of sales | | **(19,719)** | (36,914) | (18,228) |
| **Gross profit** | | **13,971** | 28,480 | 14,219 |
| Administrative expenses | | **(6,541)** | (12,953) | (6,371) |
| **Profit from operations** | | **7,430** | 15,527 | 7,848 |
| Analysed as: | | | | |
| Operating profit before charging: | | **7,710** | 16,097 | 8,130 |
| Amortization of customer relationships and trademarks | | **(280)** | (570) | (282) |
| **Profit from operations** | | **7,430** | 15,527 | 7,848 |
| Finance income | | **427** | 210 | 117 |
| Finance expense | | **–** | (98) | – |
| Net finance income | | **427** | 112 | 117 |
| Share in results of associate | 3 | **(28)** | – | – |
| **Profit before tax** | | **7,829** | 15,639 | 7,965 |
| Taxation expense | 4 | **(1,945)** | (4,545) | (2,258) |
| **Profit for the period** | | **5,884** | 11,094 | 5,707 |
| **Other comprehensive income** | | | | |
| Exchange (loss)/gain on retranslation of foreign operations | | **(370)** | 201 | 187 |
| Exchange loss on retranslation of associate operations | | **(108)** | – | – |
| **Total other comprehensive (expense)/income** | | **(478)** | 201 | 187 |
| **Total comprehensive income** | | **5,406** | 11,295 | 5,894 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | | **5,406** | 11,295 | 5,894 |
| | | | | |
| Basic earnings per Ordinary share (pence per share) | 6 | **13.9** | 26.2 | 13.5 |
| Diluted earnings per Ordinary share (pence per share) | 6 | **13.9** | 26.2 | 13.5 |

| | Note | Unaudited at 31 March 2012 £'000 | Audited at 30 Sept. 2011 £'000 | Unaudited at 31 March 2011 £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **12,913** | 13,057 | 13,159 |
| Intangible assets | | **3,220** | 3,589 | 3,902 |
| Property, plant and equipment | | **13,532** | 13,530 | 13,697 |
| Investment in associate | | **4,327** | – | – |
| Deferred tax assets | | **249** | 246 | 249 |
| Other receivables | | **–** | – | 1,500 |
| | | **34,241** | 30,422 | 32,507 |
| **Current assets** | | | | |
| Trade and other receivables | | **14,021** | 14,485 | 13,655 |
| Derivative financial instruments | | **366** | 7 | 79 |
| Cash and cash equivalents | 7 | **22,477** | 24,845 | 19,943 |
| | | **36,864** | 39,337 | 33,677 |
| **Total assets** | | **71,105** | 69,759 | 66,184 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **8,267** | 7,434 | 7,753 |
| Income tax payable | | **1,753** | 2,141 | 2,051 |
| Provisions | | **336** | 486 | 540 |
| | | **10,356** | 10,061 | 10,344 |
| **Non-current liabilities** | | | | |
| Derivative financial instruments | 3 | **769** | – | – |
| Provisions | | **547** | 547 | 567 |
| Deferred tax liabilities | | **941** | 1,093 | 1,071 |
| | | **2,257** | 1,640 | 1,638 |
| **Total liabilities** | | **12,613** | 11,701 | 11,982 |
| **Total net assets** | | **58,492** | 58,058 | 54,202 |
| **Equity** | | | | |
| **Capital and reserves attributable to owners of the parent** | | | | |
| Share capital | | **2,116** | 2,116 | 2,116 |
| Share premium | | **3,583** | 3,583 | 3,583 |
| Reverse acquisition reserve | | **(8,483)** | (8,483) | (8,483) |
| Foreign currency reserve | | **1,832** | 2,310 | 2,296 |
| Retained earnings | | **59,444** | 58,532 | 54,690 |
| **Total equity** | | **58,492** | 58,058 | 54,202 |

