SDL Your Content Their Language

Global Information Management Solutions

SDL is the leader in Global Information Management (GIM) solutions that empower organisations to accelerate the delivery of high-quality multilingual content to global markets. Its enterprise software and services integrate with existing business systems to manage the delivery of global information from authoring to publication and throughout the distributed translation supply chain.

Global industry leaders rely on SDL to provide enterprise software or hosted services for their GIM processes, including ABN-Amro, Best Western, Bosch, Canon, Chrysler, CNH, Hewlett-Packard, Microsoft, Philips, SAP, Sony, SUN Microsystems and Virgin Atlantic.

SDL has implemented more than 500 enterprise GIM solutions, has deployed over 170,000 software licenses across the GIM ecosystem and provides access to on-demand translation portals for 10 million customers per month. Over 1,000 service professionals deliver consulting, implementation and language services through its global infrastructure of more than 50 offices in 30 countries.
For more information, visit

www.sdl.com.

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SDL plc Annual Report 2008

SDL Your Content Their Language

Our Mission

We help corporations drive global revenues and reduce costs by providing the software and services to deliver multilingual content

This is Global Information Management (GIM)

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Officers and Professional Advisors

Directors
Mark Lancaster
Chairman & Chief Executive Officer

John Hunter
Chief Financial Officer

Cristina Lancaster
Chief Operations Officer

Keith Mills
President - Technology

Alastair Gordon
Executive Director

Chris Batterham
Non-executive Director

John Matthews
Non-executive Director

Joe Campbell
Non-executive Director

Company Secretary
John Adams ACIS

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Solicitors
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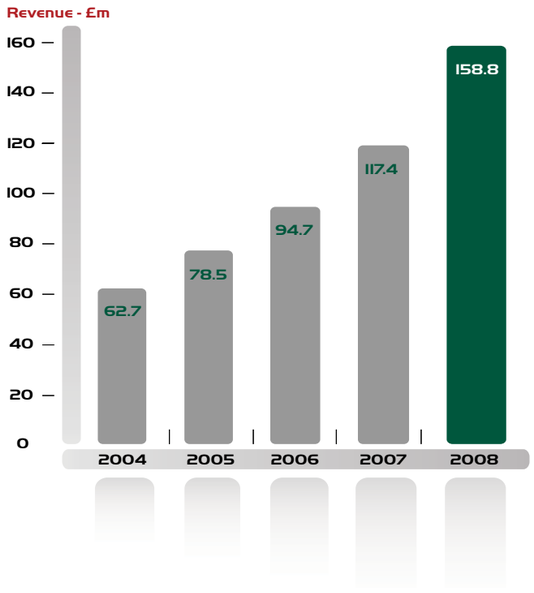
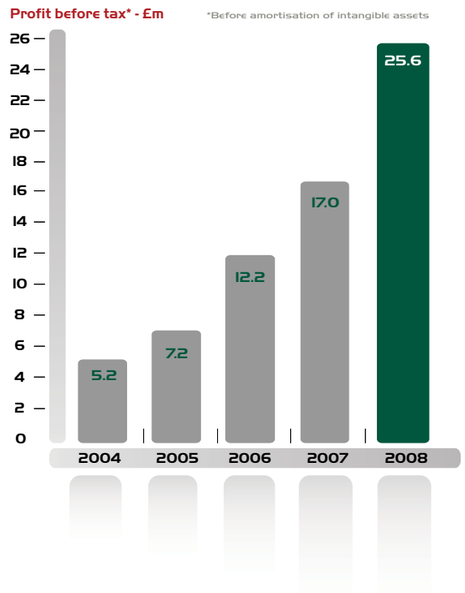
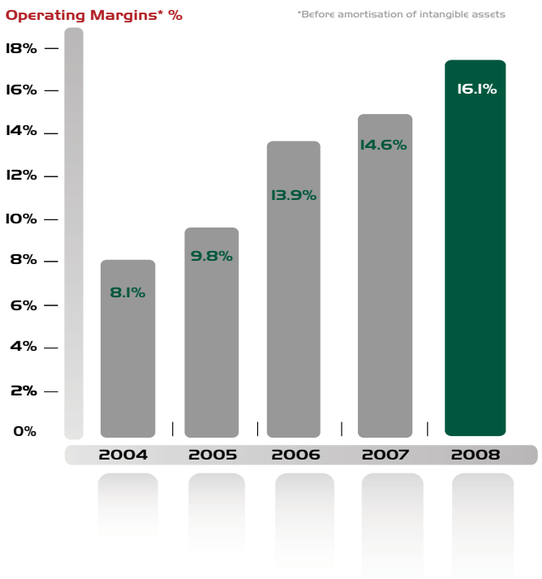
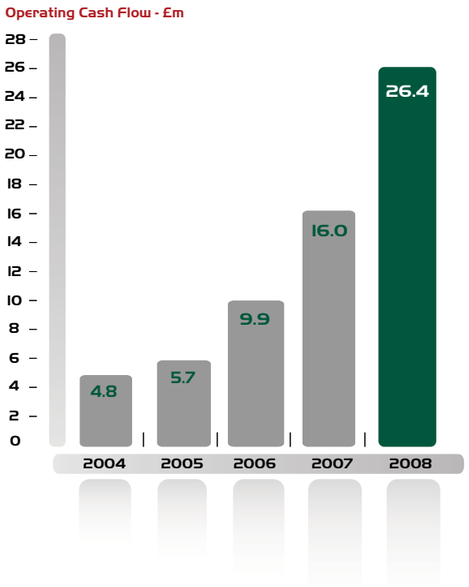




Revenue	£158.8m	35% ▲
Profit before tax and amortisation	£25.6m	49% ▲
Basic earnings per share before amortisation	24.99p	41% ▲
Operating cash flow	£26.4m	39% ▲





In 2008, SDL delivered another year of industry-leading performance.

As well as achieving record revenues and profits, we completed two major acquisitions, released major new product innovations and received numerous industry awards.

- **Jan** — SDL Tridion wins Best Web Content Management technology award
- **Feb** — Acquisition of Idiom Technologies Inc for Translation Management
- **Mar** — New SDL Global Authoring Management System released
- **Apr** — SDL Tridion integrates Web Content Management with Translation Management
- **May** — SDL Trados Certification reaches more than 50 academic institutions
- **Jun** — SDL Tridion ranked as Top ICT Employer 2008
- **Jul** — Best-ever sales of SDL Passolo for software localisation
- **Aug** — SDL announces record half year revenues and profits
- **Sep** — Acquisition of Trisoft NV for Technical Documentation Content Management
- **Oct** — New SDL Automated Translation Solutions launched
- **Nov** — SDL wins Dynamic Business, Technology Innovation and ten Content Management awards
- **Dec** — SDL completes another year of record revenues and profits

Summary Performance

It is my pleasure to report that SDL has had another strong year in 2008, with both revenue and operating profits significantly ahead of market expectations. The primary drivers for the growth in 2008 were the strong revenue contributions from both the Language Technology divisions (increase of £19.5 million or 59%) and Translation Services divisions (increase of £21.9 million or 26%). Revenues for the Group for 2008 were up 35% (22% at constant currency) at £158.8 million (2007: £117.4 million), with approximately 24% of the revenue growth being organic and 11% contributed by the 11 months of trading of Idiom Technologies Inc, acquired in February 2008 and a full year of SDL Tridion. Profit before tax and amortisation of intangible assets has increased by 49% to £25.6 million (2007: £17.0 million).

Strong cash flow from operations of £26.4 million (2007: £16.0 million) resulted in the Group holding net cash of £31.2 million at 31 December 2008 (2007: £15.5 million).

Technology Division

(contributing £52.7 million or 33 % revenue to the Group and £6.9 million or 27% of the PBTA)

Language Technology divisions

The SDL Enterprise Technologies business unit has experienced an increase in overall new name licence sales of 61% during 2008 (inclusive of the Idiom acquisition), adding customers such as EMC, Fair Isaac, Vestas Wind Systems and Sony Europe to its portfolio of leading global businesses relying on a global information management (GIM) strategy to provide local content for their international business. The integration of Idiom Technologies Inc, acquired in February 2008, has also progressed to plan, with the business unit achieving break even operating margin by December 2008.

SDL Desktop Technologies, a business unit which focuses on productivity software for the translation supply chain, has achieved a double digit revenue increase of 30% year on year. Passolo's first full year post acquisition results yielded a 36% increase in sales due to the successful leveraging of SDL customer base.

Both business units attribute their strong demand to our customers' need to unify processes across the entire localisation supply chain, utilising a common platform for localisation thereby creating significant efficiencies and a quicker time-to-market. In addition, SDL Trados Technologies announced major new wins at blue chip companies including Microsoft, Citrix Systems, Symantec and Sabre, Inc.

SDL Tridion - global web content management division

SDL Tridion continued to deliver strong revenue growth to the group, with revenues of £24.3 million for the year up 16% on 2007. Most of SDL Tridion's revenue growth came from the US, which produced solid results despite difficult trading conditions for the fourth quarter in the US economy.

The gross margins for the technology group are now 76%. The net margins for technology are 13%.

Translation Services Division

(contributing £106.1 million or 67% revenue to the Group and £18.7 million or 73% of the PBTA)

The main focus of our Translation Service business unit was to add significant value to our key large customer accounts through the automation of business workflow and automated translation thereby creating significant time-to-market and cost savings for our clients. As a result of this focused strategy, we were able to grow our translation services revenue by 26% year on year to £106.1million. We have continued to expand our network office infrastructure to 55 offices in 30 countries over 5 continents by adding new offices in India and Greece. In addition the improved integration with our technology has allowed us to increase internal efficiencies, thereby maintaining gross margins in our translation service divisions at 44% in 2008. Net margin increased to 18%.

Our Vision and Strategy for Global Information Management (GIM)

In a world that is shrinking through an ever-improving communications infrastructure, trading effectively in global markets is no longer an option for large corporations but a necessity. The starting point to enable a business to trade successfully in local markets is to communicate in the local language. The enormity and complexity of translating and maintaining millions of words in many formats in multiple languages is a major challenge for any global business.

SDL now provides over 500 enterprise solutions to the top global brands in the world. SDL's Global Information Management (GIM) technology accelerates the delivery of content into local markets, ensuring consistency of global brand and significantly reducing the cost to translate content into multiple languages. SDL leads the world in providing language technology, and in order to build on this position we expect to launch a new, significantly enhanced, Global Information Management Platform in 2009. We have developed this new platform over the last three years, combining the best of SDL's technology into a common, powerful, and open platform that the industry can plug into. We consider this to be a major advance, not only for SDL but also the industry.

We will continue to expand into new geographies, providing flexibility, scale and cost efficiencies for the Group, with our focus moving to Asia for both outsourcing and sales opportunities, leveraging all our business divisions from the existing infrastructures.

Outlook and Current Trading

With the continued deterioration of the worldwide economic climate, 2009 may well be a challenging year. Our approach will, therefore, be appropriately cautious. We are however fortunate that approximately 67% of our revenue is derived from translation services and this recurring revenue stream has historically proven to be robust and resistant to economic downturns. At present we have the benefit of the weak pound, approximately 37% of our revenue is in US dollars and 46% is in Euros, which provides additional protection. We also have a net cash position of a little over £31 million in cash, which gives us the flexibility and security desirable in the current environment.

We are currently maintaining a solid pipeline and conversion rate across our technology business units, although we are still seeing some delays in converting deals. We are also continuing to see good momentum in the technology markets we operate in. As we progress through 2009 we expect to see more businesses outsource their translation management, and, due to the group's leading position in both technology infrastructure and services, this should lead to more business moving to SDL solutions.

We believe that the long term outlook for the SDL Group will continue to show strong growth as businesses are attracted to the value and efficiencies a Global Information Management Platform provides to global companies. 40 out of the top 50 global brands use SDL, and every year we see increasing numbers of multi-national corporations adopt global information management technology to manage their worldwide business more effectively.

Mark Lancaster

Chairman and Chief Executive

Global Brands Choose SDL

Every year, Interbrand publishes its assessment of the "Best Global Brands", and every year SDL can proudly claim these global brands as customers. In 2008, 40 of the top 50 global brands used SDL.

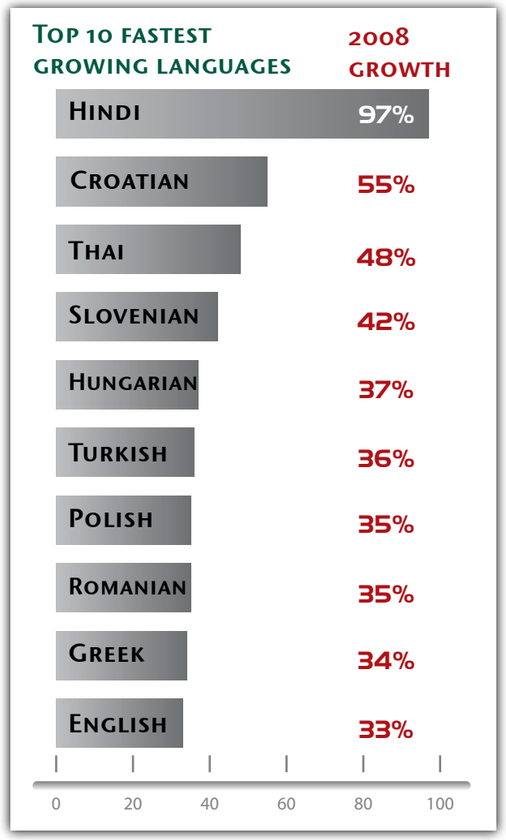
Industry leaders across all kinds of industries choose SDL. In the annual Forbes Global 2000 list of the world's biggest public companies, SDL is well-represented across all major commercial sectors, from media to manufacturing, from food to finance, from household goods to high-technology.

Global Operations

SDL's global operations continued to expand in 2008. We operate a unique business model for our language translation services, using in-country linguists that are employed by SDL wherever possible. We translated nearly 20% more words in 2008 compared to 2007, and the profile of languages translated showed some interesting trends.

At fifth place, English has achieved its highest ranking ever in our annual review of the languages into which we translate. This indicates our increasing success in winning business in non-English speaking regions, and most likely reflects a trend for these regions to place more value on the quality and consistency of translations into English.

Top 10 languages in 2008	2007 ranking
1 French	▲ 3
2 French Canadian	▼ 1
3 German	▲ 4
4 Spanish	▼ 2
5 English	▲ 9
6 Italian	▼ 5
7 Japanese	◆ 7
8 Dutch	◆ 8
9 Swedish	▲ 10
10 Simplified Chinese	▼ 6

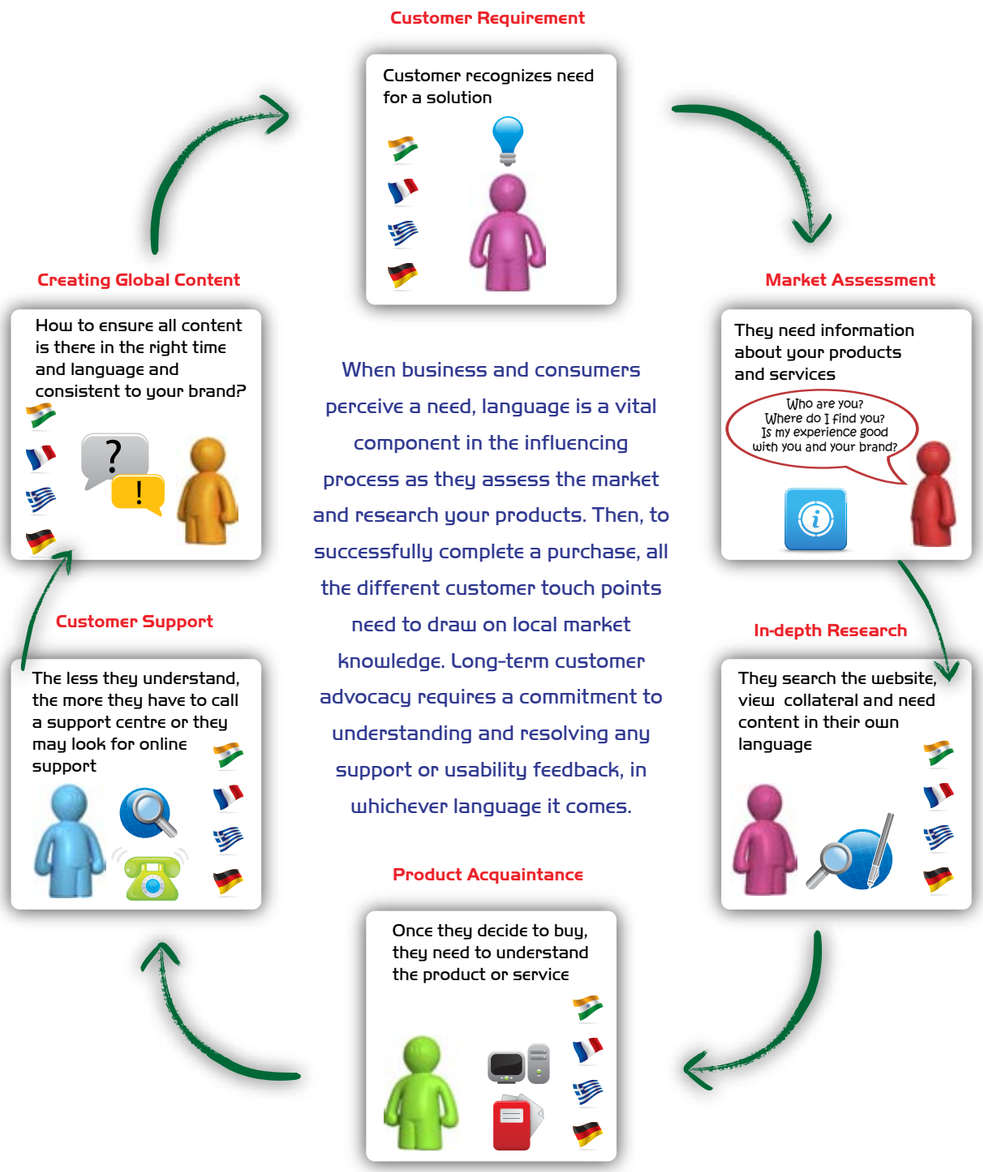


Our investment in the opening of our office in India has led to the dramatic increase in translations into Hindi. Eastern European languages continued to show significant growth, although we found reduced interest in the Baltic languages of Estonian, Latvian and Lithuanian. Thai is another language where we achieved significant growth.

Greek was one of the top 10 fastest growing languages in 2008, and in January 2009 SDL opened a new office in the Greek capital, Athens. The primary focus of the Athens office will be to provide existing SDL clients with a much stronger, in-house resource for Greek translation work. This will result in a greater understanding of the marketplace, providing high-quality translations and an efficient translation process. The key activities involved in localisation will take place in-country and close to where the best linguistic resources are located.

The Challenges of Managing Global Information

Global content touches each of us in many different ways.



When business and consumers perceive a need, language is a vital component in the influencing process as they assess the market and research your products. Then, to successfully complete a purchase, all the different customer touch points need to draw on local market knowledge. Long-term customer advocacy requires a commitment to understanding and resolving any support or usability feedback, in whichever language it comes.

With so much riding on effective global communications, why is it that so much content is not global content, and so many processes are not global processes? It seems that the complexities of managing global information often hinder the deployment of truly global communications processes.

SDL overcomes global communications barriers by helping its customers manage the delivery of all corporate information into different languages. This is Global Information Management. SDL announced many new customer wins in 2008 and below is a small selection of these.

Renault

Translates large volumes of complex technical documentation using SDL Knowledge-based Translation System

Belgium Government

Manages 12,000 web pages in multiple languages using SDL Tridion

Siemens Building Technologies

Managed a 50 percent increase in translation volumes using SDL Trados solutions

Nautilus

Transitioned to DITA-based component content management using SDL Trisoft

Windows Mobile

Delivers brand consistency in more than 50 markets using SDL MultiTerm

MAPI Research Institute

Maximises reuse and consistency in pharmaceutical translations using SDL TMS and SDL MultiTerm

Valve

Localises its games using SDL GIM solutions, including voiceovers, packaging, instructions, DVD and website

Global Information Management

Global Information Management (GIM) solutions integrate with existing business applications to manage the process of localising and publishing any kind of content for global audiences.

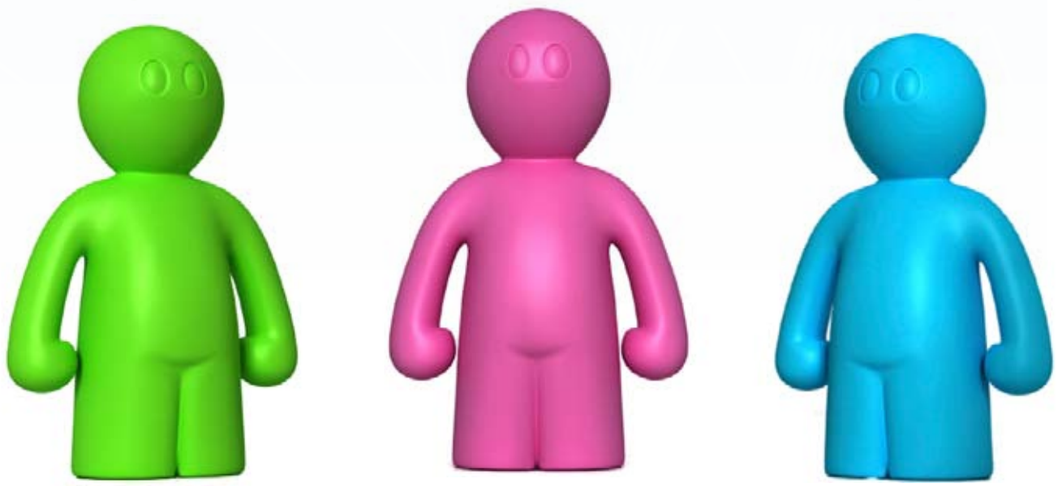
GIM Enhances Customer Experience

SDL customers are enhancing their customers' experience by providing access to information in the customer's language of choice. Effective GIM enhances brand across all communications, shortens time-to-market, reduces localisation costs and improves company performance in key strategic areas such as global revenues, operational costs and customer satisfaction.

Time-to-Market
Being first to market allows a company to increase market share. GIM helps companies to reduce the time and cost of producing localised content, making their products available in many countries at the same time.

Localisation Costs
Localisation processes cross geographical, cultural and organisational barriers. Optimising this complex supply chain using GIM technologies significantly reduces localisation time and costs.

Brand Consistency
As companies expand their global reach, they struggle to ensure consistency of corporate message and brand. An integrated GIM solution provides operational brand management for all global communications.



A day in the life of global information

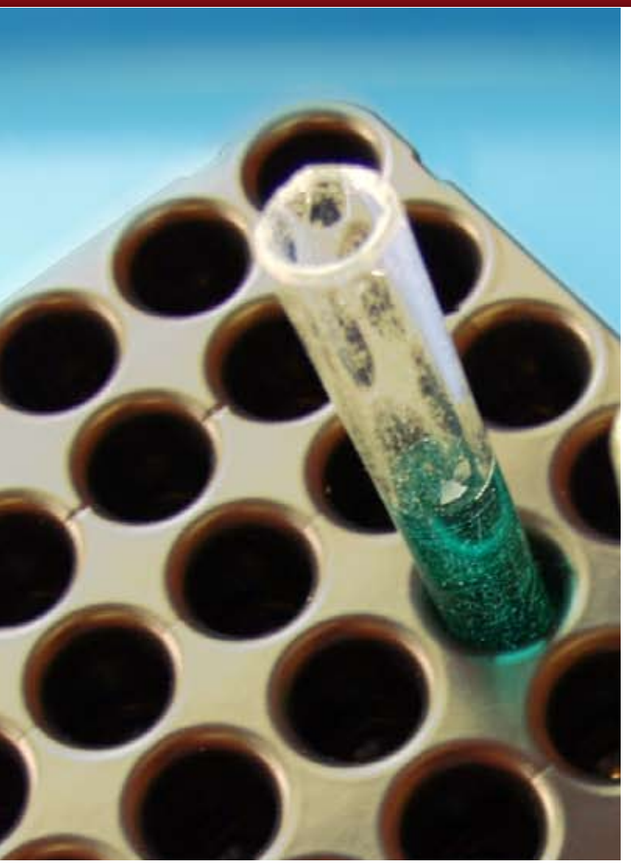
In our increasingly global economy, one piece of content now travels much further than ever before. A single topic will appear in many different communications, such as the product brief, the user manual, marketing promotions, support knowledge bases and online help. Each different piece of digital content can be served up through a variety of communications channels, including print, CD, the traditional PC-based Internet and increasingly the mobile Internet. And for all these different communications formats and channels, each topic needs to be presented in many different languages.

When a new topic is written, it is just the start of an exciting global journey!

The future of global information management

SDL continues to deliver innovative global information management solutions. In 2008, translation volumes through our outsourced translation service that incorporates automated translation, SDL Knowledge-based Translation System, grew by over 20%. Responding to growing interest in automated translation, we launched SDL Automated Translation Solutions, opening up a whole new market for automated translation technologies in enterprise customers.

In 2009, SDL will bring to market a new integrated GIM platform that will be the basis for all new SDL products. This will be a scalable platform that provides a consistent set of open enterprise services for all SDL's GIM applications and for any third-party applications. New SDL applications built on this platform will rollout during 2009, supporting the entire localisation supply chain from the desktop to the enterprise. These innovations will be significant for SDL and the market, marking the culmination of major R&D investments that also leverage the technology acquisitions of Trados and Idiom.



Optimising the approval process for drugs and pharmaceutical products

> The European Medicines Agency is the European Union body responsible for coordinating the existing scientific resources put at its disposal by Member States for the evaluation, supervision and pharmacovigilance of medicinal products. The Agency provides the Member States and the institutions of the EU the best-possible scientific advice on any question relating to the evaluation of the quality, safety and efficacy of medicinal products for human or veterinary use referred to it in accordance with the provisions of EU legislation relating to medicinal products.
>
> European Medicines Agency

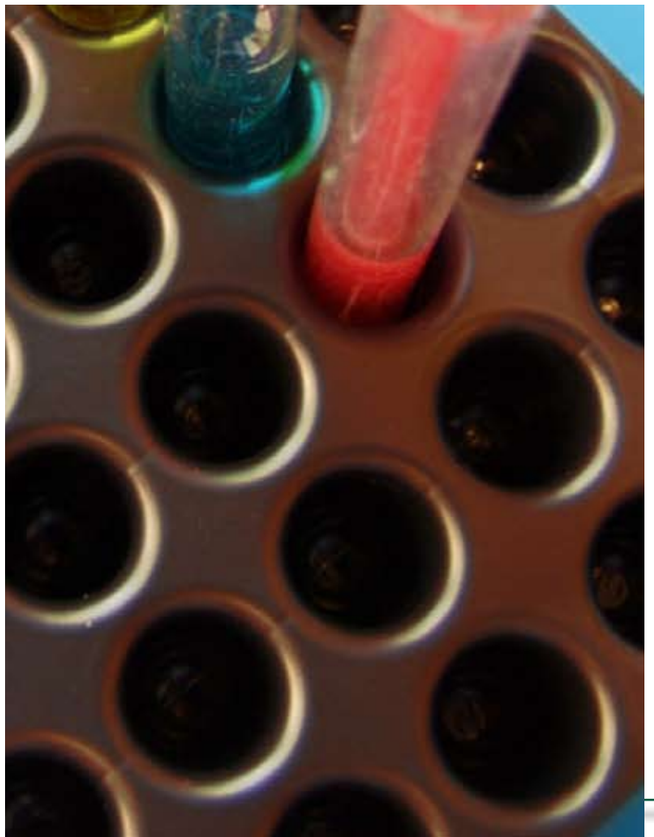
GlaxoSmithKline

Improving the Quality of Human Life

GlaxoSmithKline (GSK), one of the world's leading research-based pharmaceutical and healthcare companies, is committed to improving the quality of human life by enabling people to do more, feel better and live longer.

