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Signed
for the year

RWS Holdings plc

Annual Report

2004



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RWS Holdings plc

Annual Report 2004

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RWS Holdings plc

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Executive Chairman's Statement

It is a great pleasure for me to present the first results of your Company following its successful flotation on AIM on 11 November 2003. The flotation was achieved via the reverse takeover of Health Media Group plc at a price of 112.54p per share.

Overview of the Business

RWS is a leading provider of intellectual property support services and specialist technical, legal and financial translation services. The Directors believe that it is the largest patent translation specialist in Europe, translating over 30,000 patents and intellectual property related documents per annum, with its other major markets being the US and Japan. It serves an international blue chip client base including companies in the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries as well as patent agents. It comprises two divisions, the RWS Translation division, which provides patent and documentation translation, filing and localization services and the RWS Information division, which offers a comprehensive range of patent search, retrieval and monitoring services.

Strategy

The Group's strategy is to grow organically through the exploitation of its leading position and reputation in the delivery of translation and search services. In addition selective acquisition opportunities will be considered to enhance growth and shareholder value.

Results

During the year the Group continued to make good progress, building on its leading positions in growing markets and the quality of its operations.

Sales and profits for the year were both at record levels. On a like for like basis sales grew by 14% to £31.1 million; profit before tax, goodwill amortization and exceptionals reached £6 million, an 8% rise on the 2003 figure. The continued improvement in sales, especially within the core translation activities, reflects both increased work flow from existing clients and business from new clients. These characteristics underpin the outlook for 2005.

Whilst Europe is always likely to be the Group's principal market, we also achieved noteworthy growth in sales and profits in Japan.

The 2004 results are complicated by the accounting principles required for reverse acquisition accounting and impacted by the significant exceptional costs associated with the flotation itself. The effective rate of corporation tax was 7%, substantially lower than the standard rate of 30% due mainly to the impact of a one-off tax credit relating to prior year losses in the US business, which has now been disposed of.

Dividend

The Board has recommended a final dividend of 3.5p per share, which, together with the interim dividend, will result in a total first year dividend of 5p per share. In the admission document we signalled a yield of 3% on the then market capitalisation; the proposed total dividend represents a yield of 4.4% on the flotation price and 2.6% on the market price at 31 December 2004.

Operating Review

The UK operations are to be congratulated on winning their third Queen's Award for Enterprise: International Trade, in respect of their outstanding export record.

Translations

Our clients' need to protect their intellectual property assumes ever increasing importance.

The Company's core patent translations business has continued to grow, influenced by the twin drivers of record numbers of granted patents and demand from a wide cross section of the world's multinational corporations who value our cost effective and highly professional services. Our Japanese patent translation and filing services have also performed well and are attractive to our international clients. The addition of ten new accession states to the European Union will undoubtedly add a further demand stimulus.

Our commercial and technical translation services, which account for 10% of sales, have faced intense competition. We are unwilling to dilute the quality of our offering or the associated financial margin and, where price is more important to a potential client than quality, RWS is unlikely to be selected.

Information

The Information Search division, which accounts for less than 10% of group sales, experienced a marked downturn in demand for its core patent search services during the second half, caused in part by unfavourable economic conditions resulting in corporates reining back the search element of their research and development programmes. We expect to partially offset this decline following the successful launch of PatBase, which is believed to be the world's largest patent database. We are actively marketing subscriptions and the initial trial feedback has been encouraging.

RWS Holdings plc

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Executive Chairman's Statement (continued)

Financial Review

The financial position of the Company is strong with net assets of £12.6 million, including net cash of £10.7 million. Cash inflow from operations was £5.3 million, before exceptionals of £1.7 million principally associated with the flotation. Overall net cash inflow amounted to £9.5 million. Capital expenditure and working capital requirements continued to be modest.

As of 31 December 2003, the Company redeemed all of the loan notes remaining as the result of a prior business disposal. The cash thereby realised was first utilised to pay down bank debt, with the surplus forming a part of the Company's cash balances referred to above. Any capital gains tax payable as a result of this redemption is fully provided for.