| | Share capital £'000 | Share premium £'000 | Other reserves (see below) £'000 | Retained earnings £'000 | Total equity attributable to owners of the parent £'000 |
|---|---|---|---|---|---|
| At 30 September 2010 (audited) | 2,116 | 3,583 | (6,374) | 53,320 | 52,645 |
| Profit for the period | – | – | – | 5,707 | 5,707 |
| Currency translation differences | – | – | 187 | – | 187 |
| Dividends | – | – | – | (4,337) | (4,337) |
| At 31 March 2011 (unaudited) | 2,116 | 3,583 | (6,187) | 54,690 | 54,202 |
| Profit for the period | – | – | – | 5,387 | 5,387 |
| Currency translation differences | – | – | 14 | – | 14 |
| Dividends | – | – | – | (1,545) | (1,545) |
| At 30 September 2011 (audited) | 2,116 | 3,583 | (6,173) | 58,532 | 58,058 |
| Profit for the period | – | – | – | 5,884 | 5,884 |
| Currency translation differences | – | – | (478) | – | (478) |
| Dividends | – | – | – | (4,972) | (4,972) |
| **At 31 March 2012 (unaudited)** | **2,116** | **3,583** | **(6,651)** | **59,444** | **58,492** |

| Other reserves | Reverse acquisition reserve £'000 | Foreign currency reserve £'000 | Total other reserves £'000 |
|---|---|---|---|
| At 30 September 2010 (audited) | (8,483) | 2,109 | (6,374) |
| Currency translation differences | – | 187 | 187 |
| At 31 March 2011 (unaudited) | (8,483) | 2,296 | (6,187) |
| Currency translation differences | – | 14 | 14 |
| At 30 September 2011 (audited) | (8,483) | 2,310 | (6,173) |
| Currency translation differences | – | (478) | (478) |
| **At 31 March 2012 (unaudited)** | **(8,483)** | **1,832** | **(6,651)** |

# Condensed Consolidated Statement of Cash Flows

| | Note | Unaudited 6 months ended 31 March 2012 £'000 | Audited Year ended 30 Sept. 2011 £'000 | Unaudited 6 months ended 31 March 2011 £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before tax | | **7,829** | 15,639 | 7,965 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | | **293** | 485 | 198 |
| Amortization of intangible assets | | **303** | 641 | 326 |
| Finance income | | **(427)** | (210) | (117) |
| Finance expense | | **–** | 98 | – |
| **Operating cash flow before movements in working capital and provisions** | | **7,998** | 16,653 | 8,372 |
| Decrease/(increase) in trade and other receivables | | **468** | (420) | 386 |
| Increase in trade and other payables | | **710** | 173 | 503 |
| **Cash generated from operations** | | **9,176** | 16,406 | 9,261 |
| Income tax paid | | **(2,488)** | (3,864) | (1,584) |
| **Net cash inflow from operating activities** | | **6,688** | 12,542 | 7,677 |
| **Cash flows from investing activities** | | | | |
| Interest received | | **65** | 203 | 117 |
| Development loan repaid | | **–** | 1,500 | – |
| Acquisition of share in associate | | **(3,693)** | – | – |
| Purchases of property, plant and equipment | | **(302)** | (1,589) | (1,458) |
| Purchases of intangibles (computer software) | | **(10)** | (34) | (2) |
| **Net cash (outflow)/inflow from investing activities** | | **(3,940)** | 80 | (1,343) |
| **Cash flows from financing activities** | | | | |
| Dividends paid | | **(4,972)** | (5,882) | (4,337) |
| **Net cash outflow from financing activities** | | **(4,972)** | (5,882) | (4,337) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,224)** | 6,740 | 1,997 |
| Cash and cash equivalents at the beginning of the period | | **24,845** | 17,908 | 17,908 |
| Exchange gains on cash and cash equivalents | | **(144)** | 197 | 38 |
| **Cash and cash equivalents at the end of the period** | 7 | **22,477** | 24,845 | 19,943 |

**Free cash flow**

| Analysis of free cash flow | | | |
|---|---|---|---|
| Net cash generated from operating activities | **9,176** | 16,406 | 9,261 |
| Net interest received | **65** | 203 | 117 |
| Income tax paid | **(2,488)** | (3,864) | (1,584) |
| Purchases of property, plant and equipment | **(302)** | (1,589) | (1,458) |
| Purchases of intangibles (computer software) | **(10)** | (34) | (2) |
| **Free cash flow** | **6,441** | 11,122 | 6,334 |

## 1 Accounting policies

### Basis of preparation

The interim financial statements were approved by the Board of Directors on 6 June 2012 and the interim results for the half years ended 31 March 2012 and 31 March 2011 are neither audited nor reviewed by our auditors. The accounts in this interim report do not constitute statutory accounts in accordance with Section 434 of the Companies Act 2006. 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 2011. The Group's statutory accounts for the year ended 30 September 2011 have been filed with the Registrar of Companies. The auditors have reported on the accounts for the year ended 30 September 2011; their report was unqualified, did not contain any statements under s498 (2) or (3) of the Companies Act 2006 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 2012 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 2012. In addition, the adopted IFRS that will be effective in the annual financial statements for the year ended 30 September 2012 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 2012.