GSK operates in a fast-changing market from both a regulatory and payer perspective. Regulators are becoming increasingly risk conscious and payers more cost conscious. It is imperative that pharmaceutical companies, including GSK, modernise and evolve to reflect these market changes.

The European Medicines Agency (EMEA) and GSK have worked together to help perfect the new European healthcare standard, Product Information Management, and, with the help of SDL GIM technology, create a streamlined, efficient process for the approval of new drugs and products.



Global Business Profile

- Revenues of £22.7 billion
- Employs around 100,000 people in over 100 countries
- Supplies one quarter of the world's vaccines
- Products manufactured in 38 countries

Global Information Challenges

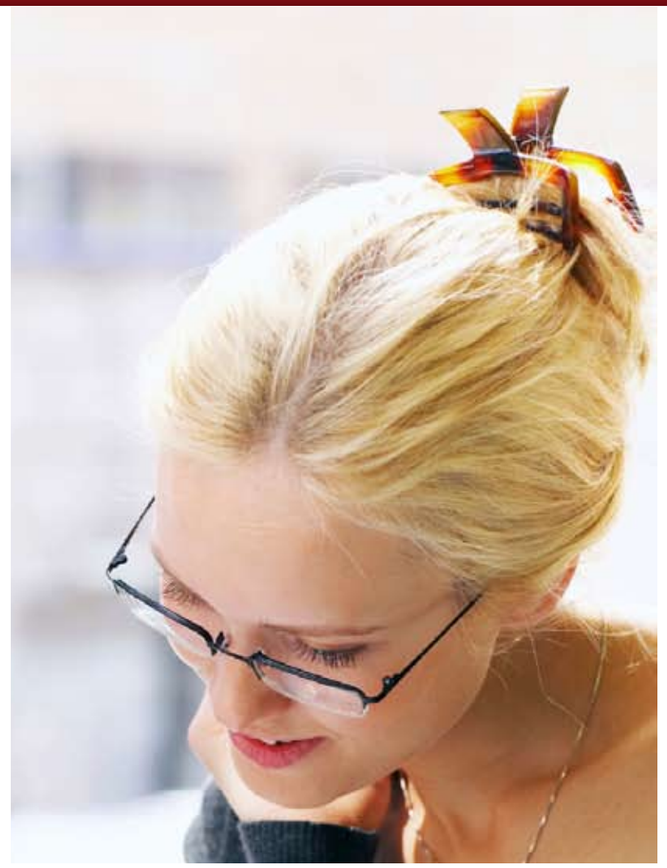
- Complex communications between regulator and applicant for each new product submission
- New XML-based submission process for EMEA's Product Information Management (PIM) standard
- Only 5 days from initial opinion in English to finalised product information in 23 languages

Global Information Management

- Worked with the EMEA to refine and improve the PIM standard
- Enhanced the process of creating PIM-compliant content
- SDL TeamWorks for collaborative workflow and centralised translation memory

Global Business Benefits

- More efficient translation change management during revision cycles with the regulator
- Delivering the multilingual quality and consistency necessary for successful PIM submissions
- Reducing the workload, decreasing the time and lowering the costs for translations
- Maximising reuse of previously translated content



Optimising the content lifecycle for decision management

"Our strategic vision defined worldwide availability of our software and a redesign of our product architecture as key initiatives. Both required new infrastructure and methodologies that could help us meet these challenges. It would be extremely difficult to reach our goals efficiently and quickly without the support of SDL and its GIM technologies."

VP Product Management,
Fair Isaac

FairIsaac®

Make Every Decision Count

Fair Isaac is the leader in decision management, transforming business by making every decision count. The company provides analytics/scores, decision management tools and applications that help businesses cultivate and manage long-term relationships with consumers. Fair Isaac software helps at each step, from the point of acquiring new customers, originating new accounts with them, managing those accounts for profitability and risk, collecting receivables and preventing fraud.

The company strategy has been to seek growth along two dimensions: first, by driving offerings in four industry verticals that have a strong need for decision management—financial services, insurance, retail and health care—and second, by expanding beyond its traditional US and Western European footprint into growth markets in Asia and Latin America.

Global Business Profile

- Founded in 1956 and now a leader in decision management
- Serves financial services, insurance, retail and healthcare
- Revenues of $745m, net income of $84m
- 5000+ clients in 80 countries
- One-third of revenues from international markets

Global Information Challenges

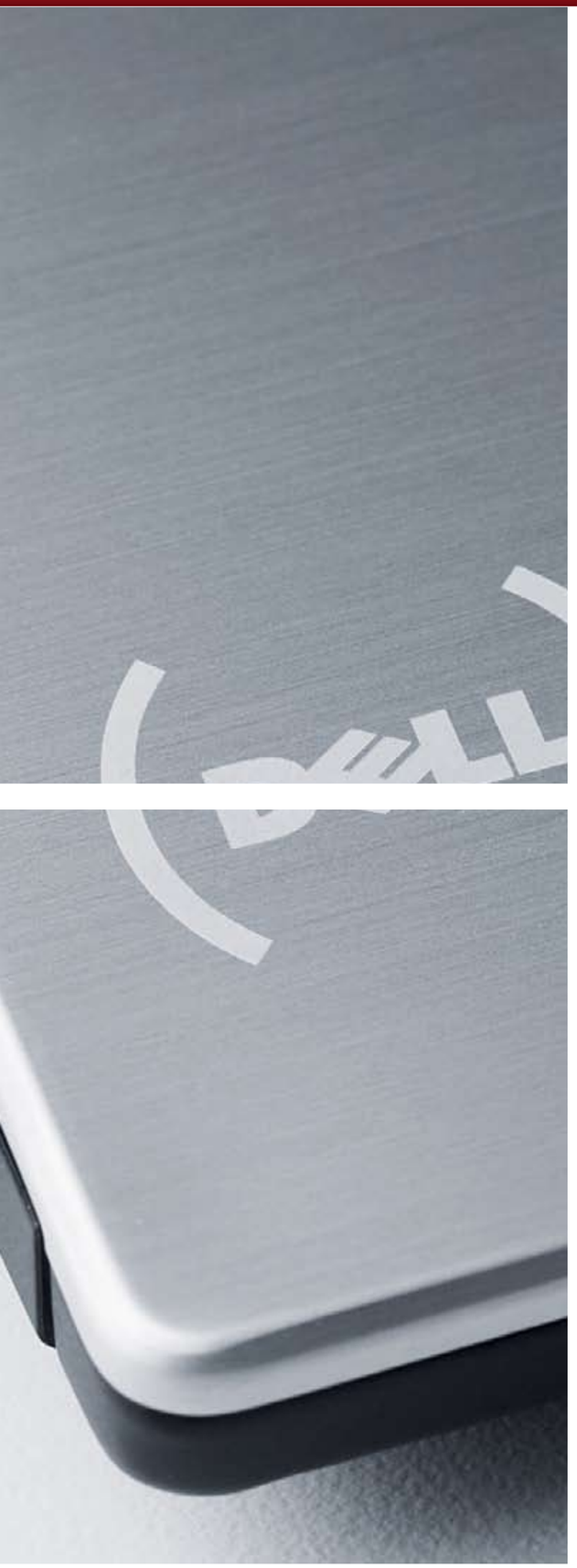
- International markets providing new growth opportunities
- Acquisitive growth had led to silos in product development, documentation and localisation
- Lacked defined global processes for global content
- Software needed internationalisation as well as localisation

Global Information Management

- Raised profile of GIM as an essential business strategy
- Redesigned software to use common components
- Restructured documentation to use DITA XML for topic reuse
- SDL Global AMS and SDL Trisoft for managing 70,000+ topics
- SDL TMS and SDL MultiTerm for managing localisation processes
- SDL localisation services for content translation into 6 languages

Global Business Benefits

- Streamlined product development and content creation lifecycles
- Improved time to market, reduced risk of delays
- Lower internal and external costs, expect substantial savings
- Improved content consistency and quality
- Easier creation of multiple tailored deliverables
- Improved branding and customer experience
- Improved visibility and tracking company-wide



Dell listens to customers and delivers innovative technology and services they trust and value. Uniquely enabled by its direct business model, Dell is a leading global systems and services company and No. 34 on the Fortune 500.

Dell helps determine the course of future industry innovation through a time-tested process that puts customers first. At the core of Dell's innovation approach is an unwavering commitment to delivering new and better solutions that directly address customer needs.

Optimising Localisation Processes for Global Content

"The quality and timeliness of our multilingual communications directly impact the customer experience. Dell places tremendous value on its customer interactions, and through our strategic partnership with SDL we have implemented the systems and processes required to measure and improve our performance. We have dramatically improved the consistency, quality and time-to-market for our global communications while significantly reducing costs."

Director, Global Online Programs
Dell

Global Leader in IT Systems

Global Business Profile

- Annual revenues of $61 billion, employing 80,000 people worldwide
- No. 1 supplier of PC systems in the US and the No. 2 supplier worldwide
- Around 140,000 systems shipped worldwide each day
- The world's largest global e-commerce website
- Nearly 2 billion interactions with its customers every year

Global Information Management

- Centralised operating model with agreed service levels
- Standardised, quality processes with management visibility and control
- Multi-vendor language services model, including SDL
- SDL TMS for translation process management across all business groups
- SDL KbTS for rapid and cost-effective translations
- SDL MultiTerm for terminology and brand management
- SDL Global AMS for global authoring productivity

Global Information Challenges

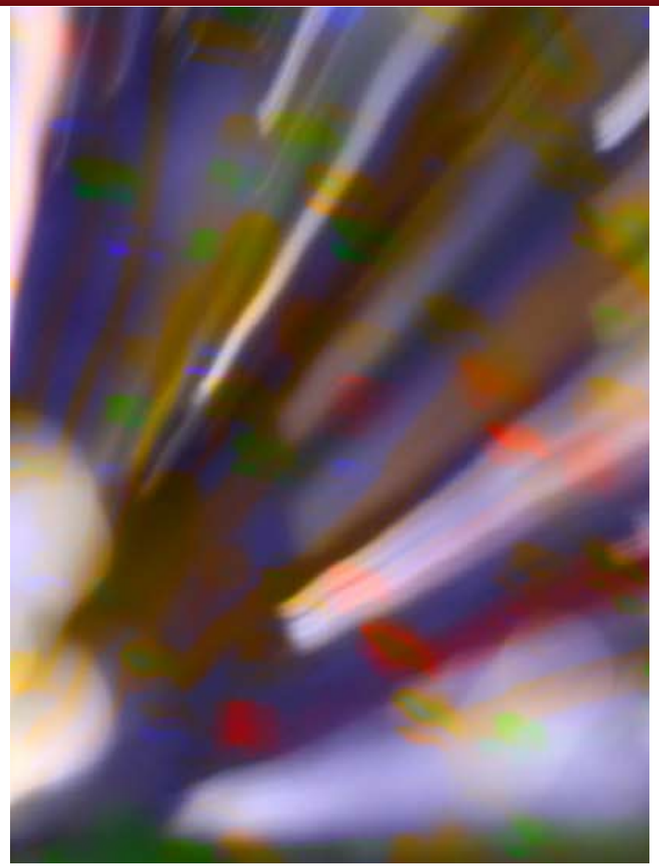
- De-centralised translation processes
- Too many touches required on every deliverable
- Too little co-ordination of brand message or style
- Localisation responsibility devolved to too many people
- No clear visibility on global translation spend
- No objective measurement of content quality

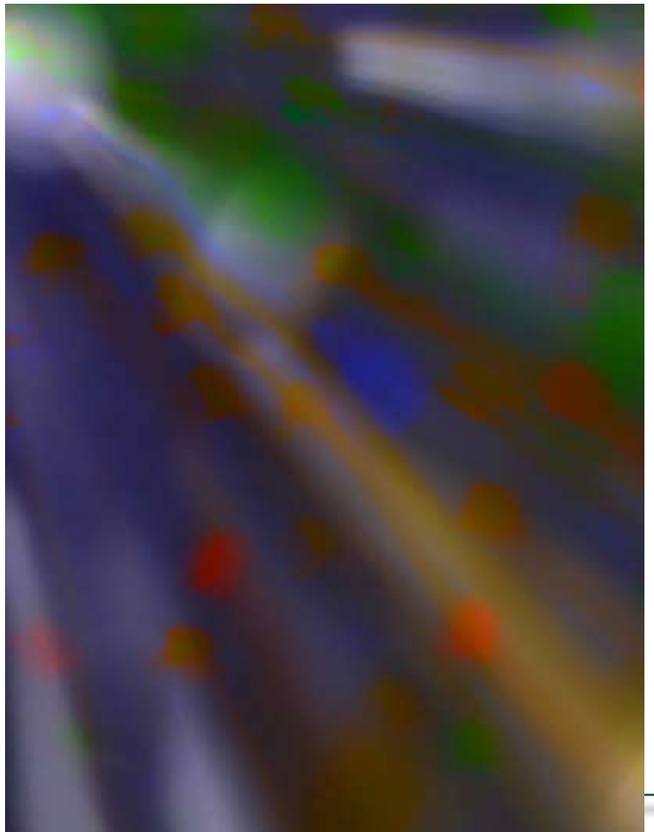
Global Business Benefits

- Significant quality improvements in source and target languages
- Consistent brand communicated across all online and offline content
- Improved SLA performance through dynamic scorecard monitoring
- Reduced localisation costs by typically 30 to 40% per language
- Shortened time-to-market by 30 to 50% for global product launches

Océ enables its customers to manage their documents efficiently and effectively by offering innovative print and document management products and services for professional environments.

In today's business landscape, the office serves as the operations backbone. Communication drives daily work and people rely on document-based information. Some of the world's largest organisations count on Océ to help them manage their office document workflow. These include many Fortune 500 companies as well as major government bodies and educational institutions.





Optimising global brand management in document processing

"Multilingual communications are a critical part of Océ's strategy for continuing global success. Our investment in SDL GIM technologies has improved our content reuse and brand recognition, as well as shortening time-to-market for regional marketing campaigns. In turn, this will surely accelerate Océ access to global revenues in established and emerging markets."

E-Business Development Manager
Océ

Global Leader in Digital Printing Systems, Software and Services

Global Business Profile

- A leader in document processing, no. 1 in document process outsourcing
- 2008 revenues of €2.9 billion, with 23,000 employees worldwide
- Offices in over 30 countries, commercially active in more than 100 countries
- The only European producer of printing systems

Global Information Challenges

- Management of global brand identity, critical to corporate operations
- Consistent multilingual communications across a vast distribution network
- Product content availability in 21 languages
- Simultaneous product shipment while meeting country-specific regulatory requirements
- Regional campaign development processes preventing content reuse

Global Information Management

- International brand team managing the Océ Brand Identity Program
- Centralised, shared base of XML content for marketing communications
- Balance of global and regional approaches to multilingual brand communications
- SDL Global Authoring Management System for authoring assistance
- SDL Tridion web content management integrated with SDL TMS
- SDL MultiTerm for global terminology management

Global Business Benefits

- Reduced web content translation processes from 6 weeks to 5 days
- Balance of centralised and distributed operations for brand content
- Regions can adapt and customise brand information for local markets
- Shorter time to market for regional marketing campaigns
- Increased content reuse, increased brand recognition

Executive Directors

Mark Lancaster

Chairman & Chief Executive Officer, age 47
(Appointed: 31 January 1992)

Mark Lancaster founded the Group in 1992, having identified the need for a high-level and comprehensive service and technology provider for the globalisation of companies' content and products. Mark was previously employed as a design engineer at Satchwell Control Systems before he progressed his career through Lotus Development Corporation and later as international development director with Ashton-Tate. He is responsible for the strategic development of the Group.

John Hunter

Chief Financial Officer, age 42
(Appointed: 1 September 2008)

John Hunter succeeded Alastair Gordon as Chief Financial Officer on 1 September 2008. He has held a number of senior financial and management positions in Europe, Asia and the US. Prior to SDL he was the Chief Financial Officer of ICI Paints, a leading global decorative business with a turnover of approximately £2.5 billion. He has previously held the position of CFO at Quest International and ICI Far Eastern, and Commercial Director for the global adhesives business in National Starch.

Cristina Lancaster

Chief Operations Officer, age 45
(Appointed: 4 July 1993)

Cristina Lancaster is an experienced software engineer who previously worked as a senior support analyst at Lotus Development before establishing an IT training consultancy business in 1990. She joined SDL in 1993 and has responsibility for the systems, processes and methodology used throughout the Group coupled with the implementation of training and development plans.

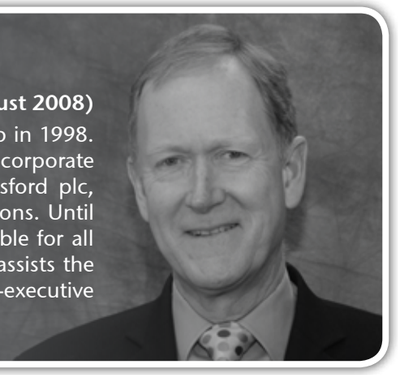
Keith Mills

President - Technology, age 47
(Appointed: 1 September 2000)

Keith Mills joined the Group in 1994 as Senior Software Engineer. Previously he had held senior positions with Lotus Corporation, where he specialised in the process of software localisation before moving to Ashton-Tate, the international software engineering group. He has overall responsibility for sales and implementations involving technology solutions, as well as all aspects of technical development at each of the Group centres throughout the world.

Alastair Gordon

Executive Director, age 58
(Appointed: 27 April 1998, retired as Chief Financial Officer on 31 August 2008)



Alastair Gordon is a qualified Chartered Accountant who joined the Group in 1998. From 1974 he spent thirteen years with Arthur Andersen, specialising in corporate finance and venture capital. Subsequently he spent ten years with Berisford plc, the last three of which he was Chief Financial Officer for the USA operations. Until 31 August 2008 Alastair was the Group's Chief Financial Officer, responsible for all financial matters relating to the Group. He remains a board director and assists the CEO and the Board on a part-time basis on specific projects. He is a non-executive director of Strategic Thought plc, an enterprise software business.

Non-executive Directors

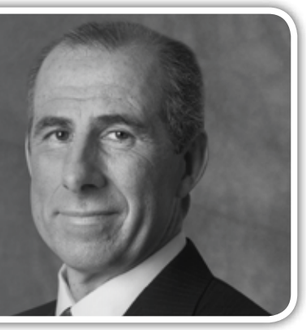
Chris Batterham

Senior Independent Director, age 53
(Appointed: 15 October 1999 - Re-appointed 24 April 2008)

Chris Batterham qualified as a Chartered Accountant with Arthur Andersen and has significant experience in the technology-based business environment, including the flotation of Unipalm on the London Stock Exchange. Currently working on the boards of Betfair, Iomart plc, DRS Group plc and the Risk Advisory Group as a non-executive director, Chris brings a wealth of experience in the strategic development of companies within the IT sector.

Joe Campbell

Non-executive Director, age 50
(Appointed 1 July 2005 – Re-appointed 27 April 2006)



Joe Campbell was CEO of Trados for the year before its acquisition by SDL in July 2005 when he joined the board as a non-executive director. Prior to this he was COO of iManage, a publicly traded company on the NASDAQ and is currently President and CEO of Sierra Systems Group Inc, an IT and management consulting services company. He adds a considerable level of expertise in enterprise software sales and brings years of experience of the US financial markets and M&A activity.

John Matthews

Non-executive Director, age 64
(Appointed: 12 June 2001 – Re-appointed 26 April 2007)

John Matthews has been Chairman of Regus plc since July 2002. He also acts as an independent non-executive director on the Boards of other listed companies, providing a valuable range of insights into public company compliance and strategy.

None of the directors have been accused of, or been reported as acting in breach of, professional conduct by any Regulatory or Statutory Authority.

Operating Review

Performance Overview

2008 was a strong operating year for the SDL Group with a mixture of solid organic growth and revenue contribution from acquisitions.

SDL reinforced its technology presence in North America with the acquisition of Idiom in February 2008 and in September 2008 the acquisition of the remainder of the Trisoft business was completed, now an integral part of the SDL technology offering. The proportion of the total business attributable to technology continues to increase. This, combined with strong repeat revenues in the translation services business, saw 2008 group operating margin increase to 16.1% from 14.6% in 2007.

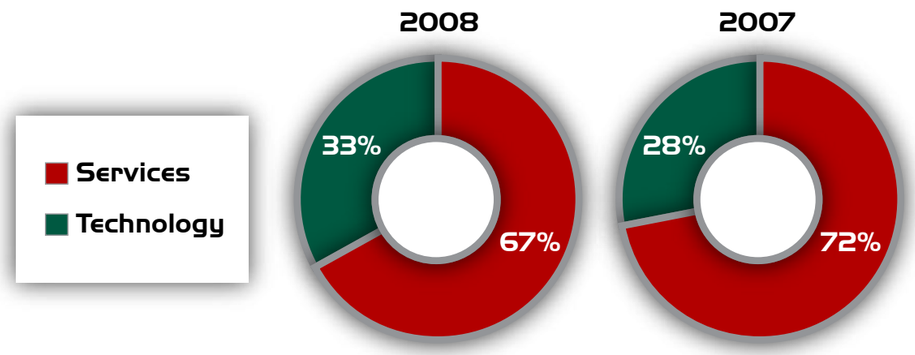
SDL ended the year with cash of £31.2 million and was free of external debt. The strong operating cash flow of £26.4 million during 2008 meant that the loan of £9.5 million taken out to fund the acquisition of Idiom was fully paid down by 31 December 2008.

Revenue

Overview

SDL saw solid growth in both its translation services and technology businesses in 2008. The relative proportion of group revenues attributed to translation services and technology is illustrated in the charts below.

Revenue Split – Translation Services and Technology



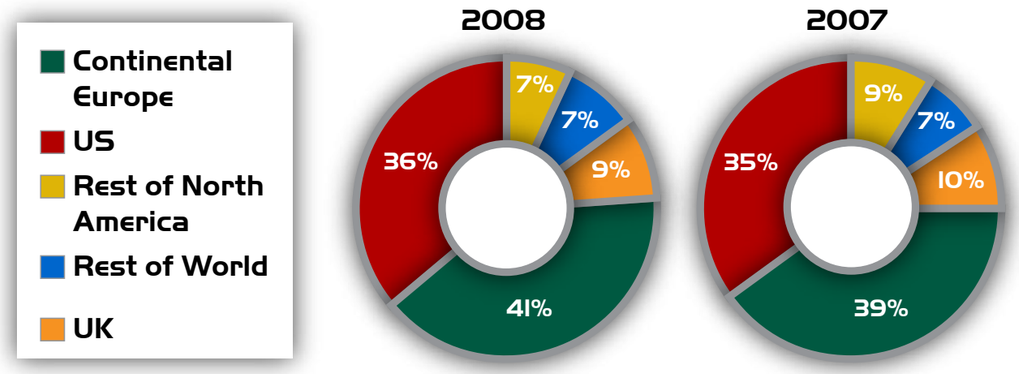
The Group's reported revenues increased by 35% in 2008, with the increase attributed to organic growth (11%), the year on year impact of acquisitions (11%) and exchange rate impact (13%).

The 20 largest customers contributed 36% of revenue in 2008 (2007: 35%). SDL regards a well diversified list of key clients as an important strategic priority. At the end of 2008 no customer contributed more than 5% of group revenues. The growth of the technology business is bringing opportunities to broaden the customer base; and the integration of the 2008 acquisitions will bring the potential for further cross-selling opportunities. In a difficult economic environment in 2009 it will be important that these opportunities are exploited.

Geographically Continental Europe was the largest region for revenues (41% of total revenues by destination in 2008 versus 39% in 2007) due in part to the Tridion results being fully consolidated into the SDL business for a full year in 2008. The US contributed 36% of total revenues in 2008 versus 35% in 2007. Developing markets outside North America, Continental Europe and the UK contributed 7% of revenues in 2008. The world wide infrastructure of network offices that SDL has established remains an important driver to both external sales growth and the ability to service clients efficiently via SDL's translation network on a global basis.

The geographical split of sales by destination is illustrated in the chart below:

Revenue Split - By Geography



Performance by Segment

Technology

Technology revenues continued to expand both through organic growth and acquisition. Of the 59% reported growth year on year in technology approximately 7% was due to organic growth, 36% was due to the year on year impact of acquisitions included for a different period in 2008 than in 2007 and 15% was due to exchange rates.

SDL Trados Technology (desktop) business unit had particularly strong revenue growth of 30% in 2008. The business has successfully capitalised on its refocused sales effort, prioritising new business generation through clear targeting with full integration of strategic marketing. The business also continued to drive geographic expansion through investment in emerging territories and an improved revenue capture process for training.

Enterprise technology business unit revenue increased by 75% in 2008, principally due to the impact of the acquisition of Idiom Inc in February 2008. Enterprise Licence revenues were stable year on year, despite a difficult economic environment in the second half of 2008. It was particularly encouraging to see deals completed with Cerner Corporation, Facebook Inc, Fair Isaac, Nielsen and Varian Medical. As planned, the Idiom business unit, acquired in February 2008, (now the SDL Enterprise Products North America business unit) has been fully integrated into both the operating and management systems of SDL.

Tridion sales ended the year with an underlying increase of 16% year on year. This increase is attributable to movements in exchange rates, with constant currency sales flat in 2008 versus 2007. Following the appointment of a new Tridion CEO and changes to the sales force in Europe, sales levels stabilised in challenging economic conditions. Tridion has pleasingly continued to make progress in North America, a primary growth target.