The most significant currency pair for the business is Euro/Sterling with approximately half of total sales transacted in Euros; conversely, much of the cost base is Sterling denominated. During the second half of the year the Company was unhedged in anticipation of Euro strengthening; forward contracts have now been entered into covering much of the Euro exposure to the end of September 2005, at a rate of 69.5.

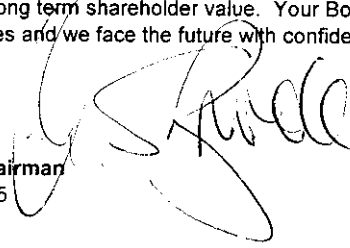
People

The year has seen much change and progress. On admission to AIM we welcomed to the Board John Ivey as Senior Non-Executive Director, and Elisabeth Lucas and Michael McCarthy as Executive Directors. Nicholas Fisher and Gavin Kaye, who had a long association with Health Media Group plc, resigned upon the completion of the reverse acquisition. I thank all my Board colleagues for their contribution to the Company. I would also like to thank everyone at RWS for their support and commitment during the most momentous year in the Company's history.

Outlook

Our order book is strong, as is our balance sheet. The Company will pursue a blend of autonomous growth and acquisitions to further secure its leading positions in its various markets. We expect to grow the dividend in line with earnings and are committed to enhancing long term shareholder value. Your Board believes that the key drivers are in place to enable the Company to deliver these objectives and we face the future with confidence.

Andrew Brode
Executive Chairman
5 January 2005



RWS Holdings plc

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Board of Directors at 30 September 2004

A S Brode (64)

Executive Chairman

Member of the Audit Committee and Remuneration Committee

Appointed as a Director 11 April 2000.

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

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

Mrs E A Lucas (48)

Chief Executive Officer of RWS Translation Division

Appointed as a Director 11 November 2003.

Joined RWS Group in 1977, Managing Director of Translations Division from 1992 and Chief Executive Officer from 1995.

M A McCarthy (57)

Executive Finance Director and Company Secretary

Appointed as a Director and Company Secretary 11 November 2003.

In 2000 joined RWS Group as Finance Director. 1988 to 1999 with the RAC in a senior financial role.

J C Ivey (63)

Senior Non-Executive Director

Chairman of the Remuneration Committee and Member of the Audit Committee

Appointed as a Director 11 November 2003.

Chief Executive of The Davis Service Group plc and Non-Executive Chairman of Derwent Valley Holdings plc.

P Mountford (47)

Non-Executive Director

Chairman of the Audit Committee and Member of the Remuneration Committee

Appointed as a Director 11 April 2000.

Non-Executive Director of GW Pharmaceuticals plc and a director of a number of other companies. Joint founder of Bradmount Investments Limited, a private investment company.

Registered office

8 Baker Street, London W1U 3LL

Company registration number

3002645

RWS Holdings plc

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Directors' Report

The Directors present their report together with the audited Financial Statements for the year ended 30 September 2004. On 11 November 2003, Health Media Group plc completed its acquisition of Bybrook Limited and then changed its name to RWS Holdings plc. In view of its size, this acquisition constituted a reverse takeover of the Company.

Results and Dividends

The Group Profit and Loss Account is set out on page 12 and shows a profit for the year. The Directors recommend a final dividend of 3.5p per Ordinary share. This, together with the interim dividend of 1.5p per share paid on 12 July 2004, gives a total dividend of 5p per Ordinary share for the year ended 30 September 2004. The total dividends to Shareholders amount to £1.89 million.

Principal Activities, Trading Review and Future Developments

The Company's principal activity is the business of holding investments in trading subsidiaries, with a view to earning a profit to be distributed to Shareholders. The principal activities of subsidiary undertakings are intellectual property support services (patent translations and technical searches) to the pharmaceutical, chemical, medical, telecoms, aerospace, defence and automotive industries. The Group also provides specialist technical, legal and financial translation services to a number of areas of industry outside the patent arena.