### Accounting for associate

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

## 2 Segmental reporting

The Group comprises two divisions, the Translation division (for management reporting analysed between UK and Overseas operations) providing patent and technical 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.

The unallocated segment relates to corporate overheads, assets and liabilities.

The segment results for the six months ended 31 March 2012 are as follows:

| | Translations UK £'000 | Translations Overseas £'000 | Information £'000 | Unallocated £'000 | Group £'000 |
|---|---|---|---|---|---|
| **Revenue** | **26,050** | **5,204** | **2,436** | **–** | **33,690** |
| Operating profit/(loss) before charging: | 6,373 | 650 | 1,052 | (365) | 7,710 |
| Amortization of customer relationships and trademarks | (280) | – | – | – | (280) |
| **Operating profit/(loss)** | **6,093** | **650** | **1,052** | **(365)** | **7,430** |
| Finance income | | | | | 427 |
| Share in results of associate | | | | | (28) |
| Profit before tax | | | | | 7,829 |
| Taxation | | | | | (1,945) |
| **Profit for the period** | | | | | **5,884** |

Overseas intercompany sales to the UK amounting to £1.4 million are eliminated on consolidation.

| | | | | | |
|---|---|---|---|---|---|
| Segment assets | 48,008 | 3,885 | 6,088 | 8,797 | 66,778 |
| Investment in associate | – | – | – | 4,327 | 4,327 |
| Total assets | 48,008 | 3,885 | 6,088 | 13,124 | 71,105 |
| Segment liabilities | 7,140 | 1,250 | 2,519 | 1,704 | 12,613 |
| **Net assets** | **40,868** | **2,635** | **3,569** | **11,420** | **58,492** |

The segment results for the year ended 30 September 2011 were as follows:

| | Translations UK £'000 | Translations Overseas £'000 | Information £'000 | Unallocated £'000 | Group £'000 |
|---|---|---|---|---|---|
| Revenue | 50,586 | 10,205 | 4,603 | – | 65,394 |
| Operating profit/(loss) before charging: | 12,764 | 1,914 | 2,008 | (589) | 16,097 |
| Amortization of customer relationships and trademarks | (570) | – | – | – | (570) |
| Operating profit/(loss) | 12,194 | 1,914 | 2,008 | (589) | 15,527 |
| Finance income | | | | | 210 |
| Finance expense | | | | | (98) |
| Profit before tax | | | | | 15,639 |
| Taxation | | | | | (4,545) |
| Profit for the year | | | | | 11,094 |

Overseas intercompany sales to the UK amounting to £2.4 million were eliminated on consolidation.

| | Translations UK | Translations Overseas | Information | Unallocated | Group |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Segment assets | 47,069 | 5,531 | 4,582 | 12,577 | 69,759 |
| Segment liabilities | 6,421 | 1,577 | 1,686 | 2,017 | 11,701 |
| Net assets | 40,648 | 3,954 | 2,896 | 10,560 | 58,058 |

The segment results for the six months ended 31 March 2011 were as follows:

| | Translations UK | Translations Overseas | Information | Unallocated | Group |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 25,170 | 5,038 | 2,239 | – | 32,447 |
| Operating profit/(loss) before charging: | 6,581 | 923 | 974 | (348) | 8,130 |
| Amortization of customer relationships and trademarks | (282) | – | – | – | (282) |
| Operating profit/(loss) | 6,299 | 923 | 974 | (348) | 7,848 |
| Finance income | | | | | 117 |
| Profit before tax | | | | | 7,965 |
| Taxation | | | | | (2,258) |
| Profit for the period | | | | | 5,707 |