Translation Services

SDL translation services revenues increased by 26% in 2008, with approximately 50% of this growth attributed to currency benefits. Excluding currency benefits, the strong underlying operational growth of approximately 13% was due, primarily, to repeat revenue growth at key clients, notably with strong sales development at Renault, CNH, Dell, Tweddle and Adobe. Sustaining this strong repeat revenue growth remains an important factor to SDL's future success and sound client management processes have been deployed, placing priority on growing with these key clients through consistency of service on a global basis. The level of repeat business, one measure of the defensive nature of the translation services business, has increased to 89% in the year versus 86% in 2007. New offices opened in the previous year in India, Lebanon and Brazil have performed in line with expectations in 2008.

Gross Margin

The Group's gross margin improved to 55% in 2008 versus 54% in 2007.

Within the technology division the overall gross margin percentage has remained broadly constant at 76%. Gross margin leverage in the technology business is significant as the business has lower direct costs before gross margin (approximating 24% of sales versus 56% of sales in the service solutions business). Growth in the technology business is an important support to overall group gross margin.

Gross margin in the service solutions business was stable at 44%, continued development of internal systems and network efficiencies counteracting any impact of end market pricing.

Administrative Expenses

Overall administrative expenses were £61.3 million in 2008 versus £45.7 million in 2007. Of this increase of £15.6 million approximately £9.7 million at constant currency is due to the combination of the inclusion of a full year of overhead for Tridion in 2008 versus a partial year in 2007; and the inclusion of overheads for the Idiom and Trisoft businesses acquired in 2008.

Of the residual £5.9 million increase year on year approximately £4.4 million is due to the composite of foreign exchange and translation impacts and £1.5 million due to operational cost impacts. It is worth noting that marketing spend reduced by £0.7 million year on year, consistent with intent to align marketing in business lines.

Headcount was 1,980 at the end of 2008 versus 1,780 at the end of 2007. Of this movement 54 relates to the acquired Idiom and Trisoft businesses with residual headcount increase notably the result of a conscious choice to reinforce resources in network offices, desktop growth strategy and continuation of technology investment in Tridion. As a people-related business, employee overhead costs constitute 61% of Group overheads (2007: 60%). The next major cost element is represented by facility costs related to the office infrastructure.

Within administrative expenses, the development expenditure in the year was £8.0 million (2007: £5.4 million). The increase reflects the full year impact of the new acquisitions of Idiom, Tridion and Trisoft (£1.5 million), foreign exchange (£0.5 million) and additional product related expenditure in Tridion (£0.6 million). Primary effort continued to focus on combining the SDL technology platforms with the Trados platform into a single platform. This single platform, leveraging the best of SDL's technologies, is scheduled for release in 2009. Development effort was also deployed on maintaining legacy platforms.

Development costs have been reviewed as to whether the criteria for capitalisation under IFRS are met. The majority of the development spend in 2008 has continued to relate to the combination of SDL's technology offerings into an integrated platform that builds on the strong linkages between SDL's component businesses. This will provide consistency across SDL's technology offerings and enhance the ability to service key clients whilst lowering maintenance expenditure on legacy platforms. The planned new platform release has not gone to market yet and has been built leveraging existing technology within the Group. At the current time the Board do not believe any capitalisation is required and consequently no capitalised development costs are carried on the balance sheet.

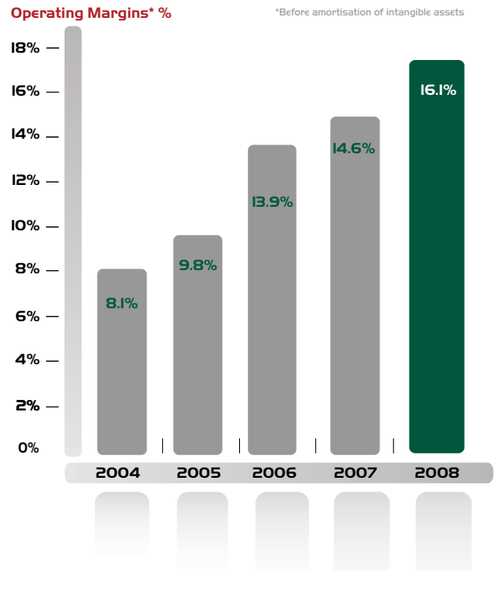
Intangible assets, representing intellectual property rights ascribed to certain of the Group's software and customer relationships arising from acquisitions, are amortised between 5 and 15 years and the carrying value is reviewed formally on an annual basis to assess whether any impairment has occurred. The intangible amortisation charge in 2008 was £5.7 million (2007 - £4.3 million). Under IFRS goodwill is not amortised but it is subject to a similar impairment review as the intangible assets. Given the high degree of integration of acquisitions, the intangibles and goodwill were allocated to three Cash Generating Units (CGUs, namely Services Solutions, Tridion and Technology). The 2008 impairment review did not result in impairment in any of the CGU's. The logic and basis of this impairment review is explained in note 12 to the accounts.

Net Operating Margin

The net operating margin is a primary measure for the Group and reflects both the increasing importance of the technology division's results to the Group and the ability of the service solutions group to leverage its global office network and translation capability relative to sales levels. It was pleasing to see net operating margin continue to increase from 14.6% to 16.1% during the year.

The profit before tax and amortisation of intangibles (PBTA) is a primary external measure monitored by the investor community. This measure increased by £8.6 million in 2008 (or 49% as a percentage increase over 2007). The group continues to target its forward operating plans at optimising operating margin through growth in its technology business and effective leverage of network operating costs on a global basis.

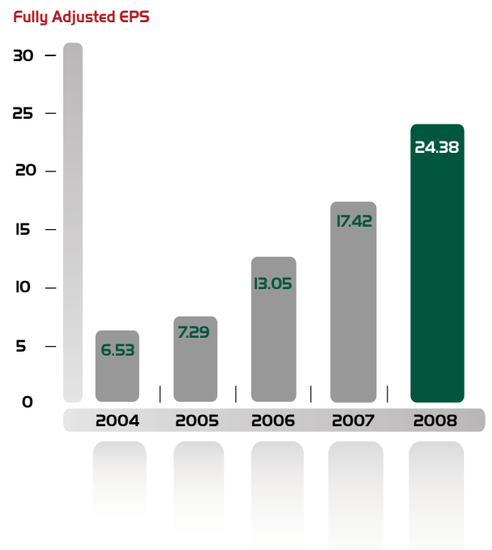
The table below shows net operating margin development year on year.



Earnings Per Share

The Board monitors the Earnings Per Share (EPS) as a key driver of the share price and also places emphasis on this measure for senior management incentives through the LTIP scheme. In addition to EPS the company tracks share price and TSR performance relative to the FSTE All Share Software and Computer Services Index and the FTSE Techmark 100 Index. Diluted EPS grew by 46% to 18.75p.

The diluted Earnings Per Share, adjusted for amortisation of intangible assets, increased by 40% to 24.38p. The deferred tax benefit associated with the amortisation of the intangible fixed assets of £1.4 million (2007: £1.0 million) has been adjusted in this calculation of EPS.



Financing Costs

Interest costs in 2008 amounted to £0.5 million (2007: £0.6 million) with net interest expense (netting off interest received on cash balances) reducing from £0.1 million in 2007 to £nil in 2008. The interest costs were charged on the residual of the RBS facility of £6.1 million remaining at 31 December 2007 and on the subsequent drawdown of £9.5 million made to acquire Idiom in February 2008. During the year as a result of strong operating cash flow the Group was able to accelerate repayments under this facility and by 31 December 2008 the facility was fully paid down. The Group therefore exits 2008 with improved financial flexibility and free of long term borrowings.

Network Offices

Network offices continued to play an integral part in expanding the SDL global footprint in 2008, with the network of offices meeting significant demand growth from within SDL to service global clients in multiple languages. Network offices are also starting to get traction in generating external sales growth in developing markets. It was encouraging to see the business continue to expand its language capabilities, offering a fast, flexible response to global clients. Hindi, for example, was the fastest growing language, with a 97% increase in words translated on the prior year, in part the result of the network office that was opened in India in 2007. SDL continues to carefully balance internal sourcing with leveraging over 10,000 external translators and has recently opened a Greek office to handle the 34% increase in Greek language translation experienced in 2008. The Board continues to regard the strong global footprint of the SDL network as a key strategic priority and point of significant competitive differentiation offering strong potential for future growth.

Cristina Lancaster
Chief Operating Officer

Financial Review

The Group's capital structure is as follows:

	2008 £'000	*2007 £'000*
Net (cash) (note 20)	(31,227)	(15,456)
Total equity attributable to equity holders of the parent	163,050	113,016
Capital employed	131,823	97,560

The Group has continued to place priority on generating strong operational cash flow, underpinned by sound cash management disciplines. This has enabled the group to make full repayment of the borrowings assumed to fund the acquisition of Idiom in February 2008 and also to pay down fully the outstanding facility of £6.1 million remaining at the 2007 balance sheet date. The Group has committed borrowing facilities in place of £20 million through to February 2011, reducing thereafter to £10 million by February 2012. The new facility, signed in February 2008, gives the Group the financial flexibility to pursue acquisitions to support its growth strategy, should it elect to do so. The acquisition of Idiom and Trisoft in 2008 added further to the SDL GIM value proposition and these businesses have been successfully integrated, operating fully on SDL's key operating and financial systems.

Derivatives and other Financial Instruments

The Group holds cash and short-term deposits to fund the Group's operations and has other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. It is, and has been throughout the period under review, the Group's policy that no active trading in financial instruments shall be undertaken.

The new credit facility signed in 2008 takes the form of a four year agreement. Pricing under the agreement is based on a 0.85% to 1.40% margin on London (or equivalent) Interbank Market rates according to the advance date. Which rate applies between the 0.85% - 1.4% margin is dependent on the net borrowings to EBITDA ratio of the Group on the date of the advance.

Under the credit facility agreement, SDL is subject to certain financial covenants. These covenants relate to EBITA: Borrowing Costs; Net Cash Flow: Debt Service Liability and Gross Debt: EBITDA. The Group is also required to maintain a percentage of its cash within a charging group of relevant Group subsidiaries. Since entering into the facility agreement SDL has fully complied with these covenants.

The main risks arising from the Group's financial instruments are counterparty risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks which are summarised below.

Counterparty Risk

The Group holds cash deposits in multiple currencies, principally £GBP, $US and €Euro in a range of financial institutions. From a depositing bank perspective the principle counterparty risk is to RBS and its affiliates. The Group continues to monitor developments with regard to the global financial and banking system and maintains a regular dialogue with RBS.

Interest Rate Risk

The Group has eliminated interest rate risk on borrowings as it has no facility borrowings outstanding at the end of 2008. Should the Group make further draw-downs against its committed facilities this will expose the Group to interest rate risk. The committed loan facilities that the Group holds with RBS link interest rate to the LIBOR rate. The group is not required to maintain any interest rate hedge against this facility. The Group actively monitors developments in interest rates.

To ensure adequate working capital and to maintain the financial flexibility to fund future growth opportunities the Group maintains cash deposits denominated in the key operating currencies in which the Group trades. These deposits are affected by movements in interest rates. The Group seeks to match cash surpluses to operational requirements and place cash in secure money market funds, mainly in overnight funds. Cash balances retained by subsidiary companies are kept as low as operationally practicable and a system of cash flow planning is in place to predict future short term cash needs of operating subsidiaries.

Liquidity Risk

The Group places a high focus on managing liquidity and seeks to optimise operating cash-flow by careful management of credit control and sound stewardship and appraisal of capital investment proposals when they are made. The Group has an inherently low ratio of capital expenditure relative to its revenue (1.5% of sales in 2008). The impacts of the acquired businesses have slightly increased average DSO year on year, with average DSO increasing to 60.6 days from 57.6 days. Priority is being placed on effective credit control and a new credit control process has been implemented in quarter 4 2008, carefully linked to commercial policy. Management of working capital will continue to be a key objective in 2009.

Foreign Currency Risk

The business is exposed to foreign currency movements with significant invoicing done in both the $ and Euro. This gives rise to short-term debtors and cash balances in $ and Euros with movements in exchange rates impacting the balance sheet. The sizeable proportionate strengthening of several overseas currencies at the end of 2008 relative to sterling had a significant impact on the balance sheet. The sensitivity of the business to movements in key foreign currency rates is disclosed in note 23 to the accounts. The primary sensitivity is to the $ where the group has the most significant mismatch between revenues and costs. The Group seeks to manage foreign currency risk in the first instance by ensuring that cost commitments are funded as far as possible in the US and Euro-zone operations by the settlement of debtors in the $ and Euro respectively.

In line with established policy the Board has also hedged its exposure, principally to the $, with $24 million of hedges outstanding into 2009 representing part of the Group's perceived net $ exposure. These outstanding hedges have an unrealised loss assigned to them of £2.0 million on the closing balance sheet which has been fully marked to market in the 2008 financial statements. The requirement to hedge, formerly present under the previous RBS credit facility, has been removed in the 2008 facility signed in February. All hedges established under the requirements of the former facility were fully settled in 2008.

Operational Risk

The Group has a risk management process represented by a risk matrix that assesses risks, the probability of occurrence of those risks and the financial and reputational impact should they occur. This risk management process is viewed as a dynamic part of operations and the Board revisits the risk matrix at least twice per year according to trading conditions, business performance and the economic environment. The Board tries to place emphasis on having mitigating controls, process and structure in place to manage risk. As a growing, dynamic business the Board has historically placed emphasis on having strong controls in place to integrate acquired businesses rapidly. This framework has expanded to place emphasis on a range of matters including organisation and key talent retention, the response to the global financial crisis and credit exposure, management of currency risk and business and operational continuity. The Board actively monitors competitive and market developments as part of its risk management process.

Strong emphasis has been placed on effective integration of Idiom since its acquisition in February 2008.

Taxation

Given the global nature of SDL operations the tax rate is primarily dependent on the mix in those different jurisdictions in which operating profits are earned and the differential effective tax rates in those countries. A detailed analysis of the taxation charge is included in note 6 to the accounts.

The headline effective tax charge for the year as a percentage of profit before tax is 26.8% (2007: 27.9%) The adjusted effective tax charge for the year after adding back amortisation of intangibles of £771,000 (2007: £771,000) on which no corresponding tax benefit is recognised in the income statement is 25.7% (2007: 26.3%).

In accordance with the provisions of IAS 38 the Group has recognised deferred tax liabilities in respect of the non tax deductible amortisation of intangible assets acquired through recent acquisitions. This deferred tax position has been adjusted for the Idiom and Trisoft acquisitions made during the year. The movement of these liabilities in the period has been reflected in the income statement and the effect is to provide a tax benefit in the income statement associated with the amortisation of those intangible assets.

Due to the adoption of IFRS and the requirements of IAS 12 in conjunction with IFRS 2, the schedule 23 tax credits available for share options exercised, and deferred taxation on unexpired options, has primarily been recorded in equity rather than the income statement. The impact of this treatment in the current year is to decrease the headline effective tax rate by 2.8% (2007 increase: 4.6%).

Cash Flows

Reflective of strong operating performance combined with responsible control of working capital the statement of cash flows in 2008 shows a strong increase in net cash flow from operating activities of £26.4 million versus £16.0 million in 2007. The Group continues to convert a very high proportion of profit into free cash flow.

Net repayments of interest bearing loan balances of £17.6 million were made in the year, consisting of repayment of £1.9 million of debt assumed on the acquisition of Idiom Inc, repayment of £6.1 million of loans brought forward from 2007 and payments to acquire subsidiaries of £9.5 million. Given this, there was an increase in cash and cash equivalents in 2008 of £3.3 million (2007: £13.3 million).

The outflow of cash from capital expenditure increased slightly from 2007 at £2.3 million. The Group maintains tight control over operational capital expenditure; with the majority of capital expenditure consisting of information technology spend in the form of computer, hosting and communications equipment and expenditure on the office network. Capital expenditure in 2008 included £0.8 million for the move to new offices of Tridion in the Netherlands.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

For and on behalf of the Board

John Hunter
Chief Financial Officer

The Group is required to report under the Combined Code that was formally adopted in July 2003 by the Financial Services Authority and superseded by the Combined Code June 2006 ("the Code"). The Code requires companies to make disclosures falling into two parts: firstly a report on how the company has applied the principles of the Code (both main and supporting); and secondly confirmation that the company complies with the Code provisions and, if it does not, to explain why it does not. The Code states that smaller listed companies, like SDL, may judge that some of the provisions are disproportionate or less relevant. SDL is committed to high standards of corporate governance and consequently, regardless of its market capitalisation, aims to comply as fully as possible with the provisions of the Code. Where this is not possible or the directors believe compliance does not offer real value to the shareholders, or the public at large, this report sets out the Board's reasoning.

SDL acknowledges that it does not comply, as the following disclosure statements show, with all of the Code principles and provisions. However, the directors have considered each aspect carefully and looked to identify where efforts should continue to be focused in 2009, subject to any conflicting demands that may arise because of the size of the business and the nature of the risks and challenges that it faces. This does mean that, in some cases, SDL cannot report compliance with the Code in 2008. However, where the intention is to take remedial action, this is highlighted so that shareholders can evaluate fully the approach that the directors are taking and be better placed to make reasoned judgements on the soundness of the strategy being followed.

Report On Application Of The Principles Of The Combined Code

The directors are of the opinion that throughout the year ended 31 December 2008 the Group has applied the principles (both main and supporting) of Section 1 of the Code, with the following exceptions:

- Principle A.2 – The role of Chairman and Chief Executive Officer is combined (see later), and for this reason it is not possible to assert that a clear division of responsibilities exists between these two functions.

- Principle A.4 – During 2008 there was no procedure for the appointment of new directors that was formal, rigorous and transparent. It was felt that should there be a need for a new appointment, the previous approach of ensuring that all relevant views and inputs are sought and considered did guarantee that any appointment was made on merit against clear criteria. The directors believe that this was certainly the case in the appointment of John Hunter as the new Chief Financial Officer in September 2008, where an external search was supplemented by short-listing, testing, referencing and interviews with all Board members. However, since that date a formal procedure for the appointment of new directors has been adopted that the board considers meets the requirements of Principle A.4.

The way that the Group has applied the principles of the Code, other than the above, can be seen by the following statements. These statements are supplemented in some cases by more detailed disclosures elsewhere in this report.

Principle A.1 – Having an effective board responsible for the success of the company

In an environment of growth, both organically and through acquisition, there has to be full and effective dialogue between all members of the board. The Chief Executive Officer, Mark Lancaster, ensures that executive and non-executive directors are fully appraised of strategy and strategic direction, plans and forecasting, benefits of any planned acquisitions and the financial, operational and human resource consequences of strategy. This dialogue, both inside and outside Board meetings ensures implications of strategic direction are transferred quickly to operational action and that the group is effectively directed to meet its objectives. Presentations by Executive Directors and senior management direct to the Board at board meetings on specific aspects of the business enables non-executives to satisfy themselves that the performance of management is effective and that execution is aligned to Group goals and objectives. At least once a year and bi-annually following the appointment of the new CFO in September, there is a formal discussion at Board level of the risks facing the Group, the suitability of the controls in place and the assignment of responsibility to ensure those controls are effective. A risk matrix is in place that clearly assesses key risks, the probability of occurrence of those risks, the likely financial impact and the key controls required. During 2008 the focus was on ensuring that new or enhanced risks arising from the acquisitions in the year were identified and that vulnerability to the financial crisis that enveloped all economies during 2008 was fully considered. Further information about the role of the Board and the various Committees is given later in this report.

Principle A.3 – Having a balanced board

With five executive and three non-executive members the Board is considered appropriate for the Group at its current size. The Board and Nomination committee gave consideration to the expansion of the non-executive representation on the Board and will continue this dialogue in 2009 as the needs of the group continue to evolve. All three non-executive directors are independent using the criteria set out in the Code and their backgrounds and experience bring an appropriate balance to the proceedings of the board. Currently two of the independent non-executive directors (Chris Batterham and John Matthews) represent all of the members that make up the Audit and Remuneration Committees, as well as the majority of the members of the Nomination Committee. As an integral part of the nomination process, Joe Campbell has been elected to the Nomination Committee. This change allows the committee to better understand the resources available in the US employment markets. Under the Terms of Reference for each of the aforementioned Committees, which are set out on the company's website, only members are entitled to attend Committee meetings unless the subject of specific invitation. In terms of the Remuneration Committee, the Chairman/Chief Executive Officer is automatically invited to attend to discuss the performance of executive directors excluding his own performance.

Principle A.5 – Having information supplied to the board in a timely and appropriate manner, with skills and knowledge related to the company updated continually

Board papers are circulated, wherever possible, in advance of meetings to allow time for the content to be considered prior to the meeting. This is particularly true in relation to monthly management accounts, other financial reports and where acquisitions are concerned. Otherwise all aspects are deliberated on and discussed at Board meetings or, if urgent decisions are required, through telephone conference calls or e-mail. Regular presentations are made to the Board on the development of software products being introduced into the Group, the progress on the integration of the product platforms and acquisitions and the marketing campaigns in relation to global information management so that the knowledge and capabilities of directors are regularly updated.

Principle A.6 – Having the board undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors

In 2007 the Board conducted a formal internally based review of the performance of the Board and the executive management team, both as a whole and individually, and the strengths and weaknesses of the Board and the directors. This review also included the operations of the Board's committees. It is intended that a similar review will be conducted during 2009 and the results used by the Chairman/Chief Executive to implement any necessary recommendations and changes. The Chairman/Chief Executive Officer together with the non-executive directors evaluate the performance of the other Executive Board members with regard to annual salary reviews and bonus targets and achievements. The non-executive directors have historically performed a verbal evaluation with regard to the Chairman/Chief Executive Officer with an annual appraisal of the Chairman/Chief Executive's performance. This latter review was most recently conducted in early 2009 and is now to be put on a formalised written annual status.

Principle A.7 – Having directors re-elected at regular intervals with planned refreshing of the board

All directors are required by SDL's Articles of Association to be re-elected at regular intervals (one-third, or the number nearest to one-third, being re-elected each year). Any concerns over the performance of a director would be considered annually irrespective of the fact that the director is to be submitted for re-election. The Chairman/Chief Executive Officer maintains an open dialogue with the non-executives through the medium of the Nomination Committee and regular dialogue on the need for any refreshment of or addition to board members and of succession planning as the Group develops. The Board and its committees have recently adopted formal policies covering the nomination and appointment of directors and succession planning. As noted in his biography on page 21 Chris Batterham has served as a non-executive director since flotation, effectively for ten years. In proposing in the notice of AGM that he be re-elected for a further year, the board has conducted a rigorous review of his contribution to the operations of the Board and the Group. He has considerable knowledge of the software industry in general and has acquired a thorough understanding of the Group and its business environment. This is invaluable given the lack of similar industry sector businesses in the UK and enables him to actively and constructively challenge the Executive Directors and benefit the Group's strategic and operational performance.

Principle B.1 – Having levels of remuneration sufficient to attract, retain and motivate directors, with a significant proportion linked to achievement of corporate and individual performance

The independent non-executive directors set the remuneration levels and targets for the Chairman/Chief Executive Officer after discussion with him on the issues currently facing the Group and those expected in the current, medium and longer term and having regard to the remuneration of the rest of the Board and similar positions in SDL's peer group. Annually, and more frequently should the circumstances merit it, the Chairman/Chief Executive Officer reviews the suitability of the remuneration package for other executive directors with the non-executive directors, taking into account pay elsewhere in the Group and externally, and the corporate and personal targets expected from each person in the following 12 month period. His recommendations to the independent non-executives (in their role as the members of the Remuneration Committee) on potential salary increases and the targets are considered and, if in order, agreed. At the same time the Chairman/Chief Executive Officer, and the independent non-executive directors, agree the structure of the remuneration package which includes performance related elements that, if achieved, would represent a significant proportion of the remuneration available to the executive directors. The performance related elements are capped at 100% of basic salary for the executive directors, except for the Chief Financial Officer where the bonus cap is set at 60% of basic salary, and 120% for the Chairman/Chief Executive Officer. The Chairman/Chief Executive Officer will periodically discuss with other executive directors the suitability of the remuneration paid to the non-executive directors. Further information relating to remuneration policy, including performance related elements, is contained in the Directors' Remuneration Report.

Principle B.2 – Having a formal and transparent procedure for developing policy on executive remuneration with no director involved in decisions affecting his/her own remuneration

Executive remuneration is determined using a procedure that requires the involvement of the Chairman/Chief Executive Officer and the Remuneration Committee. This is considered appropriate for the Group. No director is involved in deciding his/her own remuneration (the remuneration of the Chairman/Chief Executive Officer, himself, being the exclusive responsibility of the non-executive members of the Remuneration Committee). In 2007 external consultants were appointed by the Remuneration Committee and reported on the remuneration packages, including performance related elements, of the executive directors. As result of the review material changes were made to both the basic remuneration and performance related elements of the package for the 2008 financial year. The Remuneration committee have continued to refer to this report with regard to 2009 awards and will consider an external review again during 2009.

Principle C.1 – Ensuring that public reports and other information generally released present a balanced and understandable assessment of the company's position and prospects

The Board always presents its financial and other data in a way that meets statutory and other requirements, including those standards set by Financial and Accounting Regulatory bodies and the Stock Exchange.

Principle C.2 – Ensuring there is a sound system of internal control to safeguard shareholders' investments and the company's assets

The Chairman/Chief Executive Officer, and, during the year, both of the Chief Financial Officers who have held office continually monitor the suitability of internal controls based on the changing demands, risks and opportunities facing the Group, and discuss them with other executive directors and senior management. The Board considers what financial, operational and compliance controls and risk management systems should be in place. This is based on a risk matrix, and forms an agenda item for the Board and the Audit Committee twice a year, with the ongoing evolution and operational execution of the financial control environment being the subject of more frequent discussion, particularly at Audit Committee. The Board's approach is to review those risks that are significant in terms of their likelihood of occurrence and financial effect on the Group, and to ensure that suitable controls exist for those risks considered to be "high" or "medium".

Since his appointment in September 2009, John Hunter, the current Chief Financial Officer, has been conducting his own independent review of the Group's internal controls following a structured handover with Mr. Alaistair Gordon over the first few months of his tenure. Mr. John Hunter has a focus on process, organisation and structure and will progressively implement changes during 2009. Group Finance resources have been strengthened in the period from September to December and in response to a deteriorating global economy a new credit control process has recently been implemented.

Principle C.3 – Ensuring that formal and transparent arrangements are established to apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors

The Audit Committee receives regular verbal and written reports from the Group auditors, Ernst & Young and the Chief Financial Officer before and at the end of each full audit or interim review. These arrangements are both formal and transparent and include a consideration of the financial controls in place. The Audit Committee also meets with the Group auditors at the conclusion of each full audit or interim and more frequently when required, without the presence of the Executive Directors. Under the Terms of Reference for the Audit Committee, senior members of the finance team are required to report direct to the Audit Committee on the outcome of financial and operational reviews carried out within different parts of the Group throughout the course of the year.