The reverse acquisition of Bybrook Limited was completed and the enlarged share capital of the Company was admitted to trading on the Alternative Investment Market on 11 November 2003. The overall business has continued to steadily grow and meet expectations. The profit before goodwill amortization, exceptional items and taxation was £6 million. With the charge for goodwill amortization and exceptional items amounting to £2.9 million the resulting profit before tax was £3.1million.

The Translations Division produced excellent growth whilst the Information Division's activity remained flat. The Directors have confidence in the continued performance and growth of the Group as a whole and are looking for a recovery within the Information Division as it fully launches a promising new on-line database service. Proposed European legislative changes may adversely affect the Group's traditional patent translation activities over the next few years. The Group intends to compensate for this by acquisitions and autonomous growth, and secure its leading position in its various markets by continued investment in people and assets of the highest quality.

Political and Charitable Contributions

During the year the Group made no political donations. The Group gave £3,000 to various charities and gifted 10,000 preference shares of £1 each in the capital of a subsidiary to The Educational Charity of the Stationers' and Newspapermakers' Company.

Post Balance Sheet Events

The Company issued and allotted 377,821 new Ordinary shares of 5p each pursuant to the exercise of an option by its nominated adviser, Collins Stewart Limited. The option was granted to Collins Stewart Limited at the time of the Company's admission to AIM in November 2003, and represented an option over 1% of the Company's issued share capital at the time of flotation. The new shares were placed with institutional shareholders.

Directors

Details of members of the Board at 30 September 2004 are set out on page 4.

The interests of directors during the year in shares and share options are set out on page 9 in the Directors' Remuneration Report. There have been no changes to the shareholdings of Directors between 30 September 2004 and 5 January 2005.

Elisabeth Lucas and Michael McCarthy, Executive Directors, and John Ivey, Non-Executive Director, were appointed on 11 November 2003. On that date Nicholas Fisher and Gavin Kaye resigned as Directors.

Under the Company's Articles of Association the following Directors will retire at the next Annual General Meeting: Peter Mountford, John Ivey, Elisabeth Lucas and Michael McCarthy. All are recommended by the Board for re-election.

Corporate Governance

As the Company is listed on the Alternative Investment Market it does not have to follow the Combined Code on Corporate Governance which applies to fully listed companies. However, being aware of the need to adhere to the highest standards of Corporate Governance, the Company voluntarily conducts its affairs in harmony with the spirit and provisions of the Code in so far as is practicable and relevant to its status.

Board Structure and Process

The Board comprises three Executive and two Non-Executive Directors. The Board considers that all the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect their independent judgement.

The Executive Directors have direct responsibility for business operations whilst the Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions. The Board met five times during the year to review financial performance and approve key business decisions, so that it retained control over strategic, budgetary, financial and organisational issues and monitored executive management. In addition to the Executive Directors, the members of the Senior Executive Team are: Susan Anthony, Managing Director UK Translations Division; Stephen Lodge, Managing Director Information Division, and, Reinhard Ottway, Business Development Director. These other members of the Senior Executive Team are invited to attend meetings and report on the areas of responsibility delegated to them.

RWS Holdings plc

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Directors' Report (continued)

Internal Controls and Management of Risk

The Board has overall responsibility for the Group's system of internal control but has delegated to the executive management the establishment and implementation of a system of internal financial control which aims to safeguard shareholders' investments and the Group's assets, ensure that proper accounting records are maintained and that financial information used within the business is accurate, reliable and fairly presents the financial position of the Group and the results of its business operations. The Board is responsible for reviewing the effectiveness of the system of internal control. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations, although any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee

The members of the Audit Committee are Peter Mountford (Chairman of the Committee), John Ivey and Andrew Brode. All three are Chartered Accountants. The members, with the exception of Andrew Brode, are Non-Executive Directors and the Board is satisfied they have recent and relevant financial experience.