Overseas intercompany sales to the UK amounting to £1.1 million were eliminated on consolidation.

| | | | | | |
|---|---|---|---|---|---|
| Segment assets | 46,723 | 4,764 | 5,581 | 9,116 | 66,184 |
| Segment liabilities | 6,290 | 1,495 | 2,228 | 1,969 | 11,982 |
| Net assets | 40,433 | 3,269 | 3,353 | 7,147 | 54,202 |

## 3 Share in results of associate

The acquisition of an initial one third interest in inovia Holdings Pty Limited ("inovia"), a leading provider of web-based international patent filing solutions, and an agreement to acquire the remaining share capital was announced on 11 October 2011 and disclosed in the last Annual Report. The total cash consideration comprises an initial payment of US$5.8 million and deferred consideration for the remaining two thirds of the issued share capital, which will be calculated according to an agreed earn out formula and payable in September 2013. The deferred consideration is capped at a maximum of US$25.4 million. From the date of acquisition, RWS' one third interest has been accounted for as an associate.

The post acquisition share of the operating profit of inovia, before intangible amortization and taxation, is £9,000. A valuation of the intangible assets acquired to facilitate the asset allocation of the purchase price has been performed. Customer relationships and technology-based intangible assets have been identified and are subject to amortization over seven and eight years respectively. An intangible amortization charge of £54,000 is included in the share of results.

As part of the acquisition agreement, a put and call option has been entered into that is accounted for as a derivative financial instrument under International Accounting Standard 39. The estimated fair value of this is a net liability of £769,000, and has been recognised within the interim Consolidated Statement of Financial Position.

## 4 Taxation

The charge for the 6 months ended 31 March 2012 is at the likely effective tax rate that will be applicable for the whole year.

## 5 Dividends

| | **6 months ended 31 March 2012** | | Year ended 30 Sept. 2011 | | 6 months ended 31 March 2011 | |
|---|---|---|---|---|---|---|
| | **Pence per share** | **£'000** | Pence per share | £'000 | Pence per share | £'000 |
| Interim paid July | **–** | **–** | 3.65 | 1,545 | – | – |
| Final paid February | **11.75** | **4,972** | 10.25 | 4,337 | 10.25 | 4,337 |
| Dividends paid to shareholders | **11.75** | **4,972** | 13.90 | 5,882 | 10.25 | 4,337 |

An interim dividend of 4.02 pence per Ordinary share will be paid on 20 July 2012 to Shareholders on the register at 22 June 2012. 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 2012 and will reduce shareholders' funds by an estimated £1.7 million.

## 6 Earnings per Ordinary share

The Group shows both a basic and 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 2012** | | Year ended 30 Sept. 2011 | | 6 months ended 31 March 2011 | |
|---|---|---|---|---|---|---|
| | **Earnings** | **EPS** | Earnings | EPS | Earnings | EPS |
| | **£'000** | **Pence** | £'000 | Pence | £'000 | Pence |
| Profit for the period | **5,884** | **13.9** | 11,094 | 26.2 | 5,707 | 13.5 |
| Amortization of customer relationships and trademarks (after tax) | **207** | **0.5** | 422 | 1.0 | 203 | 0.5 |
| Adjusted earnings | **6,091** | **14.4** | 11,516 | 27.2 | 5,910 | 14.0 |
| Basic diluted earnings | **5,884** | **13.9** | 11,094 | 26.2 | 5,707 | 13.5 |
| Adjusted diluted earnings | **6,091** | **14.4** | 11,516 | 27.2 | 5,910 | 14.0 |

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

| | **Number of shares 6 months ended 31 March 2012** | Number of shares Year ended 30 Sept. 2011 | Number of shares 6 months ended 31 March 2011 |
|---|---|---|---|
| Weighted average number of Ordinary shares in issue for basic and diluted earnings | **42,315,968** | 42,315,968 | 42,315,968 |

## 7 Cash and cash equivalents

| | **at 31 March 2012** | at 30 Sept. 2011 | at 31 March 2011 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Cash at bank and in hand | **11,369** | 10,857 | 3,526 |
| Short-term deposits | **11,108** | 13,988 | 16,417 |
| Cash and cash equivalents in the cash flow statement | **22,477** | 24,845 | 19,943 |

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

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