Principle D.1 – Having regular and satisfactory dialogue with shareholders

The Chairman/Chief Executive Officer and the Chief Financial Officer meet with existing and potential institutional investors regularly during the financial year and explain the strategy and objectives that the Group are currently pursuing, together with the financial results. The Board considers an effective and open dialogue with shareholders is essential. This is considered the best way to ensure that those representing the shareholders with the majority of shares in SDL are able to make their issues and concerns known. Further information relating to the way in which dialogue with shareholders takes place is given later in this report (see page 33, Relations with Shareholders).

Principle D.2 – Using the AGM to communicate with investors and encourage participation

The Board ensures that full information is provided to shareholders on the business to be covered at annual meetings of the Group, and the Chairman/Chief Executive Officer will seek to answer any questions that might be raised by those in attendance. Clearly, as indicated by the disclosure in the preceding section relating to principle D.1, the main communication takes place directly with investors, because of the shareholder structure within the Group (with the largest 30 shareholders representing 86% of the Group's share capital). This is not restricted to the AGM.

Statement Of Compliance With Combined Code Provisions

Following the statements made at the beginning of this part of the statutory accounts on the changes made in the year, there is one remaining area where SDL is not in compliance with Code provisions, but where it has a clear mandate to address this. The section below indicates the steps that were taken in 2008 to address the non-compliance and what the future proposals may be.

Provision A.2.1 – Non-Compliance

As described in the previous section (principle A.2), the role of the Chairman and Chief Executive are combined and therefore exercised by the same individual. The Board are of the view that this remains appropriate given the size of the Group and its strategic direction. Historically, the strategic goals of the Group have been very closely aligned to the operational activities and all the Executive Directors are closely involved in both these aspects. The Board further considers that this does not work to the disadvantage of the Group because of the existence of three strong and independent non-executive directors, all with considerable strategic planning experience, that restrict the chances of any possible situation arising that might be considered a potential abuse of the combined powers. The position has been kept under review during 2008 with the Group's major shareholders and advisors, to ensure that these parties understand and are knowledgeable about the situation. There is an intention of splitting these roles in the medium term and this will continue to be positively explored during the course of 2009 by the Board as a whole and with the Group's advisors and main shareholders with a view to setting out the principles, objectives and timing of making any appropriate change.

The Board And Its Committees

The Board

The Board comprises the Chief Executive Officer (combining the role of Chairman), four other executive directors and three independent non-executive directors. Individual biographies, appearing elsewhere in this annual report, demonstrate a range of experience and calibre of expertise needed to bring independent judgement on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Group. The Board is responsible to shareholders for the proper management of the business. A statement of the directors' responsibilities in respect of the accounts is set out on page 53, a further statement on the directors' responsibilities to the auditors is set up on page 54 and a statement on going concern is given on page 29. Chris Batterham has served on the Board since flotation, and is the senior independent director to whom any concerns, whether shareholder or other, can be conveyed.

The Board has a formal schedule of matters specifically reserved to it for decision. A copy of this schedule is available from the Company Secretary and is also set out on the Group's web site. The Company Secretary was absent from the Company during 2008 due to long-term illness. Historically, all directors have had access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that procedures are followed and that applicable rules and regulations are complied with. In the interim this role has been fulfilled by the CFO and the assistant company secretary supported as necessary by advice from the Company's brokers and legal advisors. In addition, the Company seeks to ensure that the directors receive appropriate training covering such things as their legal obligations as directors and compliance with Stock Exchange Rules. The appointment and removal of the Company Secretary is a matter for the Board as a whole and the position with regard to the current absence is kept under review.

On average the Board meets at least every other month, reviewing strategic issues, acquisition possibilities, funding requirements, trading performance and the responsibility of reporting to shareholders. The non-executive directors are fully involved in the consideration of the strategies proposed by the executive directors. To enable the Board to discharge its duties, all directors receive appropriate and timely information with briefing papers distributed, wherever possible, prior to the meeting. The Chairman ensures that, as and when required, the executive and non-executive directors are able to take independent professional advice at the Group's expense.

All executive directors of the Board are subject to contracts in which notice periods are of no more than one year's duration.

The following committees deal with specific aspects of the Group's affairs.

Remuneration Committee

The Group's Remuneration Committee is chaired by John Matthews and its other member is Chris Batterham. It is responsible for making recommendations to the Board, within agreed terms of reference (which are on the Group's website), on the Group's framework of executive remuneration and its cost. Annually the Committee reviews the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive directors, and also has responsibility for electing persons to the Board. The Remuneration Committee does not have authority to employ or dismiss directors. During 2008 the Committee met three times. The major activity in the year was the engaging of a new Chief Financial Officer and the setting of remuneration for the Executive Directors for 2008, having previously received an external report on directors remuneration in late 2007.

Copies of the Terms of Reference are available, on request, from the Company Secretary and are also on the Group's website in the Investor Relations section.

Further details of the Group's policies on remuneration, service contracts and compensation payments are given in the Directors' Remuneration Report on pages 40 to 46.

Audit Committee

The Audit Committee comprises two of the non-executive directors, Chris Batterham, who chairs the Committee and John Matthews. The Committee provides a forum for reporting by the Group's external auditors and to assess the Group's internal finance function and control environment.

The Audit Committee is responsible for reviewing a wide range of matters including the half-year and annual accounts, and monitoring the controls that are in force to ensure the integrity of the information reported to shareholders. The Audit Committee considers the nature, scope, results and costs of the audit. The Audit Committee keeps under review the cost effectiveness, independence and objectivity of the external auditors and has recently adopted a formal written process in this regard. Under this policy the independence of the auditors is considered both on their annual re-appointment (giving consideration to the rotation of the audit firm and the senior members of the audit team) and when non-audit services are sanctioned by evaluating the nature of the work and fees involved, the materiality of the fees to the Auditors' individual offices and divisions, the expertise being provided and any translation service transactions that the Group enter into with the auditors. The Audit Committee met four times during the year. Matters considered by the Committee included the internal controls matrix with recommendations on changes, the Group's accounting policies in the light of changes in International Financial Reporting Standards, changes to the scope of the external audit focus in the light of the integration of the Idiom acquisition into the Group's finance function, overall approach to audit fees and auditor independence and an assessment of the Group's internal operational reviews in the current absence of a formal internal audit function. The Group Finance function is tasked with completing financial and operational audits of the Group's separate finance departments and reporting the results to the Audit Committee. The majority of the finance departments are relatively small, have limited external sales and are funded from the Group. As a consequence the Board and the Audit Committee currently do not believe there is a requirement for a separate internal audit function but has strengthened process and the capability of the Group Finance Function. This latter point is kept under annual review by the Audit Committee.

Copies of the Terms of Reference are available, on request, from the Company Secretary and on the Group's website in the Investor Relations section.

Nomination Committee

The Nomination Committee is chaired by the Chairman/Chief Executive Officer, with its other members being Chris Batterham, John Matthews and Joe Campbell, all of whom are non-executive directors as required by the Combined Code. The Terms of Reference of the Committee require that they meet at least once a year in order to review the current structure of the Board, its ongoing relevance to the nature of the business, potential new Board appointments, including any proposed by the executive directors, and the matter of succession planning. Recommendations from the Committee are made to the Board. The Committee met three times during the year and concluded that the current Board structure is appropriate for the Group's needs but that this would be kept under regular review and was also closely involved in the recruitment of the new Chief Financial Officer.

Copies of the Terms of Reference are available, on request, from the Company Secretary and on the Group's website in the Investor Relations section.

The following tables show the meetings during 2008 and the attendance of individual directors (represented by an "X") for each of them:

Date	ML	CL	JH	AG	KM	JM	CB	JC
BOARD								
7 February	X	X	N/A	X	X	X	X	X
28 March	X	X	N/A	X	X	X	X	
24 April	X	X	N/A	X	X	X	X	X*
26 June	X	X	N/A	X		X	X	X*
31 July	X		N/A	X		X	X	X*
26 September	X	X	X	X		X	X	X*
20 November	X	X	X	X	X	X	X	X*
11 December	X	X	X	X	X	X	X	X*

Date	JM	CB	Also Attended ML	Also Attended JH	Also Attended AG
AUDIT COMMITTEE					
14 February	X	X		N/A	X
26 June	X	X	X	N/A	X
31 July	X	X	X	N/A	X
21 October	X	X	X	X	

Date	JM	CB	Also Attended ML
REMUNERATION COMMITTEE			
15 January	X	X	X
7 February	X	X	X
11 December	X	X	X

NOMINATION COMMITTEE	ML	JM	CB	Also Attended AG
28 March	X	X	X	
26 June	X	X	X	X
26 September	X	X	X	

Relations With Shareholders

The operating and financial review on pages 22 to 29 includes a detailed review of the business, the results for 2008 and future developments. There is regular dialogue with shareholders, financial and industry analysts and the press, most specifically at the announcement of the half and full year results and on the occasion of acquisitions, but also as requested by interested parties and through the Group's financial and public relations advisers. The outcome of any dialogue is communicated to the Board in order to enable a broad understanding of the views of major shareholders and external commentators about the Group. The Board looks to use the Annual General Meeting to communicate with private as well as institutional investors, welcoming their participation. The Group also has a website (www.sdl.com) containing up-to-date information, financial reports, product news and a share club that entitles shareholders and interested investors to register for notification of important SDL financial events and news releases.

The chairman of the Audit and Remuneration Committees attends the Annual General Meetings to answer questions. In addition, the major shareholders are made aware of the availability of the senior non-executive director to discuss matters of concern to them.

Details of resolutions to be proposed at the Annual General Meeting can be found in the Notice of Meeting on pages 119 to 121. Separate resolutions are proposed on each substantially separate issue with a specific resolution relating to the report and accounts.

To the directors' knowledge there are no shareholders holding more than 30% of voting rights in the Group. No provision exists in the Articles of Association that empowers a shareholder to designate directors to the Board.

Internal Control

The responsibility for reviewing the system of internal control vests in the Board through, in the first instance, its Executive Directors. The executive directors take seriously the responsibilities enshrined in principle C.2 of the Combined Code to maintain a sound system of internal control that, amongst other things, safeguards the Group's assets and the investment of shareholders in the Group.

During the year ended 31 December 2008 the Board continued the process of identifying, evaluating and managing the significant risks faced by the Group. A risk matrix has been established to meet the requirements of the Combined Code that identifies, with a view to monitoring, the effectiveness of significant financial, operational and compliance controls as well as risk management. The content of the risk matrix is reviewed at least bi-annually and is now revised in full as part of the planning process. The main focus of the 2008 reviews has been to ensure that any risks arising from the acquisition of Idiom, the presence in the web content management industry arising from the acquisition of Tridion in 2007, the continued evolution of the Group as a software rather than services company and the external global financial crisis that evolved during late 2008 have been addressed. At the same time the Board review the systems of internal control and consider whether they are effective in managing those risks considered to have both high and medium importance, both from an operational and financial perspective. The system currently employed is designed to manage and limit the impact of rather than eliminate the risk of failure to achieve business objectives and, as such, can only provide reasonable and not absolute assurances against material misstatement or loss. The steps that have been and are being taken by the Board are aimed at embedding internal control and risk management into the operations of the business and to deal with areas of improvement that come to the attention of management and the Board.

The following sets out the reasons for the Board's confidence in maintaining that it meets principle C.2 of the Combined Code.

- **Management Structure**

  The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board, as set out on the Group's website. Each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Executive Directors together with key senior management constitute the Senior Executive Committee, which meets monthly to discuss day-to-day operational matters.

- **Identification and Control of Risk**

  The Executive Directors are directly involved in all aspects of the business and manage the risks in what is a dynamic and rapidly changing environment.

  Having regard to the nature and extent of the risks facing the Group, the Executive Directors exercise control through the following:

  - Strict adherence to a policy that expenditure above a set amount (singularly or as a group of transactions) and all capital expenditure is approved by the Chief Executive Officer ("CEO") and/or Chief Financial Officer ("CFO"). Such approval is required before the creation of any financial commitment on the Group
  - Limiting authorities for cheques and other payment instructions such that the CFO and/or the CEO must be signatories to any transaction that exceeds a set amount
  - Direct control by the CEO and CFO, in conjunction with the non-executive directors and senior management team as appropriate, in the identification and full evaluation of potential acquisitions
  - Maintaining an open dialogue with and briefing employees of the Group on strategic initiatives and the way those strategies are expected to crystallise
  - Allocation of all projects to the operational divisions by the CEO or Chief Operating Officer ("COO") and a frequent review of all project budgets by the Group Divisional Directors
  - Direct involvement of the CFO in any leasehold property initiatives or renewals
  - Direct involvement of the CEO and the President - Technology ("PT") in product development strategies and programmes
  - Requests for hiring of personnel and authorisation for salary increases requiring the approval of the responsible Executive Director and the CEO
  - Direct control by the CEO of marketing and advertisement commitments
  - Formal review of material legal agreements and contracts by the CFO and a detailed process of escalation from the Group VP – Commercial Contracts to the CEO and CFO for such matters as warranties, indemnities and protection of intellectual property rights outside approved limits
  - All of the Chief Officers and the President - Technology referred to above act as Executive Directors of the Group.

  It is believed the existence of the above mechanisms provides a system of internal control that is relevant to the current needs of the business and offers adequate protection to shareholders as envisaged by the requirements of the Code.

- **Establishment of Formal Risk Control Procedures**

  During 2008 the Board continued to review and redefine those risks that need to be the subject of regular formal controls, whether through the application of existing procedures or the creation of new ones, backed up by appropriate and adequate reports. In addition the new Chief Financial Officer has been conducting his own review of internal controls and procedures placing priority on process, organization and structure and will implement any changes he considers necessary during the course of 2009. By continually reviewing and adjusting the content of the areas of risk needing to be covered, the Board and the Audit Committee are able to review the degree of control being exercised, determine the cost effectiveness of those controls, and use it as a reference point for the annual review process.

- **Quality and Integrity of Personnel**

  The integrity and competence of personnel is ensured through the application of high recruitment standards (including an in-house resource attuned to the operational needs of the Group) and subsequent training courses identified through the Group's CDA system (Continuous Development Analysis). High quality personnel are seen as an essential part of the control environment and the ethical standards expected are fully and openly communicated.

- **Budgetary Process**

  Each year the Board approves the annual budget. Key risk areas are identified. Performance is monitored throughout the year and relevant action taken to rectify any underperformance against budget. Monthly reports are submitted to the Board identifying variances from the budget and outlining steps taken or to be taken in order to bring about rectification. Re-forecasts for the remainder of the year are produced where material changes are anticipated. Sales forecasts are updated monthly, and are supplemented by weekly spot projections based on actual and expected sales in the month. The sales pipeline is also regularly assessed.

- **Investment Appraisal**

  Significant due diligence work is carried out if a business is to be acquired. Full investigations into all legal, financial, taxation and operational aspects are undertaken (using external advisers if the size or complexity of the acquisition merits it) and the results of these investigations are communicated to all members of the Board as part of the review and decision making process, and prior to the completion of the acquisition.

- **Integration of Acquisitions**

  A detailed integration plan is drawn up and approved during the process of assessing and negotiating all acquisitions. Regular reports are then made to the Board against this plan on issues that arise during the integration of acquired businesses.

Information Not Subject To Audit

Remuneration Committee and Advisors

The Remuneration Committee is chaired by John Matthews and its other member is Chris Batterham. Both are non-executive directors having no financial interest other than as shareholders in the matters to be decided, no conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business of the Group. The Committee makes recommendations, within agreed terms of reference, on an overall remuneration package for Executive Directors, including the Chairman/Chief Executive Officer, and other senior executives.

During 2007 the Remuneration Committee appointed Towers Perrin to undertake a comprehensive review of the salary and benefits package currently in place for the Executive Directors. The results of this review were reported upon and implemented at the beginning of 2008. As a result of the report the Remuneration Committee has continued to monitor third party reports on overall remuneration packages when considering the annual review for executive pay for 2009 and will consider a further independent update during 2009 with regard to the 2010 review.

In between external reviews of the type carried out by Towers Perrin, the Committee will continue to place reliance on external published material that is considered relevant to the consideration of executive remuneration packages together with the Remuneration Committee's members experience in the other businesses with which they are involved.

At the 2008 AGM the shareholders approved the establishment of the SDL Save As You Earn scheme ("SAYE") to foster and encourage greater employee participation in the ownership and growth of the Company. This was launched in June 2008 with a strong take up by the employees and a follow up offer will be made on the anniversary in 2009. The Board will seek to selectively expand this scheme to targeted geographies (according to the rules in those territories) over time to give more employees the opportunity to participate.

Remuneration Policy

The ongoing policy on directors' remuneration is that the package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. In this regard, the Remuneration Committee seeks to ensure that the remuneration package of the directors and the executive management team are in line with market place benchmarks. The aim of the pay policy is to align the directors overall package with the objective of increasing the total return to the Group's shareholders. In this regard the basic salary and an element of the annual bonus are related to the Group attaining results in line with the budget / market expectations (set at reasonably challenging levels). The balance of the annual bonus (up to half of the maximum bonus) and the awarding of the maximum LTIP awards are in recognition of both significant over achievement of the annual results and a material increase in earnings per share growth.

The current package consists of basic salary, benefits, long-term share incentive plan, performance related bonuses and pensions. Consideration is given to pay and employment policies elsewhere in the Group and externally, especially when determining annual salary increases. Executive directors, excluding the Chairman/Chief Executive Officer, are not allowed under their contract to be directly or indirectly engaged or concerned in any other trade or business without the specific written consent of the Chairman/Chief Executive Officer. The Chairman/Chief Executive Officer is required to obtain the prior written approval of the Company, through the Board, if he wishes to be engaged, concerned or interested in the management or conduct of any other business that would conflict with or affect his contractual duties. No such external interests existed during the year nor have existed historically. Alastair Gordon is the only Executive Director with an external non-executive directorship, having been appointed to the board of Strategic Thought plc, an enterprise software business that does not compete with the Company, in 2008. This appointment was approved in writing by the Chairman/Chief Executive.

Executive remuneration package:

During 2008 the Group continued to utilise the long-term incentive plan introduced in 2006 as a means of ensuring that rewards remain market competitive, in line with best practice; and linked to performance that is in the best interests of the shareholders. As in previous years, added to the basic salary are performance related bonuses with the actual level of reward being factored to offer sums that vary with the achievement or non-achievement of predefined, set targets. The bonus scheme is discussed in more detail below.

Share options are not a formal part of the directors' remuneration package. The Group's share option scheme will remain open to other employees as appropriate but will not be used as part of the Executive Directors' remuneration package going forward. Those Executive Directors holding previously issued options will be able to retain them on the terms and performance conditions that were set at the time of the option grant.

The details of current individual components of the remuneration package and service contracts are discussed below.

Basic salary and benefits:

Following the external advice sought by the Remuneration Committee in late 2007, the benefits packages of the Executive Directors were amended in early 2008 to reflect appropriate then current market rates in terms of overall remuneration and incentives. These increases were reported in the 2007 annual report. There have been no further benefit changes since the amendments in early 2008.

Benefits, over and above salary and bonus, principally comprise a car allowance, car fuel (if applicable) and private healthcare.

Performance related bonuses:

The performance related bonus scheme now in place is based upon the achievement of Group earnings before amortisation and taxation ("EBTA") against the budget formally approved by the Board for the year. The bonus award for achieving budget is 50% of base pay with a maximum bonus of 100% of base pay if budget is exceeded by 20% (the Chairman/Chief Executive 60% and 120% respectively). The only exception from this is in the case of John Hunter, the Chief Financial Officer, where the 50% bonus award is the same but the maximum achievable is capped at 60%. These arrangements are designed to ensure that the Group achieves its strategic objectives and maximises shareholder value. No bonus is payable unless EBTA is in excess of 95% of that of the preceding year.

Long-term incentive plan:

The Long Term Incentive Plan ("LTIP") was established in 2006, with external guidance, to encourage the Executive Directors and senior executives to focus on ensuring that the Company's return to shareholders be competitive compared to comparable companies in its sector and that comparative total shareholder return be a measure adopted, consistent with the majority of the whole share plans in the sector. The LTIP allows for the executive directors to be issued with shares up to the value of 100% of basic salary in any one financial year over a period of 5 years. Lower percentage of salary threshold levels are in place for other senior management and technical employees considered important to the long term development of the Group. The award of the LTIP shares is made to the relevant director or employee at nil cost (with the exception of the 1p nominal value of each share awarded) at the end of a three year holding period provided stringent performance targets have been met as set out below.

The two performance conditions are as follows:

- The initial performance hurdle is a total shareholder return underpin based on the Company's comparative performance against the companies constituting the FTSE Software and Computer Services Index (the "Comparator Group"). This requires the Company's comparative performance to be at least the median compared to the Comparator Group at the end of the initial three year period from the granting of the LTIP reward. If this median position is not achieved then no shares can be released regardless of the rest of the performance of the Company, including the Earnings Per Share ("EPS") performance below.
- Providing the total shareholder underpin as required above has been achieved, the LTIP shares will be released by the Remuneration Committee dependent on the Company achieving an absolute level of earnings growth at the end of the three year performance period as measured by the following:
  - 100% of the LTIP shares will be released providing the annual growth of EPS over the three year performance period exceeds 25%
  - 25% of the LTIP shares will be released providing the annual growth of EPS over the three years performance period exceeds 10%
  - And there will be straight line vesting of the LTIP shares on EPS growth between these two points

On 28 February 2008 163,129 and on 28 November 2008 98,887 LTIP shares were granted to the Executive Directors at a market price of £2.7892 and £2.0225 respectively, with a performance period of three years from date of grant, and 418,001 and 137,786 on 28 February 2008 and 2 April 2008 respectively to certain senior management employees. The grants to the individual executive directors are set out in more detail below.

Mark Lancaster – 80,668 shares

Keith Mills – 43,023 shares

Cristina Lancaster – 39,438 shares

John Hunter – 98,887 shares

Share Options:

The Group has a share option scheme, with one element approved by the Inland Revenue, the other unapproved. Share options are awarded within the period of 42 days commencing on the date on which the annual or half-yearly results are announced to the London Stock Exchange. However, no grant can be made on or before the third dealing day. The rules allow for the imposition of performance conditions and the majority of options are granted subject to achievement of Group targets, although none of the current performance conditions involve any comparison with factors external to the company. The approved scheme limits the market value of granted options to that set by the Inland Revenue, currently £30,000, provided that in any 12 month period options granted or proposed do not exceed two times the annual salary of the employee. The unapproved scheme limits options to two times the annual salary in any 12 month period. Salary excludes benefits-in-kind. No options are offered at a discount, and both schemes and the LTIP contain provisions limiting the total number of options that can be granted in any 10 year period to not more than 10% of issued share capital (this dilution limit is in line with the recommendations of the Association of British Insurers ("ABI")). The share option scheme is no longer used as part of the Executive Directors' remuneration package having been replaced by the long-term incentive plan noted above. However, the Directors will continue to hold the share options previously granted to them but not yet exercised or lapsed, as set out on page 45.

There has been no variation in the terms and conditions of the share options during the year other than the amendment to the scheme rules approved at the 2008 AGM such that any employer's tax liability which resided with any option holder, including any director, would in the future be funded by the Company. As at 31 December 2008 this obligation amounted to approximately £84,000 (2007: £76,000).

At the AGM in April 2008, the meeting approved a resolution endorsing the adoption of an Employee Benefit Trust ("EBT") under which the EBT can acquire and hold shares in the Company for the purpose of satisfying the granting and award of options under the Group's option and SAYE schemes and the LTIP scheme. The rules of the EBT also allow the Company to contribute or loan moneys to the EBT for the purpose of acquiring the Company's shares. As at December 2008 the EBT is established but has not acquired any shares. The EBT is able to hold shares totalling up to 5% of the issued share capital. This holding is in addition to the 10% limit referred to above.

Pensions:

The Executive Directors are members of the SDL Pension Scheme. The scheme operates as a personal pension plan into which the Group pays an annual sum equal to 12% for all Executive Directors except the Chairman/Chief Executive where the annual % in 2008 was 13.3%. Remuneration for the purpose of pension contributions means basic salary excluding bonuses and benefits-in-kind.

Fees:

The fees for Non-Executive Directors are determined by the Board within the limits stipulated in the Articles of Association. In deciding an appropriate level of fees for each non-executive director, the Board consider the responsibility and time commitments taking into account the number of Board meetings, the giving of strategic and general advice plus the membership of the Audit Committee, the Remuneration Committee and the Nomination Committee. The non-executive directors are not involved in any discussions or decision about their own remuneration. As at the 1 January 2008, the Board authorised that the fees paid to two of the non executive directors, Chris Batterham and John Matthews, be increased to £35,000 a year (a basic salary of £30,000 plus £5,000 for each chairing a sub-committee of the Board).

Non-group directorships:

No Executive Director holds any executive directorship or appointment outside the Group, other than Alastair Gordon who is a non-executive director of Strategic Thought plc.

Service contracts:

The policy of the company is to have service contracts for all the Executive Directors that continue indefinitely unless determined by notice. The Non-Executive Directors have contracts that run for three-year terms, commencing from their date of appointment, subject to three months notice from either side. There are no special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office. Whilst it has not been necessary to date, the Remuneration Committee would consider the circumstances of individual cases in the event of early termination and determine compensation payments accordingly. No director has a notice period exceeding 12 months as noted in the table below.

Service contracts

The service contracts and letters of appointment of the directors include the following terms:

	Date of Contract	*Unexpired Term (months)*	*Notice Period (months)*
Executive Directors:			
Mark Lancaster	1 December 1999	N/A	12
Cristina Lancaster	1 December 1999	N/A	12
John Hunter	1 September 2008	N/A	6
Alastair Gordon	1 October 2008	N/A	3
Keith Mills	1 September 2000	N/A	6
Non-executive Directors:			
Chris Batterham	15 October 2002	5	3
John Matthews	27 May 2004	17	3
Joe Campbell	1 July 2005	5	3

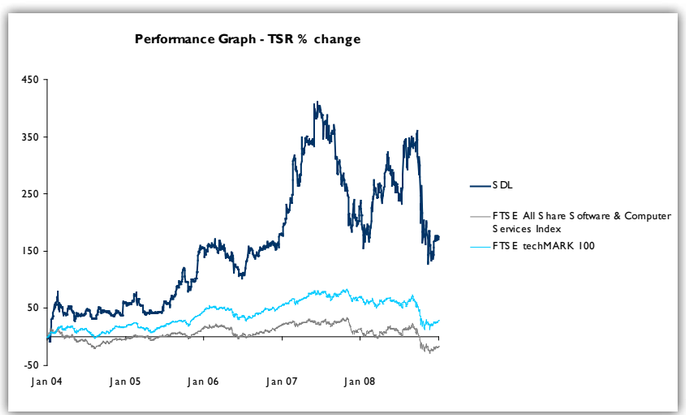
Cristina Lancaster, Keith Mills, Joe Campbell and Chris Batterham who retire by rotation and, John Hunter who was first appointed during the year, offer themselves for re-election.