The core remit of the Audit Committee is to review and report to the Board on:

- * the effectiveness of internal controls and financial reporting and any significant breaches, deficiencies or material weaknesses therein;
- * any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Company;
- * any matters which may significantly affect the independence of the external auditor.

Remuneration Committee

The members of the Remuneration Committee are John Ivey (Chairman of the Committee), Peter Mountford and Andrew Brode. With the exception of Andrew Brode, the members are Non-Executive Directors.

Further information about the membership of the Remuneration Committee and the Company's remuneration policy is set out on page 8 in the Directors' Remuneration Report.

Employment of Disabled Persons

It is Company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. People with disabilities, depending on their skills and abilities, enjoy the same career prospects as other employees and the same scope for realising potential.

Employee Involvement

The Company's policy is to consult and discuss with employees at staff meetings matters likely to affect employee interests. The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability irrespective of sex, race or religion. Group subsidiaries endeavour to provide equal opportunities in recruiting, training, promoting and developing the careers of all employees.

Substantial Shareholdings and Options

At 30 September 2004, excluding Directors, the following were substantial shareholders:

% holding

Merrill Lynch Investment Managers Group Limited and Merrill Lynch and Co Inc	10.97%
Other financial institutions with holdings in excess of 3 %	22.90%

Westpool Investment Trust plc has warrants to subscribe for 24,000 Ordinary shares at an exercise price of £39.25 per share.

Adrian Bradshaw, under an agreement dated 10 October 2003, has an option to subscribe for 944,553 shares (2.5% of the issued share capital at the time of flotation) at an exercise price of 112.54p. This option is exercisable, subject to certain lock-in provisions, at any time on or before the fifth anniversary of the admission to AIM.

Payment Policies

The terms of sales collections and supplier payments will reflect local commercial practice. In the UK, the Company and each of its UK subsidiary undertakings have policies to ensure that suppliers are paid on time and seek to abide by the agreed terms of payment. The policy includes arrangements for accelerated payment of small suppliers. The total amount of money owed by the Group and its subsidiary undertakings at the balance sheet date was equivalent to 37 days (2003 - 40 days) average purchases. The Company had no trade creditors at the year end.

RWS Holdings plc

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Directors' Report (continued)

Preparation of the Financial Statements and Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

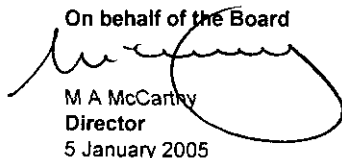
- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent; and
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Group and for preventing and detecting fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board



M A McCarthy
Director
5 January 2005

RWS Holdings plc

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Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration committee are John Ivey (Chairman of the Committee), Peter Mountford and Andrew Brode. John Ivey and Peter Mountford are Non-Executive Directors and Andrew Brode is the Executive Chairman and a substantial shareholder in the Ordinary shares of the Company.

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and, if required by the Board, senior executives of the Group. The remuneration of Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors, and no director or manager is involved in any decision as to his or her own remuneration.

The Board has confirmed that the Group's overall remuneration policy and purpose is to attract and retain the right people and provide appropriate incentives to encourage enhanced performance so as to create growth in shareholder value.

Individual Elements of Remuneration

For Executive Directors and senior executives the benefit components contained in the total remuneration package are:

- * base salary;
- * performance related annual bonus, but this does not apply to the Executive Chairman;
- * share participation, but this does not apply to the Executive Chairman; and
- * other customary benefits such as holidays, car and health benefits, sickness benefit and pensions .

For Non-Executive Directors the benefit component is a base fee.

Service Contracts

Neither of the Non-Executive Directors has a service contract. Their appointments will continue unless and until terminated by either party giving not less than 30 days' notice.

The notice period of all the Executive Directors is less than one year. The date of the Executive Chairman's service contract is 30 October 2003 and the service contracts of Elisabeth Lucas and Michael McCarthy are dated 14 November 2003. In the event of the termination of an Executive Director's service contract, depending upon the circumstances, the Company may be liable to provide compensation to the Executive Director equivalent to the benefits which he or she would have received during the contractual notice period.