Biographical details of all directors can be found on pages 20 and 21.

Performance Graph

The graph below, shows the percentage change in the total shareholder return for each of the years from 2004 of a holding of the company's shares against the corresponding change the FTSE All Share Software and Computer Services Index.

The FTSE All Share Software and Computer Services Index was selected by the Remuneration Committee as the most appropriate equity market index relative to the sector in which the Group operates for the purposes of evaluating the Group's management against external sources for the purpose of the LTIP.



Information Subject To Audit

Directors' Remuneration

The remuneration of the directors is as follows:

	Basic Salary and Fees £	*Benefits(*) £*	*Bonuses £*	*Total 2008 £*	*Total 2007 £*
Executive Directors:					
Mark Lancaster	300,000	29,877	345,600	675,477	587,750
Cristina Lancaster	135,000	15,824	107,600	258,424	247,457
John Hunter	66,667	4,140	32,000	102,807	-
Alastair Gordon	138,000	11,530	46,100	195,630	234,241
Keith Mills	140,000	11,958	94,100	246,058	239,360
Non-executive Directors:					
Chris Batterham	35,000	-	-	35,000	28,000
John Matthews	35,000	-	-	35,000	28,000
Joe Campbell	26,640	-	-	26,640	24,984
Total all Directors	876,306	73,329	625,400	1,575,036	1,389,792

* The benefits package of each executive director includes the provision of a company car or car allowance, private health insurance and, where applicable, car fuel, car valeting and the employers national insurance contributions paid on behalf of directors in relation to gains made on share options when exercised.

Pension Entitlements

No contributions were made by the Group in respect of non-executive directors. The contributions made by the Group in respect of money purchase schemes for each Executive Director are as follows:

	Total 2008 £	*Total 2007 £*
Mark Lancaster	40,036	19,786
Cristina Lancaster	16,200	7,700
Alastair Gordon	14,400	7,700
Keith Mills	16,800	8,400
John Hunter	8,000	-
Total all Directors	95,436	43,586

Interests in Options

Historically, the Group has maintained a share option scheme by which Executive Directors and other senior executives are able to subscribe for and acquire ordinary shares in the company. This scheme has an approved element and an unapproved element, and was formally adopted by special resolution on 1 December 1999. The approved element has been accepted by the Inland Revenue under the terms of the Income and Corporation Taxes Act 1988 with effect from 23 February 2000. Prior to December 1999 options were granted under unapproved schemes previously adopted by the Group.

During 2008, after approval by the Shareholders at the 2008 AGM, the Company established the SDL Save As You Earn Scheme enabling employees (including Directors) to participate in share ownership of the Group by contributing on a monthly basis to the scheme.

Some of the Executive Directors continue to hold share options as outlined below but the share option scheme has been replaced going forward by the long-term incentive plan noted above.

The interests of the directors in share options are as follows:

	Exercise Price	*At 1 January 2008 No*	*Awarded during the year No*	*Exercised during the year* No*	*Expired unexercised during the year No*	*At 31 December 2008 No*
Mark Lancaster (d)	119.33p	200,000	-	-	-	200,000
Cristina Lancaster (d)	119.33p	5,716	-	-	-	5,716
Alastair Gordon (a)	20.11p	248,000	-	150,000	-	98,000
Alastair Gordon (c)	33.5p	100,000	-	50,000	-	50,000
Keith Mills (b)	60p	90,000	-	60,000	-	30,000
Keith Mills (c)	33.5p	90,000	-	90,000	-	-
Keith Mills (d)	119.33p	100,000	-	-	-	100,000

The options are exercisable between the following dates:

(a) 7 December 1999 to 7 December 2009

(b) 26 September 2002 to 26 September 2011

(c) 28 February 2004 to 28 February 2013

(d) 4 April 2006 to 4 April 2015

During the period 1 January 2008 through to 31 December 2008 the market price of ordinary shares has ranged between 192.5p and 388.5p. The market price of the ordinary shares at 31 December 2008 was 229.0p.

The market prices at the time the directors' share options were exercised during the year were 301.0p and 350.0p

The vesting conditions are set out in note 19 of the Group accounts.

* During the period there were gains realised on the exercise of share options of between 280.89p and 329.89p per share (totalling £1,062,934).

Interests in Long-Term Incentive Plan Shares

The interests of the directors in long-term incentive plan shares are as follows:

	Issue Price	*At 1 January 2008 No*	*Awarded during the year No*	*Achieved during the year No*	*Expired unachieved during the year No*	*At 31 December 2008 No*
Mark Lancaster	189.5p	118,734	-	-	-	118,734
Mark Lancaster	333.6p	67,446	-	-	-	67,446
Mark Lancaster	278.92p	-	80,668	-	-	80,668
Keith Mills	189.5p	63,325	-	-	-	63,325
Keith Mills	333.6p	35,971	-	-	-	35,971
Keith Mills	278.92p	-	43,023	-	-	43,023
Alastair Gordon	189.5p	58,047	-	-	-	58,047
Alastair Gordon	333.6p	32,974	-	-	-	32,974
Cristina Lancaster	189.5p	58,047	-	-	-	58,047
Cristina Lancaster	333.6p	32,974	-	-	-	32,974
Cristina Lancaster	278.92p	-	39,438	-	-	39,438
John Hunter	202.25	-	98,887	-	-	98,887

By order of the Board

John Hunter
Director
5 March 2009

The directors present their report and the Group accounts for the year ended 31 December 2008.

Results And Dividends

The Group profit for the year, after taxation, amounted to £14.5 million (2007: £9.2 million).

The directors do not recommend the payment of a dividend.

Principal Activities

The Group's activities during the year continued to be the provision of Global Information Management solutions and related software applications to a wide variety of multinational businesses.

Review Of The Business

Group revenue of £158.8 million increased by 35% compared to last year (2007: £117.4 million), with the increase attributed to organic growth (11%), the year on year impact of acquisitions (11%) and exchange rate impact (13%). Both the translation services and technology businesses demonstrated continued growth. The Group's gross margin improved to 55% in 2008 versus 54% in 2007 due to the influence of the gross margin of the technology business of 76% within the sales mix. Across the technology businesses and in the translation services business gross margins remained stable. Operating profit before taxation and amortisation of intangibles at £25.6 million increased by 49%, with operating margin increasing from 14.6% to 16.1% during the year. The Group had net cash of £31.2 million as at 31 December 2008 (2007: £15.5 million) reflective of strong operating cash flow. The Group entered into a new £20 million loan facility in February 2008 to assist in the acquisition of Idiom Technologies Inc and made a draw down of £9.5 million from this facility. All external borrowings were repaid during 2008 and by the end of the year the Group was free of external debt. Further details on the results for the year are given in the Operating and Financial Review section of these accounts.

Position, Future Prospects And Business Risks

The Board continue to believe the Group has strong prospects for future long-term growth given a well diversified key client list, strong technology position, global geographic spread and solid results in integrating recent acquisitions. The Board also views that the business offers reasonable defensive growth characteristics.

However, whilst globalisation is a long term trend for most businesses, SDL must acknowledge the current economic uncertainty and volatily in the global financial markets. The Board therefore anticipates that the business will see some impact from this in 2009. The approach to managing the business will therefore be appropriately cautious.

The Group generates 67% of its revenue from translation services and 33% from technology. In past downturns the service solutions business has proved to be fairly resilient to localised economic problems. The technology business has a mix of revenues derived from Enterprise sales, desktop technology and web content management solutions in Tridion. The licence revenue stream is about 45% of total technology sales (or 15% of total sales).

Details on the risks associated with the business are given in the Operating and Financial Review.

Events Since The Balance Sheet Date

No material events have occurred since 31 December 2008.

Corporate Social Responsibility

General

SDL is dedicated to carrying out its business activities in a socially responsible manner. Our businesses are encouraged to operate with positive corporate responsibility regarding employment, community and environmental matters within an agreed Group framework. This includes treating employees fairly and equitably, operating with integrity, limiting our impact on the environment and respecting the communities in which we work.

The Board, considers that given the nature of the Group's business activities, material risks from social, environmental and ethical issues are limited. However, it takes a proactive approach to risk management of these issues.

Employees

We have an equal opportunities policy across the Group prohibiting discrimination on grounds such as sex, race, religion or belief, age or perceived age, sexual orientation or disability. At the same time SDL aims to provide all employees with the opportunity to develop long-term careers appropriate to their abilities and ambitions.

SDL not only provides training and development programmes for employees (including training for those new to management, enhancement of existing skills, team building, and cross functional training) but also supports overseas work placements, obtaining work permits and visas where required.

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions.

Training and career development to disabled employees is made available wherever appropriate, as are opportunities for promotion and personal growth.

Employee Involvement

During the year, the policy of providing employees with information about the Group has continued. Divisional Directors and General Managers are regularly briefed using face-to-face or conference call meetings by the Chief Executive on matters affecting their operations, and contributions are encouraged on those issues facing the Group, as well as a monthly trading update conference call by the Chief Executive to all senior management. The Chief Executive is responsible for human resource issues encompassing all aspects of recruitment, development and retention and dispute resolution, delegating as necessary to the members of the Executive Management Team.

Periodically, senior management from all the multilingual and network offices as well as the sales forces meet in order to exchange ideas and information and to discuss the Group's overall strategy and the issues facing it in the global information management market. The Directors and managers of all multilingual and network offices are required to ensure that the relevant information from these meetings and briefings is passed down to their managers and staff and regular meetings are held with employees to facilitate full consultation and generate employee feedback. Works councils and similar bodies are maintained and consulted with in accordance with local statutory requirements.

The Board has recently approved and adopted a "whistle blowing" policy. This policy will enable employees to bring matters of concern to the attention of the Senior Independent Director in confidence.

Employees are provided with opportunities to benefit in the growth of the Company's share price through participation in the share option scheme. This facility was increased by the introduction of a Save As You Earn Scheme approved at the Annual General Meeting on 24 April 2008 and subsequently implemented and launched. The Board plans to extend this (or similar) scheme to target geographies based on the rules prevailing in those geographies.

Community

SDL is enthusiastic about developing relationships, where appropriate, with the communities in which we are based through voluntary activities and donations. Our offices have built these relationships through local initiatives and donations (principally in terms of time) have been made to charities worldwide where the operational management are able to see benefits to the local community. In 2008 this has been taken a significant step further by the establishment of the SDL Foundation, which is covered in more detail below, and reflects SDL's commitment to community investment in a way that that is sustainable and can be measured.

In addition to the charitable investment in local communities, the Group has also formed strong relationships with the language faculties of the universities in the countries in which it operates. While this allows the Network offices in these countries to improve the recruiting they do for internal editors and translators and for future freelance translators for the linguistic database, it also enables those offices to contribute valuable career advice to language students as part of the regular contact with the language faculties.

Environment

As a developer of software and provider of global information management services the Group has no manufacturing facilities and its premises are exclusively offices. The majority of our sales comprise software and services that are normally delivered electronically to customers.

It is our policy to ensure that our operations have as little environmental impact as possible. Environmental matters are afforded consideration when selecting new office premises, including energy efficient systems. Office administration is encouraged to provide recycling facilities wherever practical and outmoded office equipment and computers are resold or recycled in an environmentally beneficial manner to the extent practicable. We make maximum use of internet and web-conferencing tools to manage international meetings to minimise air travel where possible.

Charitable Policies

During 2008, the Board set up The SDL Foundation ("The Foundation"), a charity registered with the Charity Commission. The Board has committed to contributing up to 2% of the Group's annual profit before tax to The Foundation each year, with actual amounts varying depending on circumstances . During 2008 the Group contributed £250,000 to The Foundation and initial projects are currently being assessed. A Trustees' committee, chaired by Alastair Gordon, a Board director, will oversee the management of The Foundation.

The focus of The Foundation's contributions will be to causes placing an emphasis on the sustainability and structural nature of the projects being undertaken and the achievement of financial and operational independence by the recipient organisations. It will also be important that the proposal can show how the local community will benefit, what measures will be put in place to assess the success of these benefits and how, where possible, the environment will be protected and/or enhanced. The proposals for suitable causes will come from the Group's employees with preference to be given to those causes / projects where the supporting employees are actively giving of their time and experience to the cause / project in question. A regular newsletter will be published highlighting the work of The Foundation and this will be made available on the Group website and through the internal intranet. It is also intended that the Group's annual report will contain a summary of the financial assistance given and case studies to illustrate how The Foundation is benefitting the communities and environments the Group works in and with.

The Board sees The SDL Foundation as a positive way for the Group and its management and employees to play a positive and active role in the communities in which the Group is located and to put investment resources back into those communities that are less privileged. The Board sees this as a group-wide community policy statement emphasising the importance the Board sees in forming partnerships with local charities and other benevolent societies. The Trustees will seek feedback from the organisations in the local communities that The SDL Foundation provides assistance to so that improvements can be made in the effectiveness and benefits of the assistance given.

Directors And Their Interests

The directors at 31 December 2008 and their interests in the share capital of the Group (all beneficially held) according to the register of directors' interests are detailed as follows:

	Class	2008 Number	2007 Number
Mark Lancaster	Ordinary	198,838	1,102,588
Cristina Lancaster	Ordinary	1,220,537	220,537
Alastair Gordon	Ordinary	-	-
John Hunter	Ordinary	28,750	-
Chris Batterham	Ordinary	86,895	86,895
Keith Mills	Ordinary	71,231	71,231
John Matthews	Ordinary	15,000	15,000
Joe Campbell	Ordinary	-	-

The above list represents all persons who were directors at any time during the year.

Details of options and long-term incentive plan shares held by directors at the year-end are given in the Directors' Remuneration Report on pages 45 and 46.

There have been no changes to any directors' interests in shares (including options and long term incentive plan shares) since the end of the financial year up to a date that is not more than one month before the date of the notice of general meeting.

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Takeover Directive

The Company has implemented the requirements of the Takeover Directive in the year and discloses the following information:

- The structure of the Company's capital and the rights and obligations attached to those shares are given in note 18 to the accounts.
- There are no restrictions on the transfer of securities of the Company, including limits on holdings and requirements to obtain approval of the company or other holders for a transfer.
- All persons with a significant holding, along with the value of that holding are given in the table below (share price at 30 January 2009: 270p).

Fund Manager	Holding at 30 January 2009	% of Issued Share Capital	Value of Holding (£000)
BlackRock Investment Management	8,725,470	11.52	23,559
AXA Framlington Investment Managers	6,921,239	9.14	18,687
Herald Investment Management	4,215,769	5.57	11,383
Standard Life Investments	3,974,632	5.25	10,732
F&C Asset Management	3,596,817	4.75	9,711
Legal & General Investment Management	3,147,751	4.16	8,499
Aviva Investors	2,958,450	3.91	7,988
Fidelity Investments	2,561,255	3.38	6,915
Artemis Investment Management	2,397,771	3.17	6,474
RBC Europe Collateral a/c	2,326,066	3.07	6,280

- There is no person holding securities with special control rights.
- All shares issued under employee share schemes have rights which are directly exercisable by the employees.
- There is no restriction on voting rights.
- There are no agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.
- There have been no changes to the Articles of Association or the rules on the appointment of directors during the year ending 31 December 2008.
- The powers of the directors are given in the Articles of Association plus those granted by special resolution at the AGM dated 24 April 2008 governing shares issuance.
- There are no significant agreements entered into by the Company that take effect, alter or terminate upon a change of control following a takeover bid and the effect of such agreements.
- The agreements between the company and its directors for compensation for loss of office are given in the Directors Remuneration Report on page 43.

Creditor Payment Policy And Practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. This is considered of particular importance with regard to its relationships with the extensive list of individual freelance translators that form an integral part of the translation supply chain.

At 31 December 2008, the Company (SDL plc) had an average of 21 days purchases outstanding in trade creditors (2007: 34 days). This change is reflective of the payment of a rent invoice in December 2008.

Research And Development Activities

The Group conducts research and development activities in a number of locations. These activities are concentrated on maintaining the Group's software products in providing Global Information Management and Content Management solutions, encompassing translation memory, automated real time translation, workflow and content management. During 2008, the development division has continued to concentrate on evaluating the technology acquired with the Trados, Tridion and Idiom groups and on planning and progressing the integration of the combined technologies. As a consequence the underlying resources utilised have remained relatively constant throughout the year, with the majority of the increase in cost reflecting the full year of Tridion and the acquisition of Idiom in February 2008. This will be reviewed as the Group moves towards the release of a fully integrated platform during 2009.

Financial Instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Operating and Financial Review on pages 22 to 29.

Political And Charitable Donations

During the year no political donations were made. Charitable donations amounting to £6,212 were made to external charities and £250,000 was donated to The SDL Foundation as noted above.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' Statement As To Disclosure Of Information To Auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 20 and 21. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Responsibility Statement Of The Directors In Relation To The Group Financial Statements

In accordance with the FSA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with International Financial Reporting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Chief Executive's statement, Finance Director's review and the Directors' report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced by the Group.

Special Business At The Annual General Meeting

At the Annual General Meeting, items 1 to 11 are termed ordinary business. These resolutions together with explanatory notes, as appropriate, are set out in the Notice of Annual General Meeting on page 113.

Where Shareholders are in any doubt as to what action to take in this matter they should consult appropriate independent advisers. Where all securities have been sold or transferred by the person receiving this document, it should be passed to the person for whom the sale or transfer was affected for transmission to the purchaser or transferee.

By order of the Board

John Hunter
Director

5 March 2009

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: *'Accounting Policies, Changes in Accounting Estimates and Errors'* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report To The Members Of SDL plc

We have audited the Group financial statements of SDL plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 25. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of SDL plc for the year ended 31 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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'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

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Review of the Business section of the Directors' Report.

In addition we report to you if, in our opinion we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, Directors, Operating and Financial Review, Corporate Governance Report, Directors' Remuneration Report, Directors' Report and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis Of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Ernst & Young LLP
Registered auditor
Reading

5 March 2009

Consolidated Income Statement
For The Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Sale of goods		24,102	17,930
Rendering of services		134,673	99,479
REVENUE	4	158,775	117,409
Cost of sales		(71,884)	(54,521)
GROSS PROFIT		86,891	62,888
Administrative expenses – excluding amortisation of intangibles assets	5	(61,298)	(45,695)
OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS		25,593	17,193
Administration expenses - amortisation of intangible assets	5	(5,743)	(4,294)
OPERATING PROFIT	5	19,850	12,899
Finance revenue	5	471	489
Finance costs	5	(462)	(628)
Share of loss of associate	11	(9)	(35)
PROFIT BEFORE TAX		19,850	12,725
Tax expense	6	(5,310)	(3,555)
PROFIT FOR THE YEAR		14,540	9,170
Profit for the year attributable to equity holders of the parent		14,485	9,170
Minority interest		55	-
PROFIT FOR THE YEAR		14,540	9,170
Earnings per ordinary share – basic (pence)	7	19.21	13.07
Earnings per ordinary share – diluted (pence)	7	18.75	12.83
Adjusted earnings per ordinary share – basic (pence)	7	24.99	17.74
Adjusted earnings per ordinary share – diluted (pence)	7	24.38	17.42

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 £'000	2007 £'000
NON CURRENT ASSETS			
Property, plant and equipment	8	4,524	3,240
Intangible assets	9	138,225	102,300
Investment in an associate	11	-	256
Loan to associate		-	286
Deferred tax asset	6	6,455	4,663
Rent deposits		641	333
		149,845	111,078
CURRENT ASSETS			
Trade and other receivables	13	45,098	33,687
Cash and cash equivalents	14	31,227	21,511
		76,325	55,198
TOTAL ASSETS		226,170	166,276
CURRENT LIABILITIES			
Trade and other payables	15	(43,527)	(32,048)
Interest bearing loans and borrowings	16	-	(2,000)
Financial liabilities	24	(2,016)	(793)
Current tax liabilities		(8,252)	(5,948)
Provisions	17	(38)	(58)
		(53,833)	(40,847)
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings	16	-	(4,055)
Other payables		(124)	(215)
Deferred tax liability	6	(8,100)	(7,541)
Provisions	17	(1,084)	(602)
		(9,308)	(12,413)
TOTAL LIABILITIES		(63,141)	(53,260)
NET ASSETS		163,029	113,016
EQUITY			
Share capital	18	757	750
Share premium account		92,483	91,866
Shares to be issued		406	541
Retained earnings		30,250	14,921
Foreign exchange differences		39,154	4,938
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		163,050	113,016
Minority interest		(21)	-
TOTAL EQUITY		163,029	113,016

Approved by the Board of directors on 5 March 2009

M Lancaster
Director

J Hunter
Director

	Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Retained Earnings £'000	Foreign Exchange Differences £'000	Minority Interest £'000	Total £'000
At 1 January 2007	625	51,096	66	4,334	(1,615)	-	54,506
Currency translation differences on foreign currency net investments and intangibles	-	-	-	-	5,573	-	5,573
Currency translation differences on foreign currency equity loans to foreign subsidiaries	-	-	-	-	980	-	980
Deferred income taxation on share based payments (Note 6)	-	-	-	(359)	-	-	(359)
Tax credit for share options (Note 6)	-	-	-	945	-	-	945
Total income and expense for the year recognised directly in equity	-	-	-	586	6,553	-	7,139
Net profit for the year	-	-	-	9,170	-	-	9,170
Total income and expense for the year	-	-	-	9,756	6,553	-	16,309
Arising on share options	11	655	-	-	-	-	666
Arising on acquisition of Lingua Franca	1	65	(66)	-	-	-	-
Arising on acquisition of Tridion	113	39,915	-	-	-	-	40,028
Arising on acquisition of Passolo	-	135	541	-	-	-	676
Share based payments (Note 19)	-	-	-	831	-	-	831
At 31 December 2007	750	91,866	541	14,921	4,938	-	113,016

	Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Retained Earnings £'000	Foreign Exchange Differences £'000	Minority Interest £'000	Total £'000
At 1 January 2008	750	91,866	541	14,921	4,938	-	113,016
Currency translation differences on foreign currency net investments and intangibles	-	-	-	-	36,527	-	36,527
Currency translation differences on foreign currency equity loans to foreign subsidiaries	-	-	-	-	(2,311)	-	(2,311)
Deferred income taxation on share based payments (Note 6)	-	-	-	(1,041)	-	-	(1,041)
Tax credit for share options (Note 6)	-	-	-	494	-	-	494
Total income and expense for the year recognised directly in equity	-	-	-	(547)	34,216	-	33,669
Net profit for the year	-	-	-	14,485	-	55	14,540
Total income and expense for the year	-	-	-	13,938	34,216	55	48,209
Arising on share options	7	482	-	-	-	-	489
Arising on acquisition of Trisoft	-	-	-	-	-	(76)	(76)
Arising on acquisition of Passolo	-	135	(135)	-	-	-	-
Share based payments (Note 19)	-	-	-	1,391	-	-	1,391
At 31 December 2008	757	92,483	406	30,250	39,154	(21)	163,029

All amounts attributable as follows:

		2008 £'000	2007 £'000
At 1 January		113,016	54,506
Changes attributable to:	Equity holders of the parent	50,034	58,510
	Minority interest	(21)	-
Total equity at 31 December		163,029	113,016

	Notes	2008 £'000	2007 £'000
PROFIT BEFORE TAX		19,850	12,725
Depreciation of property, plant and equipment	8	1,630	1,506
Amortisation of intangible assets	9	5,743	4,294
Finance revenue		(471)	(489)
Finance costs		462	628
Share of loss of associate	11	9	35
Share based payments		1,391	831
Loss on disposal of property, plant & equipment		-	17
Increase in trade and other receivables		(8,565)	(7,967)
Increase in trade and other payables		9,723	4,114
Exchange differences		1,271	2,684
CASH GENERATED FROM OPERATIONS		31,043	18,378
Income tax paid		(4,647)	(2,373)
NET CASH FLOWS FROM OPERATING ACTIVITIES		26,396	16,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant & equipment		(2,323)	(1,425)
Receipts from sale of property, plant & equipment		78	46
Payments to acquire subsidiaries		(13,662)	(47,747)
Net cash acquired with subsidiaries		343	11,813
Payment to acquire investment in associate		-	(291)
Cash advances and loans made to associate		-	(286)
Interest received		471	489
NET CASH FLOWS FROM INVESTING ACTIVITIES		(15,093)	(37,401)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		489	40,829
Repayment of interest bearing loans and borrowings	20	(17,555)	(6,492)
Proceeds from new loans	20	9,500	1,023
Interest paid		(462)	(628)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(8,028)	34,732
INCREASE IN CASH AND CASH EQUIVALENTS		3,275	13,336
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of year		21,511	7,978
Increase in cash and cash equivalents	20	3,275	13,336
Effect of exchange rates on cash and cash equivalents	20	6,441	197
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	20	31,227	21,511

1 Corporate Information

The consolidated financial information of SDL plc (the 'Group') for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 5 March 2009. SDL plc is a public limited company incorporated and domiciled in England whose shares are publicly traded on the London Stock Exchange. The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards.

The principal activities of the Group are described in Note 4.

2 Accounting Policies

Basis of accounting

The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as relevant to the financial statements of SDL plc. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP and these are presented on pages 102 to 117.

The consolidated financial statements are presented in UK sterling and all values are rounded to the nearest thousand except where otherwise indicated.

Critical accounting assumptions and judgements

The preparation of the financial statements includes critical assumptions and judgements. The directors consider that there are a number of areas for which key assumptions and areas of judgement have been used in the preparation of the consolidated financial statements of SDL plc. These assumptions and judgements are discussed in more detail within the accounting policies note below.

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and the interpretations did not have any effect on the financial performance or position of the Group in the current or prior periods.

- IFRIC 12 Service Concession Arrangements
- IFRIC 14, IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 13 Customer Loyalty Programmes
- IAS 39 and IFRS 7 Amendments Reclassification of Financial Assets
- IFRIC 16 Interim Hedges of a Net Investment in a Foreign Operation

Basis of preparation of consolidated financial statements

The consolidated financial statements include the results of the Company and all its subsidiaries for the full year or from the date of acquisition, if acquisition made during the year. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of 1 January 2004. As a result, goodwill recognised as an asset at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Accounting for an associate

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has a significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Intangible assets: Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies. A cash-generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets. This is usually at business segment level. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Goodwill arising on acquisitions pre 1 January 2004 was capitalised and amortised over its useful economic life, which was presumed to be 8 years. Any goodwill remaining on the balance sheet at 1 January 2004 is not amortised after 1 January 2004, but is also subject to annual impairment reviews.

Critical accounting assumptions and judgements – Management complete an annual impairment review and consider a number of assumptions including growth rates, profitability and the weighted average cost of capital in determining the net present value of future cashflows.

Intangible assets: Other

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are held at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over their useful economic lives, which are reassessed annually together with any assessment of residual value. The useful lives of these intangible assets are assessed over the expected period that benefits accrue to the group. Amortisation is charged as a separate line item on the income statement.

Intellectual property is amortised on a straight-line basis over its estimated useful life of between 5 and 15 years.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and technical feasibility and commercial viability can be demonstrated. Where these criteria are not met the expenditure is expensed to the income statement. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Development costs that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There have been no development costs capitalised in 2008 (2007: £nil).

Critical accounting assumptions and judgements – Management continually review research and development expenditure and assess whether any costs meet the criteria for capitalisation.

Intangible assets: Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, where value in use is calculated as the present value of the future cash flows expected to be derived from the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment in value. Historical cost includes the expenditure that is directly attributable to the acquisition of the assets. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is provided to write off the cost less the estimated residual value based on prices at the balance sheet date of property, plant and equipment over their estimated useful economic lives as follows:

Leasehold improvements	-	The lower of ten years or the lease term straight line
Equipment	-	4 years straight line
Fixtures & fittings	-	20% reducing balance
Motor vehicles	-	20% reducing balance

Useful economic lives and residual values are assessed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

- Rendering of services

Revenue on service contracts is recognised only when their outcomes can be foreseen with reasonable certainty and is based on the percentage stage of completion of the contracts, calculated on the basis of costs incurred. Accrued and deferred revenue arising on long-term contracts is included in debtors as accrued income and creditors as deferred income as appropriate.

Support and maintenance contracts are invoiced in advance and normally run for periods of 12 months with automatic renewal on the anniversary date. Revenue in respect of support and maintenance contracts is recognised evenly over the 12 months commencing from the date of the contract period.

Managed services (hosting) fees are recognised over the term of the hosting contract on a straight-line basis.

Professional services and consulting revenue, which is provided on a 'time and expense' basis, is recognised as the service is performed.

For multiple element arrangements revenue is allocated to each element on fair value regardless of any separate prices stated within the contract. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met.

Critical accounting assumptions and judgements - Management makes estimates of the total costs that will be incurred by SDL on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date.

- Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Revenue on software licenses and upgrades is recognised on despatch, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In circumstances where a considerable future vendor obligation exists as part of a software licence and related services' contract, revenue is recognised over the period that the obligation exists per the contract.

Critical accounting assumptions and judgements – Management reviews all license contracts to ensure that there are no future vendor obligations that would affect the fair value of the license revenue recognised.

- Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement with the exception of differences on foreign currency borrowing that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the date of disposal of the net investment, at which time they are recognised in the consolidated income statement. The assets and liabilities of overseas subsidiaries and branches are translated at the closing exchange rate. Income statements of such undertakings are translated at the average rate of exchange during the year. Gains and losses arising on these translations are taken to reserves. As permitted by IFRS 1, SDL has elected to deem the cumulative amount of exchange differences arising on translation of the net investments in subsidiaries at 1 January 2004 to be nil.

Hedge accounting

The Group uses derivative financial instruments such as foreign currency and interest rate contracts to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate contracts is determined by reference to market values for similar instruments. The derivatives entered into do not qualify for hedge accounting and therefore any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Incentives received from landlord

In accordance with SIC 15, the aggregate benefit of incentives is recognised as a credit to the income statement. The benefits of the incentives are allocated over the life of the lease on a straight-line basis.

Pension cost

The company contributes to a group personal pension scheme for qualifying employees whereby it makes defined contributions to independently administered personal pension schemes. The company does not control any of the assets or have any ongoing liabilities with regard to the performance of and payments from these individual personal schemes. SDL Global Solutions (Ireland) Limited operates a separate defined contribution scheme whose assets are held separately from the company. The pension cost charge for both schemes represents contributions payable during the period.

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract giving rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the profit or loss.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed, based on tax rates that are enacted or substantially enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

In the United Kingdom, the Group is entitled to a tax deduction for amounts treated as remuneration on exercise of certain employee share options. As explained under "Share based payment" below, a remuneration expense is recorded in the consolidated income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset may be recorded. The deferred tax asset arising on share option awards is calculated as the estimated amount of tax deduction to be obtained in the future (based on the Group's share price at the balance sheet date) pro-rated to the extent that the services of the employee have been rendered over the vesting period. If this amount exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings. Similarly, current tax relief in excess of the cumulative amount of the remuneration expense at the statutory rate is also recorded in retained earnings. No remuneration charge is recorded in respect of options granted before 7 November 2002 which have not vested by 1 January 2005. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects arising in relation to these options are recorded directly in equity against retained earnings. No deferred tax asset is recognised with respect to this where there is no certainty of taxable profits being generated in appropriate locations that the deferred tax asset could be utilised against.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- trade receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). The volatility in the models is calculated by reference to historical share price.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, ending on the date on which the relevant employees become entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest. The expense is recognised in the income statement over the vesting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised over the remainder of the vesting period for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested at 1 January 2005.

In accordance with UITF 25, National Insurance on Share Option Grants, the anticipated National Insurance charge on gains made by employees over the period from date of grant of the option to the end of the performance period has been provided for.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)	Effective date
IAS 1 Presentation of Financial Standards – Revised	1 January 2009
IAS 23 Borrowing Costs – Revised	1 January 2009
IAS 27 Consolidation and Separate Financial Statements – Revised	1 January 2009
IAS 32 Financial Instruments: Presentation and Disclosure – Revised	1 January 2009
IFRS 1 First Time Adoption of International Financial Reporting Standards – Revised	1 January 2009
IFRS 2 Share Based Payments – Revised	1 January 2009
IFRS 8 Operating segments	1 January 2009
Annual Improvements to IFRSs	1 January 2009
IAS 27 Consolidation and Separate Financial Statements – Revised	1 July 2009
IAS 32 Financial Instruments: Presentation and Disclosure – Revised	1 July 2009
IFRS 3 Business Combinations – Revised	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)	Effective date
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

The principal effect of some of the more relevant changes is as follows:

- **IAS 1 'Presentation of Financial Statements: A Revised Presentation'.** This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. It will require separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income. The income statement will no longer be presented. Whenever there is a restatement or reclassification, an additional balance sheet, as at the beginning of the earliest period presented, will be required to be published. The revised standard is effective for annual periods beginning on or after 1 January 2009. There will be no effect on the Group's reported income or net assets.

- **IFRS 8 'Operating Segments'.** IFRS 8 defines operating segments as components of an entity about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The new standard sets out the required disclosures for operating segments and is effective for annual periods beginning on or after 1 January 2009. The Directors do not anticipate significant changes in the segments disclosed.

- **IFRS 2 'Amendment to IFRS 2 – Vesting Conditions and Cancellations**.' This amendment clarifies that only service conditions and performance conditions are vesting conditions, and other features of a share-based payment are not vesting conditions. In addition, it specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is effective for annual periods beginning on or after 1 January 2009. At this stage the impact of this amendment has not been assessed although the directors do not anticipate a material impact.

- **IFRS 3 'Business Combinations'.** The revised standard still requires the purchase method of accounting to be applied to business combinations but will introduce some changes to existing accounting treatment. For example, contingent consideration should be measured at fair value at the date of acquisition and subsequently remeasured to fair value with changes recognised in profit or loss. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009. Assets and liabilities arising from business combinations occurring before the date of adoption by the Group will not be restated and thus there will be no effect on the Group's reported income or net assets on adoption.

3 Business Combinations

Acquisition of Idiom Technologies Inc (Renamed SDL Enterprise Technologies Inc)

On 8 February 2008 the Group acquired 100% of the share capital of Idiom Technologies Inc, a company based in the USA.

The total cost of the combination comprised $26.8 million (£13.7 million) and was funded through a loan from the Bank of $19.0 million (£9.5 million), and from the Group's existing cash resources.

The fair value of the identifiable assets and liabilities of Idiom Technologies Inc, as at the date of acquisition, were:

	Book value £'000	*Fair value to Group £'000*
Intangible assets	-	3,905
Property, plant and equipment	146	167
Cash and cash equivalents	195	195
Trade receivables	598	595
Other receivables	2,609	2,612
Loans from third parties	(1,838)	(1,838)
Trade payables	(769)	(769)
Other payables	(3,005)	(2,315)
Deferred tax assets	-	2,240
Deferred tax liabilities	-	(1,093)
Net (liabilities) / assets	(2,064)	3,699
Goodwill arising on acquisition		10,033
		13,732

Discharged by:	*£'000*
Costs associated with the acquisition	146
Cash paid	13,586
Total	13,732

Cash outflow on the acquisition:	
Net cash and cash equivalents acquired with the subsidiary	195
Cash paid	(13,732)
Net cash outflow	(13,537)

From the date of acquisition Idiom Technologies Inc has contributed £4.1 million of revenue and a loss of £0.4 million to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit for the Group would have been £14.2 million and revenue from continuing operations would have been £159.2 million. Included in the £10.0 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include customer loyalty and assembled workforce.

Consolidation of Trisoft NV

In December 2007 the Group acquired a 49% interest in the share capital of Trisoft NV, a company based in Belgium. At the time of the acquisition, SDL plc entered into a call option agreement with the remaining shareholders allowing the Group to acquire the remaining 51% on a predetermined valuation formula. This call option was not exercisable until 7 June 2008 and consequently the 49% investment was accounted for as an investment in an associate in the 2007 accounts.

While SDL plc did not exercise its call option until 29 September 2008, the Directors considered that the Group had control over more than 50% of the voting rights from 7 June 2008 by virtue of the existence of the exercisable call option and therefore the results of Trisoft NV were consolidated with those of the Group. As a result the interest in Trisoft NV was treated as an associate company from 1 January 2008 to 7 June 2008 and has been consolidated into the Group since that date.

The total cost of the 49% interest in Trisoft NV was €0.8 million (£0.6 million) and was funded from the Group's existing cash resources. The Group has also loaned Trisoft NV €400,000.

The fair value of the identifiable assets and liabilities upon consolidation of Trisoft NV were:

	Book value £'000	*Fair value to Group £'000*
Intangible assets	323	185
Property, plant and equipment	14	14
Cash and cash equivalents	148	148
Trade receivables	63	63
Other receivables	23	23
Loans from third parties	(94)	(94)
Trade payables	(54)	(54)
Other payables	(212)	(212)
Deferred tax assets	-	236
Deferred tax liabilities	-	(52)
Net assets	211	257
Goodwill arising on acquisition		320
		577

Discharged by*:	*£'000*
Costs associated with the acquisition	4
Cash paid to shareholders	573
Total cash paid	577

Cash outflow on the acquisition:	
Net cash and cash equivalents acquired with the subsidiary	148
Total cash paid	(577)
Net cash outflow	(429)

* in 2007

On 29 September 2008, the Group acquired an additional 46% of the voting rights of Trisoft NV taking its ownership to 95%. Cash consideration of £1,256,000 was paid. The book value of the net liabilities of Trisoft NV at this date were £218,000. The difference between the consideration and the book value of the interest acquired has been recognised as goodwill.

From the date of consolidation Trisoft NV has contributed £0.8 million of revenue and a profit of less than £0.1 million to the net profit of the Group. If the consolidation had taken place at the beginning of the year, the profit for the Group would have remained the same based on the 49% interest but revenue from continuing operations would have been increased by £0.6 million to £159.4 million. Included in the £0.3 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include customer loyalty and assembled workforce.

Acquisition of Tridion Holding BV in 2007

On 18 May 2007 the Group acquired 100% of the share capital of Tridion Holding BV, a company based in the Netherlands. The goodwill arising on the acquisition was provisionally calculated as £25,020,000 in the 31 December 2007 audited accounts and the intangible assets fair valued at £17,727,000. Following a detailed review, the goodwill has been finalised at a value of £26,216,000, being an increase of £1,196,000, (being the net of £1,661,000 reclassified from intangible assets and an adjustment to the fair value of the deferred tax liability of £465,000), and the intangibles have been finalised at a fair value of £16,066,000, a decrease of £1,661,000.

4 SEGMENT INFORMATION

The Group operates in the translation and localisation industry.

The primary reporting format is determined to be business segments, being Translation Services and Technology.

The Translation Services segment is the provision of a translation service to the customer's software products, documents, manuals and websites. As well as translation of words, this incorporates desktop publishing, software engineering and project management.

The Technology segment is the sale of desktop and enterprise technology developed and owned by the Group to freelance translators, translation service providers and to corporate translation end users who may perform the service themselves. This includes both the sale of software licences and associated support, maintenance and training services and more tailor made enterprise solutions.

The Group's geographical segments are based upon the geographical destination of sales.

Year ended 31 December 2008

	Translation Services £'000	*Technology £'000*	*Total £'000*
Revenue			
Sales to external customers	106,100	52,675	158,775
Segment results	17,887	1,954	19,841
Net finance income			9
Profit before tax			19,850
Tax expense			(5,310)
Minority interest			(55)
Net profit for the year			14,485
Assets and liabilities			
Segment assets	54,103	133,823	187,926
Unallocated assets			38,244
Total assets			226,170
Segment liabilities	24,239	20,485	44,724
Unallocated liabilities			18,417
Total liabilities			63,141
Other segment information			
Property, plant and equipment	1,066	1,257	2,323
Property, plant and equipment on acquisition	-	192	192
Intangible assets acquired	-	15,827	15,827
Share based payments	1,163	228	1,391
Depreciation	1,048	582	1,630
Amortisation	771	4,972	5,743

Year ended 31 December 2007

	Translation Services £'000	*Technology £'000*	*Total £'000*
Revenue			
Sales to external customers	84,178	33,231	117,409
Segment results	12,670	194	12,864
Net finance costs			(139)
Profit before tax			12,725
Tax expense			(3,555)
Net profit for the year			9,170
Assets and liabilities			
Segment assets	47,692	91,710	139,402
Unallocated assets			26,874
Total assets			166,276
Segment liabilities	15,726	15,997	31,723
Unallocated liabilities			21,537
Total liabilities			53,260
Other segment information			
Property, plant and equipment	1,059	366	1,425
Property, plant and equipment on acquisition	-	161	161
Intangible assets acquired	-	44,278	44,278
Share based payments	535	296	831
Depreciation	1,105	401	1,506
Amortisation	771	3,523	4,294

Unallocated assets and liabilities include cash, loans and taxation. The investment in and loss of associate is included in the results of the Technology segment above.

Year ended 31 December 2008

	United Kingdom £'000	Rest of Europe £'000	USA £'000	Rest of North America £'000	Rest of the World £'000	Total £'000
Revenue from continuing operations	13,696	64,918	57,505	10,671	11,985	158,775
Other segment information						
Segment assets	25,207	95,663	57,907	5,112	4,037	187,926
Unallocated assets						38,244
Total assets						226,170
Capital expenditure						
Property, plant and equipment	408	1,373	186	36	320	2,323
Property, plant and equipment on acquisition	-	28	164	-	-	192
Intangible assets acquired	-	1,889	13,938	-	-	15,827

Year ended 31 December 2007

	United Kingdom £'000	Rest of Europe £'000	USA £'000	Rest of North America £'000	Rest of the World £'000	Total £'000
Revenue from continuing operations	11,148	46,368	41,229	10,437	8,227	117,409
Other segment information						
Segment assets	25,359	74,839	33,823	3,026	2,355	139,402
Unallocated assets						26,874
Total assets						166,276
Capital expenditure						
Property, plant and equipment	524	407	214	80	200	1,425
Property, plant and equipment on acquisition	-	161	-	-	-	161
Intangible assets acquired	9,233	26,491	8,554	-	-	44,278

Unallocated assets and liabilities include cash, loans and taxation. The investment in and loss of the associate are both included in the Rest of Europe segment above.

5 Other Revenue And Expenses

Group operating profit is stated after charging/(crediting):

	2008 £'000	2007 £'000
Included in administrative expenses:		
Research and development expenditure	8,044	5,374
Bad debt	460	159
Depreciation of property, plant and equipment	1,630	1,506
Amortisation of intangible fixed assets	5,743	4,294
Operating lease rentals for plant and machinery	763	69
Operating lease rentals for land and buildings	4,953	3,737
Operating lease rentals received for land and buildings	(150)	(150)
Net foreign exchange (gains)/ losses	(764)	644
Loss on derivatives	3,764	1,267

The net foreign exchange (gains)/ losses above arose due to movements in foreign currencies between the time of the original transaction and the realisation of the cash collection or spend, and the retranslation of US Dollar and Euro denominated loans.

Auditors' Remuneration

	2008 £'000	2007 £'000
Audit of the Group financial statements	226	235
Other fees to auditors:		
Local statutory audits for subsidiaries	69	48
Other taxation services *	101	170
Other services *	13	186

* Included within these two captions are fees amounting to £nil in relation to the acquisitions in the year (2007: £253,000) which have been capitalised as opposed to charged through the profit and loss account.

Staff costs

	2008 £'000	2007 £'000
Wages and salaries	61,830	46,246
Social security costs	7,895	6,306
Pension costs (included in administrative expenses)	1,845	1,397
Expense of share based payments	1,391	831
	72,961	54,780

The Company operates a personal pension scheme for qualifying employees. Other companies acquired have similar schemes for their qualifying members, although SDL Global Solutions (Ireland) Limited operates a defined contribution scheme with contributions made by the Company placed in a separately administered pension fund. The pension cost charge for the year represents contributions payable by the Group to these schemes and amounted to £1,845,187 (2007: £1,396,745).

The average number of employees during the year, including executive directors, was made up as follows:

	2008 Number	2007 Number
Administration and sales	519	464
Production	1,413	1,257
	1,932	1,721

Finance costs

	2008 £'000	2007 £'000
Bank loans	462	628

Finance revenue

	2008 £'000	2007 £'000
Bank interest receivable	471	489

6 Income Tax

(a) Income tax on profit

	2008 £'000	2007 £'000
Current taxation		
UK Income tax charge		
Current tax on income for the period	1,264	-
Adjustments in respect of prior periods	(122)	(131)
Tax credit for share options taken to equity	494	945
	1,636	814
Foreign taxation		
Current tax on income for the period	4,247	3,311
Adjustments in respect of prior periods	58	(36)
	4,305	3,275
Total current taxation	5,941	4,089
Deferred income taxation		
Origination and reversal of temporary differences	487	(104)
Adjustments in respect of prior periods	(77)	(71)
Deferred tax movement for share options taken to equity	(1,041)	(359)
Total deferred income tax	(631)	(534)
Tax expense (see (b) below)	5,310	3,555

An aggregate tax debit in respect of share based compensation for current and deferred taxation of £547,000 (2007: credit of £586,000) has been recognised in equity in the year.

(b) Factors affecting tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of income tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	19,850	12,725
Profit on ordinary activities at standard rate of tax in the UK 28.5% (2007: 30%)	5,657	3,818
Expenses not deductible for tax purposes	22	201
Non deductible amortisation of intangibles	220	230
Non taxable income	(217)	(101)
Adjustments in respect of previous years	(141)	(238)
Utilisation of tax losses brought forward previously not recognised	(308)	(112)
Current tax losses not available for offset	631	241
Effect of overseas tax rates	(894)	(572)
Other	340	88
Tax expense (see (a) above)	5,310	3,555

(c) Factors that may affect future tax charges

The Group may claim a Schedule 23 tax credit in respect of certain share based compensation benefits. Due to the requirements of IAS 12, in conjunction with IFRS 2, the amount of benefit that can be recognised in the income statement has been restricted in the current year and may also be restricted in future periods. Any surplus tax credit will be recorded in equity.

There are temporary differences which arise in relation to unremitted earnings of overseas subsidiaries. Since the Group is able to control dividend distributions from these companies it is unlikely that further UK tax on repatriation of these earnings will be payable in the foreseeable future. Consequently no deferred tax liability has been provided.

(d) Deferred income tax

The amounts recognised and unrecognised for deferred income tax are set out below:

	Recognised 2008 £'000	Unrecognised 2008 £'000	Recognised 2007 £'000	Unrecognised 2007 £'000
Depreciation in advance of capital allowances	529	-	356	-
Other short-term temporary differences	(5,983)	-	(5,534)	-
Tax losses	3,809	3,630	2,300	3,285
Net deferred income tax (liability)/asset	(1,645)	3,630	(2,878)	3,285

The Group has tax losses in net terms of £3,630,000 (2007: £3,285,000) that may be available for use by offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Group cannot foresee profitability in the companies where the losses arose with sufficient certainty.

Included within other short term temporary differences are deferred tax assets in respect of potential Schedule 23 tax benefits of £647,000 (2007: £1,316,000) and a deferred tax liability in respect of the amortisation of certain intangible assets acquired, recognised in accordance with IAS 38, of £7,332,000 (2007: £6,798,000).

At 31 December 2008 the net deferred income tax position is represented by a deferred income tax asset of £6,455,000 (2007: £4,663,000) and a deferred income tax liability of £8,100,000 (2007: £7,541,000).

(e) Reconciliation of movement on deferred tax liability

	2008 £'000	2007 £'000
At 1 January	7,541	2,981
Retranslation of opening balances	473	-
Deferred tax liability arising on intangible assets acquired	1,145	5,505
Reversal of temporary differences arising on the amortisation of intangibles	(594)	(1,045)
Other temporary differences arising in the period	(465)	100
Deferred tax liability at 31 December	8,100	7,541

(f) Reconciliation of movement on deferred tax asset

	2008 £'000	2007 £'000
At 1 January	4,663	2,005
Retranslation of opening balances	756	-
Deferred taxation arising from companies acquired during the period	2,476	3,177
Temporary differences arising in the period	(771)	(372)
Deferred income tax asset arising on share based payments recorded in income statement	372	212
Deferred income tax asset arising on share based payments recorded in statement of changes in equity	(1,041)	(359)
Deferred tax asset at 31 December	6,455	4,663

7 Earnings Per Share

The calculation of basic earnings per ordinary share is based on a profit after tax attributable to equity holders of the parent of £14,485,000 (2007: £9,170,000) and 75,386,189 (2007: 70,157,960) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per ordinary share is calculated by including in the weighted average number of shares the dilutive effect of potential ordinary shares related to committed share options as described in note 19. For 2008 the diluted ordinary shares were based on 77,257,969 ordinary shares that included 1,871,780 potential weighted number of options.

The following reflects the income and share data used in the calculation of adjusted earnings per share computations:

	2008 £'000	*2007 £'000*
Profit for the year	14,485	9,170
Amortisation of intangible fixed assets	5,743	4,294
Less: deferred tax benefit associated with the amortisation of intangible fixed assets	(1,392)	(1,015)
Adjusted profit for the year	18,836	12,449

	2008 No.	*2007 No.*
Weighted average number of ordinary shares for basic earnings per share	75,386,189	70,157,960
Effect of dilution resulting from share options	1,871,780	1,316,349
Weighted average number of ordinary shares adjusted for the effect of dilution	77,257,969	71,474,309

	2008	*2007*
Adjusted earnings per ordinary share – basic (pence)*	24.99	17.74
Adjusted earnings per ordinary share – diluted (pence)*	24.38	17.42

* The adjusted earnings per share comparatives have been restated to reflect the deferred tax effects of the amortisation of intangible fixed assets. Previously the group added back the amortisation only and not the related deferred tax benefit/charge.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

8 Property, Plant And Equipment

	Leasehold Improvements £'000	*Computer Equipment £'000*	*Fixtures & Fittings £'000*	*Motor Vehicles £'000*	*Total £'000*
Cost:					
At 1 January 2007	1,418	6,753	1,474	119	9,764
Additions	193	1,135	97	-	1,425
Disposals	(520)	(762)	(15)	(12)	(1,309)
Acquisition of subsidiaries	-	88	73	-	161
Currency adjustment	96	500	109	4	709
At 1 January 2008	1,187	7,714	1,738	111	10,750
Additions	69	1,305	902	47	2,323
Disposals	-	(490)	(6)	(54)	(550)
Acquisition of subsidiaries	-	170	22	-	192
Currency adjustment	265	2,050	370	8	2,693
At 31 December 2008	1,521	10,749	3,026	112	15,408
Accumulated depreciation:					
At 1 January 2007	(644)	(5,021)	(918)	(77)	(6,660)
Provided during the year	(316)	(1,026)	(153)	(11)	(1,506)
Disposals	519	716	11	-	1,246
Currency adjustment	(70)	(439)	(78)	(3)	(590)
At 1 January 2008	(511)	(5,770)	(1,138)	(91)	(7,510)
Provided during the year	(169)	(1,233)	(217)	(11)	(1,630)
Disposals	-	425	-	47	472
Currency adjustment	(175)	(1,775)	(258)	(8)	(2,216)
At 31 December 2008	(855)	(8,353)	(1,613)	(63)	(10,884)
Net book value:					
At 31 December 2008	666	2,396	1,413	49	4,524
At 1 January 2008	676	1,944	600	20	3,240

9 Intangible Assets

	Intellectual Property £'000	*Goodwill £'000*	*Total £'000*
Cost:			
At 1 January 2007	19,090	59,337	78,427
Acquisition of subsidiaries	18,353	25,925	44,278
Currency adjustment	1,599	2,555	4,154
At 1 January 2008	39,042	87,817	126,859
Acquisition of subsidiaries	4,090	11,737	15,827
Reclassification	(1,661)	1,661	-
Adjustment to deferred tax liability	-	(465)	(465)
Recovery of costs from Trados acquisition	-	(1,354)	(1,354)
Currency adjustment	10,966	20,470	31,436
At 31 December 2008	52,437	119,866	172,303
Amortisation:			
At 1 January 2007	(7,843)	(12,203)	(20,046)
Provided during the year	(4,294)	-	(4,294)
Currency adjustment	(219)	-	(219)
At 1 January 2008	(12,356)	(12,203)	(24,559)
Provided during the year	(5,743)	-	(5,743)
Currency adjustment	(3,776)	-	(3,776)
At 31 December 2008	(21,875)	(12,203)	(34,078)
Net book value:			
At 31 December 2008	30,562	107,663	138,225
At 1 January 2008	26,686	75,614	102,300

During the year £1,354,000 cash was received reflecting a reduction in the consideration paid for Trados Inc, acquired in 2005.

Intellectual property is written off on a straight-line basis over its estimated useful life of between 5 and 15 years. As from 1 January 2004, the date of transition to IFRS, goodwill was no longer amortised but is now subject to annual impairment testing (see note 12). The Group has not capitalised any development costs in the year (2007: £nil). The reasons for the non capitalisation of development costs in the year are outlined in the Operating and Financial Review – Overheads.