The service contracts continue unless and until terminated by either party giving at least six months' notice. Employment shall terminate automatically and the Executive Director shall be required to retire on the last day of the financial year in which, in the case of the Executive Chairman his 70th birthday occurs, and in the case of Executive Directors their 65th birthday occurs.

Directors' Emoluments and Pension Contributions

The aggregate remuneration, excluding pension contributions, paid or accrued for all Directors and senior executives of the Group for services in all capacities during the year ended 30 September 2004 was £1,196,000 (including £227,000 to the Executive Chairman). Remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

	Salary or fees £'000	Bonuses £'000	Taxable benefits £'000	Year ended 2004		6 months ended 30 September 2003	
				Total £'000	Pension contributions £'000	Total £'000	Pension contributions £'000
Andrew Brode	226	-	1	227	25	113	11
Elisabeth Lucas	168	34	1	203	5	-	-
Michael McCarthy	118	20	1	139	4	61	2
John Ivey	22	-	-	22	-	-	-
Peter Mountford	22	-	-	22	-	-	-
Nicholas Fisher	25	-	-	25	-	-	-
Gavin Kaye	25	-	-	25	-	-	-
	606	54	3	663	34	174	13

Bradmount Investments Limited has an agreement with Peter Mountford that the fees and other emoluments payable in respect of his Non-Executive Directorship of RWS Holdings plc are payable to Bradmount Investments Limited, a company of which he is a director.

The emoluments of the Executive Directors are for the year ended 30 September 2004 although Elisabeth Lucas and Michael McCarthy were appointed directors of the Company on 11 November 2003. The emoluments for 2003 are those of Bybrook Limited. Elisabeth Lucas was not a director of Bybrook Limited but a director of its principal subsidiary undertaking, RWS Group Limited.

On 11 November 2003, Nicholas Fisher (Non-Executive Deputy Chairman) and Gavin Kaye (Executive Director and Company Secretary) resigned. Mr Fisher and Mr Kaye each received fees of £25,000 and waived all other claims against the Company.

RWS Holdings plc

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Directors' Remuneration Report (continued)

Directors' Emoluments and Pension Contributions (continued)

Andrew Brode and Peter Mountford, as Non-Executive Directors of the Company, pursuant to the term of letters of engagement dated July 2001, waived fees of £1,500 and £1,250 respectively for the period from 1 October 2003 to 11 November 2003.

Directors' and Senior Executives' Interests in Shares

The interests of the Directors (including the interests of their families and related trusts), all of which were beneficial, in the Ordinary shares of the Company on 30 September 2004 are shown below. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries.

	1 October 2003*	Net shares acquired/ (disposed)	Ordinary shares of 5p 30 September 2004
Andrew Brode	3,000	18,587,812 **	18,590,812
Elisabeth Lucas (appointed 11 November 2003)	-	-	-
Michael McCarthy (appointed 11 November 2003)	-	-	-
John Ivey (appointed 11 November 2003)	-	10,000	10,000
Peter Mountford	3,325	-	3,325
Nicholas Fisher (resigned 11 November 2003)	71,211	(71,211)	-
Gavin Kaye (resigned 11 November 2003)	-	-	-
	77,536	18,526,601	18,604,137

* The 25p Ordinary share capital of the Company was converted to 5p Ordinary share capital on 11 November 2003, as part of the capital reorganisation on completion of the reverse acquisition of Bybrook Limited. The interests disclosed at 1 October 2003, are the holdings at that date expressed in terms of the equivalent converted share capital.

** The shares were acquired by RBC Trustees (Guernsey) Limited as Trustees for the Andrew Brode Life Interest Settlement. The RBC has agreed, save in limited circumstances, not to sell any Ordinary shares for a period of 24 months following admission to trading on AIM. The disposal of up to 25 per cent of its interests is permitted on or after the first anniversary of admission.