10 Investments In Subsidiaries

Details of the investments in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Name of Company	*Country of Incorporation*	*Holding*	*Proportion of Voting Rights*	*Nature of Business*
Held directly:				
SDL Sheffield Limited	England & Wales	Ordinary	100%	Translation services
Software & Documentation Localisations France SARL	France	Ordinary	100%	Translation services
SDL Sweden AB	Sweden	Ordinary	100%	Translation services
SDL Global Solutions (Ireland) Limited	Ireland	Ordinary	100%	Translation services and Technology
SDL International Belgium NV	Belgium	Ordinary	100%	Translation services
SDL Software Technology (Shenzhen) Co. Ltd	China	Ordinary	100%	Translation services
SDL Inc.	United States of America	Ordinary	100%	Holding company
SDL Poland Sp z.o.o	Poland	Ordinary	100%	Translation services
SDL International America Inc	United States of America	Ordinary	100%	Translation services and Technology
SDL Japan KK	Japan	Ordinary	100%	Translation services
SDL Holdings BV	Netherlands	Ordinary	100%	Holding company
SDL do Brasil Servicos de Traduçao Ltda	Brazil	Ordinary	100%	Translation services
Trisoft NV	Belgium	Ordinary	95%	Technology
SDL Enterprise Technologies Inc	United States of America	Ordinary	100%	Technology
SDL Multilingual Solutions Private Ltd	India	Ordinary	100%	Translation Services

Name of Company	Country of Incorporation	Holding	Proportion of Voting Rights	Nature of Business
Held indirectly:				
SDL Passolo GmbH	Germany	Ordinary	100%	Holding company
SDL Italia Srl	Italy	Ordinary	100%	Translation services
SDL Spain SL	Spain	Ordinary	100%	Translation services
SDL International Nederland BV	Netherlands	Ordinary	100%	Translation services
SDL International (Canada) Inc.	Canada	Ordinary	100%	Translation services
SDL Nederland Holding BV	Netherlands	Ordinary	100%	Technology
Tridion Holding BV	Netherlands	Ordinary	100%	Technology
SDL Multilingual Services GmbH & Co KG	Germany	Ordinary	100%	Translation services
SDL Multi-Lingual Solutions (Singapore) PTE Ltd	Singapore	Ordinary	100%	Translation services
SDL Magyaror szaj szolgaltato Kft	Hungary	Ordinary	100%	Translation services
SDL CZ s.r.o	Czech Republic	Ordinary	100%	Translation services
SDL Traduceri S.R.L.	Romania	Ordinary	100%	Translation services
SDL Zagreb LLC	Croatia	Ordinary	100%	Translation services
SDL d.o.o Ljubljana	Slovenia	Ordinary	100%	Translation services
ZAO SDL Rus	Russia	Ordinary	100%	Translation services
Trados GmbH	Germany	Ordinary	100%	Technology
SDL Tridion Corporate Services BV	Netherlands	Ordinary	100%	Technology
SDL Tridion Devpt. Centre LLC	Ukraine	Ordinary	100%	Technology
SDL Tridion Devpt. Lab BV	Netherlands	Ordinary	100%	Technology
SDL Tridion GmbH	Germany	Ordinary	100%	Technology
Tridion AB	Sweden	Ordinary	100%	Technology
SDL Tridion BV	Netherlands	Ordinary	100%	Technology
SDL Tridion BVBA	Belgium	Ordinary	100%	Technology
SDL Tridion Hispania SL	Spain	Ordinary	100%	Technology
SDL Tridion SAS	France	Ordinary	100%	Technology
Tridion Ltd	England & Wales	Ordinary	100%	Technology
SDL Tridion Inc	United States of America	Ordinary	100%	Technology

The proportion of voting rights held as at 31 December 2007 is as shown above. There have been no changes during 2008, with the exception of the acquisition of Idiom Technologies Inc (renamed SDL Enterprise Technologies Inc) and Trisoft NV.

11 Investment In An Associate

	2008 £'000	2007 £'000
Carrying value at 1 January	256	-
Acquisitions	-	256
Reclassification to investments in subsidiaries on obtaining control	(256)	-
Carrying value at 31 December	-	256

In December 2007 the Group acquired a 49% interest in the share capital of Trisoft NV, a company based in Belgium. At the time of the acquisition, SDL plc entered into a call option agreement with the remaining shareholders allowing the Group to acquire the remaining 51% on a predetermined valuation formula. This call option was not exercisable until 7 June 2008 and consequently the 49% investment was accounted for as an investment in an associate in the 2007 accounts.

While SDL plc did not exercise its call option until 29 September 2008, the Directors considered that the Group had control over more than 50% of the voting rights from 7 June 2008 by virtue of the existence of the exercisable call option and therefore the results of Trisoft NV were consolidated with those of the Group. As a result the interest in Trisoft NV was treated as an associate company from 1 January 2008 to 7 June 2008 and has been consolidated into the Group since that date.

Trisoft NV is not listed on any public exchange. The following table illustrates the financial information of the Group's investment in Trisoft NV:

Share of the associate's balance sheet:

	2007 £'000
Current assets	90
Non-current assets	331
Current liabilities	(216)
Non-current liabilities	(44)
Net assets	161

Share of the associate's revenue and loss:

	2008 £'000	2007 £'000
Revenue	-	40
Loss	(9)	(35)

The 2008 figures represent the share of the associate's revenue and loss for the period 1 January to 7 June 2008 before consolidation.

12 Impairment Testing Of Goodwill And Intangibles With Indefinite Lives

The Group has goodwill that has been acquired through business combinations but does not hold any intangible assets that have indefinite lives ascribed to them.

The approach of the Group is to test impairment at the cash generating unit level, this is the lowest level of unit at which the group is effectively able to manage and monitor performance, cash flow and goodwill. For the 2008 financial year, given the very high degree of integration achieved within the acquired technology businesses three cash generating units have been determined for testing; Tridion, Technology (excluding Tridion) and Translations Services. Where possible the goodwill has been allocated for impairment testing purposes to these cash generating units and full attribution of overheads and group costs has been made to each of the units in testing impairment.

At the balance sheet date none of the fair values assigned to goodwill and intangibles are provisional and all have been subject to audit.

In order to evaluate the recoverable amounts relating to the cash-generating units the following key information should be noted.

The recoverable amount has been determined using the detailed projections from the 2009 budget projected for a five year period and subsequently into perpetuity, and a post-tax discount rate of 12.7% (2007: 12.6%). The budget has been prepared at the cash generating unit level based on historical trends adjusted for expected events. These individual budgets have been aggregated as the basis for the 2009 budget. The discount rate has been calculated as the weighted average cost of capital.

This methodology places strong emphasis on early year cash flows in evaluating impairment. The valuation is on a value in-use basis but has reduced perpetual growth rates from the 5% assumed last year to approximately 3.2%. Differential perpetual growth rates have been used reflecting the relative maturity of the cash generating units with 2% applied to the Translation Services business and 4% applied to the technology business and Tridion. Whilst the rates of growth vary across individual cash generating units a long term average growth rate for the 5 years pre-perpetuity of 10% has been used for the tests when considering the Group as a whole. Differential growth rates have been applied to the different cash-generating units according to market growth projections of 5-10% for Translation Services and 10-15% for Technology and Tridion. It should be noted that whilst there is increasing linkage between the cash generating units in terms of cross selling and mutual exploitation of synergy no benefits have been assumed here.

Carrying amount of goodwill allocated to cash-generating units:

	2008 £'000	*2007 £'000*
Translation Services	21,087	20,931
Technology (excluding Tridion)	51,709	28,480
Tridion	34,867	26,203
	107,663	75,614

Sensitivity to changes in assumptions

Having performed its impairment tests and having analyzed the various sensitivities to these tests management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the relevant units to exceed their recoverable amounts.

Next impairment test

The next impairment tests will be performed at the half year 2009. However, managment continues to monitor the performance of its cash generating units closely and should it believe a significant event has occurred which deteriorates the forward operating prospects of the business it will move to bring forward these tests.

13 Trade And Other Receivables (Current)

	2008 £'000	*2007 £'000*
Trade receivables	35,147	25,809
Corporation tax	561	700
Prepayments and accrued income	9,390	7,178
	45,098	33,687

All amounts are due within one year. Trade receivables are non-interest bearing and on average have thirty to sixty day settlement terms. Accrued income is the work in progress recognised on projects per the accounting policy outlined in Note 2.

As at 31 December 2008, trade receivables at nominal value of £1,616,000 (2007: £1,146,000) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	Total £'000
At 1 January 2007	745
Acquired companies provision at date of acquisition	287
Charge for the year	159
Utilised in the year	(45)
At 31 December 2007	1,146
Acquired companies provision at date of acquisition	3
Charge for the year	460
Utilised in the year	(155)
Currency adjustment	162
At 31 December 2008	1,616

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due		
	Total £'000	*Not past due £'000*	*<30 days £'000*	*30-60 days £'000*	*>60 days £'000*
2008	35,147	25,586	6,494	1,785	1,282
2007	25,809	18,851	5,354	1,232	372

14 Cash And Cash Equivalents

	2008 £'000	*2007 £'000*
Cash at bank and in hand	31,227	21,511

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £31,227,000 (2007: £21,511,000).

At 31 December 2008, the Group had available £20,000,000 (2007: £2,845,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purposes of the cash flow statement cash and cash equivalents comprise the amounts shown above.

15 Trade And Other Payables (Current)

	2008 £'000	2007 £'000
Trade payables	5,659	4,621
Other taxes and social security costs	2,044	1,993
Other payables	1,404	1,585
Accruals and deferred income	34,420	23,849
	43,527	32,048

The terms and conditions of the above financial liabilities are as follows:

Trade payables are non-interest bearing and are normally settled within 45 days.

Other taxes and social security costs are non-interest bearing and have an average term of 1 month.

Other payables, generally, are non-interest bearing and have an average term of 2 months.

16 Interest Bearing Loans And Borrowings

	2008 £'000	2007 £'000
Current		
Current instalments due on bank loans	-	2,000
Non - current		
Non - current instalments due on bank loans	-	4,055

Bank loans comprise the following:

	2008 £'000	2007 £'000
£nil variable rate secured term loan	-	3,900
US $nil variable rate secured revolving credit facility	-	2,155
	-	6,055
Less current instalments due on bank loans	-	(2,000)
	-	4,055

The US$ variable rate term loan and the US$ variable rate loan secured on the revolving credit facility were fully repaid during the year.

17 Provisions

	Property Leases £'000	NIC on Options £'000	Restructuring £'000	Total £'000
At 1 January 2008	465	175	20	660
Arising during the year	609	150	-	759
Released	-	-	(20)	(20)
Utilised	(40)	(237)	-	(277)
At 31 December 2008	1,034	88	-	1,122
Current 2008	38	-	-	38
Non-current 2008	996	88	-	1,084
At 31 December 2008	1,034	88	-	1,122
Current 2007	38	-	20	58
Non-current 2007	427	175	-	602
At 31 December 2007	465	175	20	660

Property Leases

The provision for property leases is in respect of closed leasehold premises, from which the Group no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry dates. Obligations are payable within a range of one to 13 years. Amounts have been provided on current rentals and are management's best estimate of the likely future cash outflows and opportunities to sub-let the properties. The provision has been discounted using market interest rates. The undiscounted provision is £1,168,000.

NIC on Options

A provision of £88,000 (2007: £175,000) was held this year for National Insurance Contributions (NIC) arising on unapproved share option schemes. The provision is based on the difference between the price at which the options were granted and the year-end share price.

Restructuring

The restructuring provision of £20,000 brought forward from 2007 was set up to cover the costs of the restructuring of Trados following its acquisition in July 2005. The balance of the provision was released in 2008.

18 Share Capital

	2008 £	2007 £
Authorised		
100,000,000 Ordinary shares of 1p each	1,000,000	1,000,000

Allotted, called up and fully paid

	2008 thousands	2007 thousands	2008 £	2007 £
Ordinary shares of 1p each				
At 1 January	74,977	62,474	749,771	624,740
Issued on exercise of share options	731	1,139	7,307	11,392
Issued on acquisition of subsidiaries	32	11,364	321	113,639
At 31 December	75,740	74,977	757,399	749,771

The following movements in the ordinary share capital of the Company occurred during 2008:

1. 730,686 ordinary shares of 1p each were allotted under the SDL Share Option Scheme (1999) and earlier Unapproved Option Schemes at a price range of 3 pence to 307 pence per share for an aggregate consideration of £489,311.
2. On 16 June 2008 32,146 ordinary shares of 1p each were allotted in equal proportions to Florian Sachse and Achim Herrmann. This represented a portion of the consideration for the purchase of PASS GmbH that took place in June 2007.

19 Share-Based Payment Plans

On 1 December 1999 the Company adopted the SDL Share Option Scheme (1999). It comprises two parts, namely the SDL Approved Share Option Scheme (1999) ("Approved Part") and the SDL Unapproved Share Option Scheme (1999) ("Unapproved Part"). The Approved Part has been approved by the Board of the Inland Revenue under the provisions of the Income and Corporation Taxes Act 1988. The Unapproved Part has not been approved by the Inland Revenue and it is not intended to apply for approval in respect of it.

On 27 April 2006 a long term incentive plan (LTIP) was formally approved by the shareholders at an EGM. The award of any LTIP shares is made at nil costs to the directors or employees (with the exception of the 1p nominal value of each share awarded) at the end of a three year holding period provided stringent performance targets have been met. These performance targets are detailed in the Directors' Remuneration Report on page 41.

On 28 February 2008 163,129 and on 28 November 2008 98,887 LTIP shares were granted to the executive directors at a market price of £2.7892 and £2.0225 respectively, with a performance period of three years from date of grant, and 418,001 and 137,786 on 28 February 2008 and 2 April 2008 respectively to certain senior management employees.

On 24 April 2008 a Save As You Earn (SAYE) scheme was formally approved by the shareholders at the AGM. The scheme is open to all eligible UK employees and is linked to monthly savings contracts over a 3 year period. Options have been granted to scheme participants at 80% of the prevailing market price. The market price is taken the day prior to the date of invitiations to apply for an option. There are no performance conditions attached to the exercise of these options. These options may be exercised within a fixed six-month period, three years from the date of grant.

The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2008 is £1,391,000 (2007: £831,000).

SDL Share Option Scheme

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Share Options Scheme during the year:

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	2,861,508	£1.65	3,422,418	£0.87
Granted during the year	856,300	£2.79	680,000	£3.75
Forfeited during the year	(369,233)	£3.38	(101,750)	£1.10
Exercised during the year	(730,686)	£0.67	(1,139,160)	£0.58
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,617,889	£2.03	2,861,508	£1.65
Exercisable at 31 December	1,348,904	£1.35	1,559,761	£0.77

The weighted average share price at the date of exercise for the options exercised is £3.31 (2007: £3.73).

For the share options outstanding as at 31 December 2008, the weighted average remaining contractual life is 6.74 years (2007: 6.44 years).

The fair value of equity settled share options granted under the SDL Share Option Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2008	2007
Weighted average share price (pence)	279	218
Expected volatility	35%	35%
Expected option life	4 years	5 years
Expected dividends	0%	1%
Risk-free interest rate	5%	5%

The range of exercise prices for options outstanding at the end of the year was £0.01-£3.745 (2007: £0.01-£3.745).

	Date of Grant	Exercise Period	2008 Number	2007 Number
£0.01 - £0.50	01/01/92-16/04/03	10 years after grant date	171,900	538,753
£0.51 - £1.00	15/10/99-12/12/03	10 years after grant date	357,247	477,693
£1.01 - £1.50	02/04/04-04/04/05	10 years after grant date	667,155	882,812
£1.51 - £2.00	07/04/01	10 years after grant date	3,750	3,750
£2.01 - £2.50	22/03/06-03/10/06	10 years after grant date	202,270	257,500
£2.51 - £3.00	28/02/08	10 years after grant date	770,700	-
£3.01 - £3.50	12/05/00-1/6/00	10 years after grant date	16,000	17,000
£3.51 - £4.00	16/10/00-23/5/07	10 years after grant date	428,867	684,000
Total			2,617,889	2,861,508

SDL Long Term Incentive Plan

The fair value of equity-settled shares granted under the SDL Long Term Incentive Plan is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2008.

	2008	*2007*
Expected volatility	35-45%	35%
Expected life	3 years	3 years
Expected dividends	0%	0%
Risk-free interest rate	5%	5%

	2008 No.	*2008 WAEP*	*2007 No.*	*2007 WAEP*
Outstanding at the beginning of the year	1,190,174	-	935,635	-
Granted during the year	817,803	-	321,074	-
Forfeited during the year	(70,819)	-	(65,995)	-
Outstanding at the end of the year	1,937,158	-	1,190,714	-
Exercisable at 31 December	Nil	-	Nil	-

All LTIPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded).

SDL Save As You Earn Scheme (SAYE)

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Save As You Earn Scheme during the year:

	2008 No.	*2008 WAEP*
Outstanding at the beginning of the year	-	-
Granted during the year	170,544	£2.56
Forfeited during the year	(734)	£2.56
Outstanding at the end of the year	169,810	£2.56
Exercisable at 31 December	-	-

For the SAYE shares outstanding as at 31 December 2008, the weighted average remaining contractual life is 2.58 years.

The fair value of equity settled share options granted under the SDL SAYE Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2008
Weighted average share price (pence)	256
Expected volatility	35%
Expected option life	3.5 years
Expected dividends	0%
Risk-free interest rate	5%

20 Additional Cash Flow Information

Analysis of group net cash:

	1 January 2008 £'000	*Cash flow £'000*	*Debt Acquired on acquisition £'000*	*Exchange differences £'000*	*31 December 2008 £'000*
Cash and cash equivalents	21,511	3,275	-	6,441	31,227
Loans	(6,055)	8,055	(1,932)	(68)	-
	15,456	11,330	(1,932)	6,373	31,227

	1 January 2007 £'000	*Cash flow £'000*	*Debt Acquired on acquisition £'000*	*Exchange differences £'000*	*31 December 2007 £'000*
Cash and cash equivalents	7,978	13,336	-	197	21,511
Loans	(11,656)	5,469	-	132	(6,055)
	(3,678)	18,805	-	329	15,456

21 Commitments And Contingencies

The Group has entered into commercial leases on certain properties used as offices. The future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Other		*Land and buildings*		*Total*	
	2008 £'000	*2007 £'000*	*2008 £'000*	*2007 £'000*	*2008 £'000*	*2007 £'000*
Within one year	756	611	3,676	2,781	4,432	3,392
After one year but not more than five years	868	660	10,970	7,126	11,838	7,786
More than five years	21	-	5,303	9,460	5,324	9,460
	1,645	1,271	19,949	19,367	21,594	20,638

There is sublease rental of £150,000 per annum for a minimum term of 6 years to 2014.

22 Related Party Disclosures

Compensation of key management personnel of the Group

	2008 £'000	2007 £'000
Short term employee benefits	1,575	1,390
Post employment benefits	95	44
Gains on disposal of share options	1,063	2,145
Total compensation paid to key management personnel	2,733	3,579

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been included in this note.

23 Financial Risk Management Objectives And Policies

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Operating and Financial Review on pages 22 to 29.

Interest Rate Risk:
Interest rate risk has diminished considerably during 2008 as the long term facilities that the Group had with RBS have been paid down fully by the end of the 2008 financial year based on the strong operating cash flows generated by the Group. The interest rates that the group paid under the facility are linked directly to the 3 month LIBOR rate. At the balance sheet date the Group retains committed facilites to the value of £20 million.

To ensure adequate working capital the Group maintains cash deposits and these deposits are affected by any movements in rates of interest generally. These cash deposits are generally receiving interest income at LIBOR (or USD, EURO equivalent) plus a margin. The Group seeks to place all cash surplus to operational requirements in secure money market funds, mainly in overnight funds. To enhance the interest earning capacity of the Group, processes have been put in place to ensure that cash balances held by subsidiary companies are kept as low as operationally possible. With regard to relative interest rates, adequate cash is retained in key operating currencies to fund the operational needs of the Group.

The following table demonstrates the sensitivity to a 1 per cent change in the UK £ interest rate:

Profit before tax gain/(loss)	2008 £'000	2007 £'000
+ 1 %	71	(19)
- 1 %	(71)	19

The following table demonstrates the sensitivity to a 1 per cent change in the Euro interest rate:

Profit before tax gain/(loss)	2008 £'000	2007 £'000
+ 1 %	145	125
- 1 %	(145)	(125)

The following table demonstrates the sensitivity to a 1 cent change in the US$ interest rate:

Profit before tax gain/(loss)	2008 £'000	2007 £'000
+ 1 %	68	39
- 1 %	(68)	(39)

Liquidity Risk:
The Group's objective is to optimise the funds currently available to it in order to maintain the lowest operational borrowing profile necessary. At the end of 2008 the Group had no external borrowings and approximately £31 million of net cash. Underpinning this philosophy are processes to manage operating cash flow, with a focus on approvals policy for significant cash outlays and credit control.

Foreign Currency Risk:
A significant amount of business is done with customers in both the USA and Continental Europe, with approximately 37% of total invoicing done in $ and 46% in Euro. The most significant profit sensitivity is to the $ as illustrated below. This overseas client base gives rise to short-term debtors and cash balances in both US Dollars and Euros. Consequently, the movements in the US Dollar/Sterling and Euro/Sterling exchange rates affect the Group Balance Sheet, as well as the Profit and Loss Account. The Group seeks to manage this risk in the first instance by looking to a natural hedge and ensuring where possible currency needs in the USA are funded from the settlement of US Dollar denominated debtors. Given the sensivity to the $ the Group also selectively hedges the $ exposure with historical benchmarks aimed at hedging up to two thirds of perceived $ exposure in any one financial year. $ hedges are approved in full by the Board and the relative exposure position, in terms of outstanding $ hedges is confirmed at each Board meeting. At the end of 2008 the Board has $24,000,000 of hedges outstanding with a maturity profile out to August 2009 at an average strike price of $1.66/1GBP. The Board has been comfortable to trade at this level, given the degree of economic uncertainty. These outstanding hedges have been fully marked to market in the 2008 financial statements.

In addition, the group has exposure on the Balance Sheet to the movements in US Dollar/Sterling and Euro/Sterling exchange rates as a result of intangible assets held in non functional currency, the retranslation of US and Continental European overseas subsidiaries net assets into UK Sterling for consolidation purposes and finally intercompany loan and trading relationships held in non functional currency. In the case of the latter, this can have an impact on net profitability where the intercompany relationships are not treated for accounting purposes as equity loans.

The Profit and Loss is also affected by movements in the US Dollar/Sterling and Euro/Sterling exchange rates when sales to customers are converted to Sterling at the date of the sales transaction, as this will vary from month to month. This is partially offset by the effect of retranslating US Dollar and Euro denominated costs into UK sterling from month to month.

The following table demonstrates the sensitivity to a 1 cent change in the US dollar exchange rate.

Profit before tax gain/(loss)	2008 £'000	2007 £'000
+ 1 cent	(213)	(201)
- 1 cent	216	203
Balance Sheet* increase/(decrease) in net assets		
+ 1 cent	(259)	(304)
- 1 cent	263	307

The following table demonstrates the sensitivity to a 1 cent change in the Euro exchange rate.

Profit before tax gain/(loss)	2008 £'000	2007 £'000
+ 1 cent	(65)	(39)
- 1 cent	66	39
Balance Sheet* increase/(decrease) in net assets		
+ 1 cent	(1,131)	(503)
- 1 cent	1,153	510

* Based on the Balance Sheet at 31 December

If the Balance Sheet sensitivities were run on the basis of the exchange rates used at 31 December 2007, the effect of a +1 cent change in the US dollar would reduce net assets by £125,000 and a -1 cent change would increase net assets by £126,000. Similarly a +1 cent change in the Euro would reduce net assets by £660,00 and a -1 cent change would increase net assets by £670,000.

Economic Conditions – Credit Control Risk

Given the deteriorating economic conditions towards the end of 2008, SDL continues to benefit from a diverse list of major clients of which no client contributes more than 5% of sales. The Group is however placing emphasis on sound application of credit control processes given the recent deterioration in macro-economic conditions.

24 Derivatives And Other Financial Instruments

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the financial assets and liabilities of the group as at 31 December is as follows:

Year ended 31 December 2008

Floating rate	Within 1 year £'000	1–2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Cash	31,227	-	-	-	-	-	31,227

Year ended 31 December 2007

Floating rate	Within 1 year £'000	1–2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Cash	21,511	-	-	-	-	-	21,511
£3,900,000 variable rate secured loan	(2,000)	(1,900)	-	-	-	-	(3,900)
US$4,294,000 variable rate secured loan	-	(2,155)	-	-	-	-	(2,155)

Maturity of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2008:

	On demand £'000	Less than 12 months £'000	Over 12 months £'000	Total £'000
Other liabilities	-	38	1,208	1,246
Trade and other payables	-	43,527	-	43,527
Other financial liabilities	-	2,016	-	2,016
	-	45,581	1,208	46,789

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007:

	On demand £'000	Less than 12 months £'000	Over 12 months £'000	Total £'000
Interest bearing loans and borrowings	-	2,000	4,055	6,055
Other liabilities	-	58	817	875
Trade and other payables	-	32,048	-	32,048
Other financial liabilities	-	793	-	793
	-	34,899	4,872	39,771

Borrowing facilities

The Group has one borrowing facility available to it. The undrawn committed facilities available at each year end were as follows:

	2008 £'000	2007 £'000
Expiring in one year or less	20,000	2,845

Credit risk

Under the RBS facility agreement the SDL group is required to retain at least 60% of its cash held by the Group within a Charging Group defined as a list of Charging Subsidiaries and the borrower (SDL Plc). This exposes the Group to counterparty risk based on the banks with whom the Charging Group holds cash deposits. The most significant counterparty risk is with RBS. The maximum credit risk exposure related to financial assets is represented by the carrying value as at the balance sheet date.

Fair values of financial assets and liabilities

All financial assets and liabilities are held at their fair value in the consolidated balance sheet. The directors consider that there were no material differences between the book values and fair values of all the Group's financial assets and liabilities at each year-end. The fair values have been calculated using the market interest rates where applicable.

As mentioned in note 23 above at 31 December 2008 the Group had hedge arrangements in place with value dates commencing in January 2009 through to August 2009 of $24,000,000 under which it is able to sell $ at varying rates that on average approximate to $1.66/1 GBP. The detail of the forward hedging arrangments in place at 31 December 2008 is given in the table below:

Forward contracts to hedge future cash inflows:

Amount	*Fixing date*	*Strike rate*
US$ 2 million	9 January 2009	1.7590
US$ 2 million	28 January 2009	1.6247
US$ 2 million	9 February 2009	1.7570
US$ 2 million	27 February 2009	1.6232
US$ 2 million	9 March 2009	1.7540
US$ 2 million	30 March 2009	1.6227
US$ 2 million	9 April 2009	1.7520
US$ 2 million	28 April 2009	1.6202
US$ 2 million	28 May 2009	1.6177
US$ 2 million	29 June 2009	1.6162
US$ 2 million	28 July 2009	1.6152
US$ 2 million	28 August 2009	1.6142

As at 31 December 2008 the Group's hedging contracts were valued at a liability of £2,016,000 (2007: liability £788,000), with an unrealised loss of £1,228,000 (2007: loss £1,257,000) being recognised in the income statement in 2008, reflecting the movement in exchange rates during the year.

The Group had no outstanding borrowings on loan facilities that the Group held with RBS at 31 December 2008 and therefore had no sensitivity to interest rate risk on these facilities at the balance sheet date. The interest rates that the Group would pay under the facilties are linked directly to the 3 month LIBOR rate.

As at 31 December the Group's interest rate contract was valued at a liability of £71,000 (2007: liability £5,000), with a loss of £66,000 (2007: loss £10,000) being recognised in the income statement in 2008, reflecting the movement in interest rates during the year.

These financial instruments do not qualify for hedge accounting and therefore any gains and losses arising are taken directly to the profit and loss for the period.

25 Post Balance Sheet Events

There are no known events occurring after the balance sheet date that require disclosure.

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that 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 Companies Act 1985. 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.

We have audited the parent company financial statements of SDL plc for the year ended 31 December 2008 which comprise the Company Balance Sheet and the related notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. We have reported separately on the Group financial statements of SDL plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Review of the Business section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, Directors, Operating and Financial Review, Corporate Governance Report, the unaudited part of the Directors' Remuneration Report, Directors' Report and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Ernst and Young LLP
Registered Auditor
Reading

5 March 2009

	Notes	2008 £'000	2007 £'000 Restated
FIXED ASSETS			
Intangible assets	2	1,362	3,027
Tangible assets	3	887	976
Investments in subsidiaries	4	121,938	106,929
Investment in associates	5	-	256
		124,187	111,188
CURRENT ASSETS			
Debtors	6	37,560	30,840
Cash at bank and in hand		12,229	7,928
		49,789	38,768
CREDITORS: amounts falling due within one year	7	(70,752)	(51,547)
Loans due within one year	8	-	(2,000)
NET CURRENT LIABILITIES		(20,963)	(14,779)
TOTAL ASSETS LESS CURRENT LIABILITIES		103,224	96,409
CREDITORS: amounts falling due after one year	8	(6,823)	(4,055)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(1,122)	(640)
		95,279	91,714
CAPITAL AND RESERVES			
Called up share capital	10,11	757	750
Share premium account	11	92,483	91,866
Shares to be issued	11	406	541
Profit and loss account	11	1,633	(1,443)
TOTAL EQUITY		95,279	91,714

Approved by the Board of directors on 5 March 2009

M Lancaster
Director

J Hunter
Director

1 Accounting Policies

The principal accounting policies that have been consistently applied in arriving at the financial information set out in this report are:

Accounting convention

The financial statements are prepared under the historical cost convention as modified for certain items which have been measured at fair value, namely financial instruments. The financial statements are presented in accordance with applicable accounting standards in the United Kingdom.

Basis of preparation of consolidated financial statements

The Company has adopted UITF 44 'Group and Treasury share transactions' for the first time during the year. This has resulted in an increase in the cost of investments of £801,000 in 2008 (2007: £898,000) and an increase in reserves of £801,000 (2007: £449,000 to prior year reserves and £449,000 to current reserves). There have been no other changes in accounting policy.

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The Company's result for the year is shown in note 14.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of intangible and tangible fixed assets over their estimated useful economic lives as follows:

Intangible fixed assets	-	5 - 8 years straight line
Leasehold improvements	-	The lower of ten years or the lease term straight line
Equipment	-	4 years straight line
Fixtures & fittings	-	20% reducing balance
Motor vehicles	-	20% reducing balance
Software	-	3 years straight line

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial instruments

The Company uses forward foreign currency contracts and options to reduce exposure to foreign exchange rates. The Company also uses interest rate swaps to adjust interest rate exposures. Such instruments are stated at fair value. Gains and losses arising from changes in fair value are taken to the profit and loss account in the period.

The Group's consolidated financial statements contain financial instrument disclosures which comply with FRS 29 'Financial Instruments: Disclosures'. Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the Company.

Leases

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Operating lease income is credited to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received from landlord

In accordance with UITF 28, the aggregate benefit of incentives is recognised as a credit to the profit and loss account. The benefits of the incentives are allocated over the life of the lease on a straight-line basis.

Pension cost

The Company contributes to a group personal pension scheme for qualifying employees whereby it makes defined contributions to independently administered personal pension schemes. The company does not control any of the assets or have any ongoing liabilities with regard to the performance of and payments from these individual personal schemes.

Research and development

Research and development costs are written off as incurred in the year of expenditure.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

- **Rendering of services**
  Revenue on service contracts is recognised only when their outcomes can be foreseen with reasonable certainty and is based on the percentage stage of completion of the contracts, calculated on the basis of costs incurred. Accrued and deferred revenue arising on long-term contracts is included in debtors as accrued income and creditors as deferred income as appropriate.

  Support and maintenance contracts are invoiced in advance and normally run for periods of 12 months with automatic renewal on the anniversary date. Revenue in respect of support and maintenance contracts is recognised evenly over the 12 months commencing from the date of the contract period.

  Managed services (hosting) fees are recognised over the term of the hosting contract on a straight-line basis.

  Professional services and consulting revenue, which is provided on a 'time and expense' basis, is recognised as the service is performed.

  For multiple element arrangements revenue is allocated to each element on fair value regardless of any separate prices stated within the contract. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met.

- **Sale of goods**
  Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

  Revenue on software licenses and upgrades is recognised on despatch, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In circumstances where a considerable future vendor obligation exists as part of a software licence and related services' contract, revenue is recognised over the period that the obligation exists per the contract.

- **Interest**
  Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred arising from timing differences between the treatment of certain items for taxation and accounting purposes. The effective tax rate for current taxation is higher than the UK statutory rate, reflecting a high proportion of disallowable items such as the amortisation of goodwill.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from fair value adjustments of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

National Insurance Contributions on Share Option Gains

Following the issuance of UITF abstract 25 "National Insurance contributions on Share Option Gains" the Company makes provision for the National Insurance contributions on a straight-line basis over the vesting period of the options and as remeasured each period thereafter until the options are exercised. The remeasurement is based upon the share price at the year-end.

Cash flow statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 to not present a cash flow statement.

Related party transactions

The Company has taken advantage of the exemption granted by Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the SDL plc Group.

Investment

Investments are recorded at cost.

Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition and reviewed annually for evidence of impairment.

Accounting for an associate

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has a significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Financial Assets

- **Investments**
  Investments in subsidiaries and associates are stated at cost less any provision for impairment in value.

  Investments in unquoted equity investments which do not have a reliable market value are stated at cost less provision for any impairment in value. For investments where there is an actively traded market the investment is stated at fair value, determined by reference to a quoted market bid price at the close of business on the balance sheet date.

- **Cash**
  Cash in bank represents cash in hand and deposits repayable with any qualifying institution.

- **Debtors**
  Debtors are recorded at initial measurement and are provided for where management consider an element of the balance to be irrecoverable.

- **Financial liabilities**
  Financial liabilities are recognised when the Company becomes party to the contracts which give rise to them and are classified as financial liabilities at fair value through the profit and loss or loans and payables as appropriate. When financial liabilities are recognised initially, they are measured at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs. The Company determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at each financial year end.

A financial liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Financial liabilities at fair value through profit and loss constitute financial guarantee contracts. The fair value is calculated based on an assessment of both the likelihood that the financial guarantee would be called upon and expected cash flows which could arise. Liabilities are carried in the balance sheet at fair value and re-evaluated at each financial year end, with gains or losses recognised in the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and management believe it to be probable that the Company will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to net present value where this is deemed to be material.

Bank borrowings

Interest bearing bank loans are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective rate of interest method.

Share based payments

Employees (including directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, ending on the date on which the relevant employees become entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Company at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested at 1 January 2005.

In accordance with UITF 25, National Insurance on Share Option Grants, the anticipated National Insurance charge on gains made by employees over the period from date of grant of the option to the end of the performance period has been provided for.

Group and Treasury share transactions

Where a parent entity grants rights to its equity instruments to its employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 (share-based payment), with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (SDL plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions (£801,000 in 2008 and £898,000 in 2007), with a credit to equity for the same amount.

2 Intangible Fixed Assets

	Intellectual Property £'000
Cost	
At 1 January 2007 and 2008	10,691
Amortisation	
At 1 January 2008	(7,664)
Provided during the year	(1,665)
At 31 December 2008	(9,329)
Net book value	
At 31 December 2008	1,362
At 31 December 2007	3,027

Intellectual property is written off on a straight-line basis over its estimated useful life over 5 to 8 years.

3 Tangible Fixed Assets

	Leasehold Improvements £'000	*Equipment £'000*	*Fixtures & Fittings £'000*	*Motor Vehicles £'000*	*Total £'000*
Cost					
At 1 January 2008	543	3,342	1,613	80	5,578
Currency adjustment	7	54	21	-	82
Additions	4	248	3	-	255
Disposals	-	-	-	(26)	(26)
At 31 December 2008	554	3,644	1,637	54	5,889
Depreciation					
At 1 January 2008	(267)	(2,885)	(1,384)	(66)	(4,602)
Currency adjustment	(5)	(37)	(5)	-	(47)
Provided during the year	(52)	(281)	(37)	(5)	(375)
Disposals	-	-	-	22	22
At 31 December 2008	(324)	(3,203)	(1,426)	(49)	(5,002)
Net book value					
At 31 December 2008	230	441	211	5	887
At 31 December 2007	276	457	229	14	976

The net book value of assets held under finance leases is £nil as at 31 December 2008 (2007: £nil).

4 Investments In Subsidaries

Details of the investments in which the Company holds more than 20% of the nominal value of ordinary share capital are given in Note 10 of the Group financial statements.

	£'000 Restated
Cost and Net Book Value as at 31 December 2007 as originally stated	106,031
Adjustment re prior year share option charge (note 1)	898
Cost and Net Book Value as at 1 January 2008	106,929
Additions during the year	
Investment in Trisoft	1,798
Investment in Idiom Technologies Inc	13,736
Adjustment reshare option charge (note 1)	801
Adjustment to prior year investments	(1,326)
Cost and Net Book Value as at 31 December 2008	121,938

During the year £1,354,000 cash was received reflecting a reduction in the consideration paid for Trados and £28,000 of additional costs were incurred relating to the acquisitions of Tridion and Passolo.

5 Investment In Associates

	2008 £'000	*2007 £'000*
Carrying value at 1 January	256	-
Acquisitions	-	256
Transfer to investments in subsidiaries	(256)	-
Carrying value at 31 December	-	256

In December 2007 the Group acquired a 49% interest in the share capital of Trisoft NV, a company based in Belgium. At the time of the acquisition, SDL plc entered into a call option agreement with the remaining shareholders allowing the Group to acquire the remaining 51% on a predetermined valuation formula. This call option was not exercisable until 7 June 2008 and consequently the 49% investment was accounted for as an investment in an associate in the 2007 accounts.

While SDL plc did not exercise its call option until 29 September 2008, the Directors considered that the Group had control over more than 50% of the voting rights from 7 June 2008 by virtue of the existence of the exercisable call option and therefore the results of Trisoft NV were consolidated with those of the Group. As a result the interest in Trisoft NV was treated as an associate company from 1 January 2008 to 7 June 2008 and has been consolidated into the Group since that date. While SDL plc did not exercise its call option until 29 September 2008, the Directors considered that the Company had control over more than 50% of the voting rights from 7 June 2008 by virtue of the existence of the exercisable call option and therefore the results of Trisoft NV were consolidated with those of the Group. As a result the interest in Trisoft NV was treated as an associate company from 1 January 2008 to 7 June 2008 and has been consolidated into the Group since that date.

The following table illustrates the financial information of the Group's investment in Trisoft NV:

Share of the associate's balance sheet:	*2007 £'000*
Current assets	90
Non-current assets	331
Current Liabilities	(216)
Non- current liabilities	(44)
Net assets	161

Share of the associate's revenue and loss:	*2008 £'000*	*2007 £'000*
Revenue	-	40
Loss	(9)	(35)

6 Debtors

	2008 £'000	2007 £'000
Trade debtors	8,181	5,609
Amounts owed by Group undertakings	24,708	22,599
Corporation tax	-	483
Deferred income tax asset	1,646	490
Prepayments and accrued income	3,025	1,659
	37,560	30,840

Accrued income is the work in progress recognised on projects per the accounting policy outlined in Note 1.

The amounts recognised and unrecognised for deferred income tax are set out below:

	Recognised 2008 £'000	Unrecognised 2008 £'000	Recognised 2007 £'000	Unrecognised 2007 £'000
Depreciation in advance of capital allowances	450	-	318	-
Other short-term temporary differences	1,196	-	172	-
Tax losses	-	283	-	296
Net deferred income tax asset	1,646	283	490	296

Reconciliation of movement on deferred tax asset

	2008 £'000	2007 £'000
At 1 January	490	174
Temporary differences arising in the period	1,156	316
Deferred tax asset at 31 December	1,646	490

The Company has tax losses in net terms of £283,000 (2007: £296,000) that may be available for use by offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Company cannot foresee profitability with sufficient certainty.

7 Creditors: Amounts Falling Due Within One Year

	2008 £'000	2007 £'000
Trade creditors	625	996
Amounts owed to Group undertakings	58,672	45,132
Corporation tax	536	485
Other taxes and social security costs	386	184
Other creditors	2,388	600
Accruals and deferred income	8,145	4,150
	70,752	51,547

8 Interest Bearing Loans And Borrowings

	2008 £'000	2007 £'000
Current		
Current instalments due on bank loans	-	2,000
Non - current		
Non - current instalments due on bank loans	-	4,055
Amounts owed to Group undertakings	6,823	-
Total non-current	6,823	4,055
Bank loans comprise the following:		
£3,900,000 variable rate secured term loan	-	3,900
US $4,294,000 variable rate secured revolving credit facility	-	2,155
	-	6,055
Less current instalments due on bank loans	-	(2,000)
	-	4,055

The US$ variable rate term loan and the US$ variable rate loan secured on the revolving credit facility were fully repaid during the year.

Amounts owed to Group undertakings comprise intra group loans of €4,000,000 (£3,921,000) from SDL Global Solutions (Ireland Limited); and ¥5,000,000,000 (£2,902,000) from SDL Japan K.K. Both loan facilities were drawn down on 1 July 2008 for five year terms and bear interest of 6.25% and 2.5% respectively; being adjusted on an annual basis for any movements in LIBOR.

9 Provisions For Liabilities And Charges

	2008 £'000	2007 £'000
NIC arising on options	88	175
Property leases	1,034	465
	1,122	640

Movement in provisions:

	Provision 1 January 2008 £'000	Arising during the year £'000	Utilised during the year £'000	Provision 31 December 2008 £'000
NIC	175	150	(237)	88
Property leases	465	609	(40)	1,034
	640	759	(277)	1,122

NIC on Options

A provision of £88,000 (2007: £175,000) was held this year for National Insurance Contributions (NIC) arising on unapproved share option schemes. The provision is based on the difference between the price at which the options were granted and the year-end share price.

Property Leases

The provision for Property Leases is in respect of closed leasehold premises, from which the company no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry dates. Obligations are payable within a range of one to 13 years. Amounts have been provided on current rentals and are management's best estimate of the likely future cash outflows and opportunities to sub-let the properties. The provision has been discounted using market interest rates. The indiscounted provision is £1,168,000.

10 Share Capital

	2008 £	2007 £
Authorised		
100,000,000 Ordinary shares of 1p each	1,000,000	1,000,000

Allotted, called up and fully paid

	2008 thousands	2007 thousands	2008 £	2007 £
Ordinary shares of 1p each				
At 1 January	74,977	62,474	749,771	624,740
Issued on exercise of share options	731	1,139	7,307	11,392
Issued on acquisition of subsidiaries	32	11,364	321	113,639
At 31 December	75,740	74,977	757,399	749,771

The following movements in the ordinary share capital of the company occurred during the year:

1. 730,686 ordinary shares of 1p each were allotted under the SDL Share Option Scheme (1999) and earlier Unapproved Option Schemes at a price range of 3 pence to 307 pence per share for an aggregate consideration of £489,311.

2. On 16 June 2008 32,146 ordinary shares of 1p each were allotted in equal proportions to Florian Sachse and Achim Herrmann. This represented a portion of the consideration for the purchase of PASS GmbH that took place in June 2007.

11 Share Premium And Reserves

	Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Profit & Loss Account Restated £'000	Total Restated £'000
At 1 January 2007	625	51,096	66	(1,119)	50,668
Loss for the period	-	-	-	(1,067)	(1,067)
Currency translation differences on net investments in overseas branches	-	-	-	(88)	(88)
Arising on share issues	11	655	-	-	666
Arising on acquisition of Lingua Franca	1	65	(66)	-	-
Arising on acquisition of Tridion	113	39,915	-	-	40,028
Arising on acquisition of Passolo	-	135	541	-	676
Share based payments	-	-	-	831	831
At 1 January 2008	750	91,866	541	(1,443)	91,714
Profit for the period	-	-	-	1,685	1,685
Arising on share issues	7	482	-	-	489
Arising on acquisition of Passolo	-	135	(135)	-	-
Share based payments	-	-	-	1,391	1,391
At 31 December 2008	757	92,483	406	1,633	95,279

All amounts are attributable to equity holders of the parent.

12 Commitments And Contingencies

The Company had annual commitments under operating leases as set out below:

Leases expiring:	Land and Buildings 2008 £'000	Other 2008 £'000	Total 2008 £'000	Land and Buildings 2007 £'000	Other 2007 £'000	Total 2007 £'000
Within one year	100	3	103	-	2	2
After one year but not more than five years	4	8	12	78	8	86
More than five years	798	-	798	790	-	790
	902	11	913	868	10	878

13 Share Based Payment Plans

On 1 December 1999 the company adopted the SDL Share Option Scheme (1999). It comprises two parts, namely the SDL Approved Share Option Scheme (1999) ("Approved Part") and the SDL Unapproved Share Option Scheme (1999) ("Unapproved Part"). The Approved Part has been approved by the Board of the Inland Revenue under the provisions of the Income and Corporation Taxes Act 1988. The Unapproved Part has not been approved by the Inland Revenue and it is not intended to apply for approval in respect of it.

On 27 April 2006 a long term incentive plan (LTIP) was formally approved by the shareholders at an EGM. The award of any LTIP shares is made at nil costs to the directors or employees (with the exception of the 1p nominal value of each share awarded) at the end of a three year holding period provided stringent performance targets have been met. These performance targets are detailed in the Directors' Remuneration Report on page 41.

On 28 February 2008 163,129 and on 28 November 2008 98,887 LTIP shares were granted to the executive directors at a market price of £2.7892 and £2.0225 respectively, with a performance period of three years from date of grant, and 418,001 and 137,786 on 28 February 2008 and 2 April 2008 respectively to certain senior management employees.

On 24 April 2008 a Save As You Earn (SAYE) scheme was formally approved by the shareholders at the AGM. The scheme is open to all eligible UK employees and is linked to monthly savings contracts over a 3 year period. Options have been granted to scheme participants at 80% of the prevailing market price. The market price is taken the day prior to the date of invitiation to apply for an option. There are no performance conditions attached to the exercise of these options. These options may be exercised within a fixed six-month period, three years from the date of grant.

The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2008 is £590,000 (2007: £831,000).

SDL Share Option Scheme

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Share Options Scheme during the year:

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	2,861,508	£1.65	3,422,418	£0.87
Granted during the year	856,300	£2.79	680,000	£3.75
Forfeited during the year	(369,233)	£3.38	(101,750)	£1.10
Exercised during the year	(730,686)	£0.67	(1,139,160)	£0.58
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,617,889	£2.03	2,861,508	£1.65
Exercisable at 31 December	1,348,904	£1.35	1,559,761	£0.77

The weighted average share price at the date of exercise for the options exercised is £3.31 (2007: £3.73).

For the share options outstanding as at 31 December 2008, the weighted average remaining contractual life is 6.74 years (2007: 6.44 years).

The fair value of equity settled share options granted under the SDL Share Option Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2008	2007
Weighted average share price (pence)	279	218
Expected volatility	35%	35%
Expected option life	4 years	5 years
Expected dividends	0%	1%
Risk-free interest rate	5%	5%

The range of exercise prices for options outstanding at the end of the year was £0.01-£3.745 (2007: £0.01-£3.745).

	Date of Grant	Exercise Period	2008 Number	2007 Number
£0.01 - £0.50	01/01/92-16/04/03	10 years after grant date	171,900	538,753
£0.51 - £1.00	15/10/99-12/12/03	10 years after grant date	357,247	477,693
£1.01 - £1.50	02/04/04-04/04/05	10 years after grant date	667,155	882,812
£1.51 - £2.00	07/04/01	10 years after grant date	3,750	3,750
£2.01 - £2.50	22/03/06-03/10/06	10 years after grant date	202,270	257,500
£2.51 - £3.00	28/02/08	10 years after grant date	770,700	-
£3.01 - £3.50	12/05/00-1/6/00	10 years after grant date	16,000	17,000
£3.51 - £4.00	16/10/00-23/5/07	10 years after grant date	428,867	684,000
Total			2,617,889	2,861,508

SDL Long Term Incentive Plan

The fair value of equity-settled shares granted under the SDL Long Term Incentive Plan is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2008.

	2008	*2007*
Expected volatility	35-45%	35%
Expected life	3 years	3 years
Expected dividends	0%	0%
Risk-free interest rate	5%	5%

	2008 No.	*2008 WAEP*	*2007 No.*	*2007 WAEP*
Outstanding at the beginning of the year	1,190,174	-	935,635	-
Granted during the year	817,803	-	321,074	-
Forfeited during the year	(70,819)	-	(65,995)	-
Outstanding at the end of the year	1,937,158	-	1,190,714	-
Exercisable at 31 December	Nil	-	Nil	-

All LTIPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded).

SDL Save As You Earn Scheme (SAYE)

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Scheme during the year:

	2008 No.	*2008 WAEP*
Outstanding at the beginning of the year	-	-
Granted during the year	170,544	£2.56
Forfeited during the year	(734)	£2.56
Outstanding at the end of the year	169,810	£2.56
Exercisable at 31 December	-	--

For the SAYE shares outstanding as at 31 December 2008, the weighted average remaining contractual life is 2.58 years.

The fair value of equity settled share options granted under the SDL SAYE Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2008
Weighted average share price (pence)	256
Expected volatility	35%
Expected option life	3.5 years
Expected dividends	0%
Risk-free interest rate	5%

14 Profit/Loss Attributable To Members Of The Parent Company

The profit dealt with in the financial statements of the parent company is £1,685,046 (2007: Loss £1,067,000). No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985.

15 Post Balance Sheet Events

There are no known events occurring after the date of the balance sheet that require disclosure.

Year Ended 31 December:	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Turnover (notes 1, 2 and 3)	158,775	117,409	94,711	78,479	62,690
Growth/(fall) in turnover	35%	24%	21%	25%	(3)%
Operating profit before depreciation and amortisation	27,223	18,699	14,426	8,838	6,189
Operating profit	19,850	12,899	10,289	5,764	4,334
Profit before tax	19,850	12,725	9,376	5,217	4,432
Profit after tax	14,540	9,170	6,163	2,859	2,989
Fixed assets	142,749	105,540	61,485	66,329	26,293
Net current assets	22,492	14,351	4,181	1,358	11,453
Total assets less current liabilities	172,337	125,429	67,984	69,680	39,076
Equity interests	163,029	113,016	54,506	49,594	38,562
Average number of employees	1,932	1,721	1,498	1,449	1,270
Earnings per share – basic (adjusted for movements in capital) (notes 1, 2, and 3)	19.21p	13.07p	9.91p	4.87p	5.42p

Notes:

(1) 2005 – Acquisition of Trados group and Lingua Franca.

(2) 2007 – Acquisition of Tridion group and Passolo

(3) 2008 – Acquisition of Trisoft NV and Idiom Technologies Inc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Globe House, Clivemont Road, Maidenhead, Berkshire, SL6 7DY on 24 April 2009 at 2pm for the following purposes:

As Ordinary Business

As Ordinary Business to consider and, if thought fit, to pass resolutions 1 to 10 (inclusive) which will be proposed as ordinary resolutions and resolution 11 which will be proposed as a special resolution:

1. To receive the Directors' Report and Accounts for the financial year ended 31 December 2008 and the auditors' report thereon.
2. To approve the Directors' Remuneration Report for the financial year ended 31 December 2008.
3. To re-elect Cristina Lancaster, who is retiring by rotation, as a director.
4. To re-elect Keith Mills, who is retiring by rotation, as a director.
5. To re-elect Joe Campbell, who is retiring by rotation, as a non-executive director.
6. To re-elect John Hunter, who was first appointed during the year, as a director.
7. To re-elect Chris Batterham, who is retiring by rotation, as a non-executive director.
8. To re-appoint Ernst & Young LLP as auditors.
9. To authorise the directors to fix the remuneration of the auditors.
10. THAT the board be and it is hereby generally and unconditionally authorised to exercise all powers of the company to allot any relevant securities (within the meaning of Section 80 of the Companies Act 1985 ("Act") of the Company up to a maximum aggregate nominal amount of £242,400 provided that:

    (i) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting; and

    (ii) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and

    (iii) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

11. THAT subject to the passing of the previous resolution the board be granted power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash as if section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:

    (i) the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securites respectively attributatble to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and

    (ii) the allotment (otherwise than pursuant to the preceding paragraph) of equity securities up to an aggregate nominal value of £37,886;

and shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, not more than 15 months from the date of the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired. All prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

By order of the Board

John Hunter
Director

5 March 2009

Registered Office:
Globe House
Clivemont Road
Maidenhead
Berkshire SL6 7DY

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote at the meeting instead of him/her. A proxy need not also be a member of the Company. If you appoint more than one proxy each proxy must be appointed to exercise the rights attached to a different share or shares held by you. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given.

Forms of proxy must be deposited at the Company's registrars, Capita Registrars, The Proxy Department, The Registry, 34 Beckenham Road, Beckenham Kent BR3 3JQ, not less than 48 hours before the time fixed for the meeting.

To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 2pm on 22 April 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company's registrars no later than 2pm on 22 April 2009.

Details of proxy votes lodged on all resolutions will be disclosed at the meeting prior to any vote to be taken on a show of hands, or following completion of a validly requested poll.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders and referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

A statement or summary of transactions of directors (and their family interests) in the share capital of the company and copies of their service contracts will be available for inspection at the Company's registered office during normal business hours on each business day from the date of this notice up to the close of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

As at 5 March 2009, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 75,789,186 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 5 March 2009 are 75,789,186.

In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6:00pm on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6:00pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.