The interests of Directors and Senior Executives in options to subscribe for Ordinary shares of the Company, together with options granted and exercised during the year are included in the following table. All options were granted at market value at the date of grant.

		No. of shares under option	Exercise price per share	First date exercisable ³	Last date exercisable
E A Lucas	At 1 October 2003	-	-	-	-
	Granted ¹	604,515	23p	11.11.2004	12.12.2011
	At 30 September 2004	604,515	23p	11.11.2004	12.12.2011
M A McCarthy	At 1 October 2003	-	-	-	-
	Granted ¹	302,257	23p	11.11.2004	12.12.2011
	At 30 September 2004	302,257	23p	11.11.2004	12.12.2011
P Mountford	At 1 October 2003	-	-	-	-
	Granted ²	944,553	112.54p	11.11.2004	11.11.2008
	At 30 September 2004	944,553	112.54p	11.11.2004	11.11.2008
S Anthony	At 1 October 2003	-	-	-	-
	Granted ¹	453,386	23p	11.11.2004	12.12.2011
	At 30 September 2004	453,386	23p	11.11.2004	12.12.2011
S J Lodge	At 1 October 2003	-	-	-	-
	Granted ¹	604,515	23p	11.11.2004	12.12.2011
	At 30 September 2004	604,515	23p	11.11.2004	12.12.2011
R K Ottway	At 1 October 2003	-	-	-	-
	Granted ¹	302,257	23p	11.11.2004	12.12.2011
	At 30 September 2004	302,257	23p	11.11.2004	12.12.2011

¹ Bybrook's principal trading subsidiary, RWS Group Limited, established in 2001 a share option scheme to provide a medium-term incentive plan for directors and eligible employees. As part of the reverse takeover, the options under the RWS Group 2001 Unapproved Share Option Scheme, which had been granted on 13 December 2001 and became exercisable following the completion of the acquisition, were surrendered and rolled over into equivalent new options in the Ordinary shares of RWS Holdings plc. The new options under the RWS Holdings plc 2003 Unapproved Share Option Scheme were granted on 10 December 2003, and have substantially the same terms and conditions as the old options.

² Following the resolutions passed at the Extraordinary General Meeting on 10 November 2003, the existing share options or warrants held by Andrew Brode and Peter Mountford either lapsed or were waived other than options under an agreement with Peter Mountford that were conditional on completion of the acquisition of Bybrook and the admission to trading on AIM. These options are as set out in the table above and are subject to lock-in arrangements.

³ The Directors and Senior Executives have agreed, save in limited circumstances, not to dispose of any Ordinary shares or any interest in Ordinary shares at any time prior to the second anniversary of the admission to trading on AIM. The disposal of up to 25% of their respective interests is permitted after the first anniversary and up to the second anniversary of admission. After the second anniversary of admission the Directors and Senior Executives may dispose of the balance. Elisabeth Lucas and Michael McCarthy and the Senior Executives will cease to be bound by this lock-in restriction on ceasing to be an employee.

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Directors' Remuneration Report (continued)

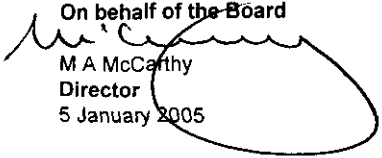
Transactions with Directors

During the year there were no material recorded transactions between the Company and the Directors. However, pursuant to an agreement dated 2 January 2002, Bradmount Investments Limited, of which Peter Mountford is a director, is entitled to consultancy fees. In the year to 30 September 2004, these fees were estimated to amount to £70,000.

Audit

The Directors' emoluments and the details of the Directors' interests in the Company's Ordinary shares have been audited by the Company's external auditor.

On behalf of the Board



M A McCarthy
Director
5 January 2005

RWS Holdings plc

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Independent Auditors' Report to the Members of RWS Holdings plc

We have audited the Financial Statements of RWS Holdings plc on pages 12 to 28 which have been prepared under the accounting policies set out on pages 17 and 18.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements if the Group 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 transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Executive Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion the Financial Statements give a true and fair view of the Group's and the Company's affairs as at 30 September 2004, and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

5 January 2005

BDO STOY HAYWARD LLP

Chartered Accountants

Registered Auditors

8 Baker Street

London W1U 3LL

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Group Profit and Loss Account for the year ended 30 September 2004

	Note	Year ended 30 September 2004			6 months ended 30 September 2003		
		Before goodwill amortization and exceptional items £'000	Goodwill amortization and exceptional items £'000	Total £'000	Before goodwill amortization and exceptional items £'000	Goodwill amortization and exceptional items £'000	Total £'000
Turnover							
Continuing operations		31,095	-	31,095	14,207	-	14,207
Discontinued operations	3	-	-	-	2,250	-	2,250
		31,095	-	31,095	16,457	-	16,457
Cost of sales							
Continuing operations		(18,327)	-	(18,327)	(8,095)	-	(8,095)
Discontinued operations		-	-	-	(1,182)	-	(1,182)
		(18,327)	-	(18,327)	(9,277)	-	(9,277)
Gross profit		12,768	-	12,768	7,180	-	7,180
Selling, general and administrative expenses							
Amortization of goodwill	12	-	(542)	(542)	-	(271)	(271)
Goodwill write-off	5	-	(1,916)	(1,916)	-	-	-
Non-recurring costs associated with the flotation	5	-	(297)	(297)	-	(359)	(359)
Other		(7,143)	-	(7,143)	(3,278)	-	(3,278)
Continuing operations		(7,143)	(2,755)	(9,898)	(3,278)	(630)	(3,908)
Discontinued operations - other		-	-	-	(1,405)	-	(1,405)
		(7,143)	(2,755)	(9,898)	(4,683)	(630)	(5,313)
Group operating profit							
Continuing operations		5,625	(2,755)	2,870	2,834	(630)	2,204
Discontinued operations		-	-	-	(337)	-	(337)
		5,625	(2,755)	2,870	2,497	(630)	1,867
Loss on sale of subsidiary undertakings	5	-	(126)	(126)	-	-	-
Profit on ordinary activities before interest				2,744			1,867
Net interest	6	352	-	352	305	-	305
Profit on ordinary activities before taxation	7	5,977	(2,881)	3,096	2,802	(630)	2,172
Taxation	8	(1,884)	1,662	(222)	(790)	-	(790)
Profit on ordinary activities after taxation		4,093	(1,219)	2,874	2,012	(630)	1,382
Attributable to minorities		-	-	-	-	-	-
Net profit for the financial period (Profit attributable to shareholders)		4,093	(1,219)	2,874	2,012	(630)	1,382
Dividends	9			(1,890)			(25,432)
Profit/(loss) retained for the financial period	24			984			(24,050)
Earnings per Ordinary share	10						
Basic earnings per share		12.2 p		8.6 p	£52.09		£35.78
Diluted earnings per share		11.5 p		8.1 p	£52.09		£35.78

All amounts relate to continuing activities in the year ended 30 September 2004.

The notes on pages 17 to 28 form part of these Financial Statements.

Group Statement of Total Recognised Gains and Losses for the year ended 30 September 2004

	Note	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Profit attributable to shareholders		2,874	1,382
Exchange adjustments on retranslation of net assets of subsidiary undertakings	24	5	89
Total recognised gains and losses		<u>2,879</u>	<u>1,471</u>

The notes on pages 17 to 28 form part of these Financial Statements.

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	12	5,451	5,993
Tangible assets	13	585	728
Investments	14	-	17,500
		<u>6,036</u>	<u>24,221</u>
Current assets			
Work in progress	15	682	1,127
Debtors	16	5,217	5,534
Cash at bank		<u>11,107</u>	<u>2,757</u>
		<u>17,006</u>	<u>9,418</u>
Creditors: amounts due within one year	17	<u>(10,400)</u>	<u>(33,408)</u>
Net current assets/(liabilities)		<u>6,606</u>	<u>(23,990)</u>
Total assets less current liabilities		12,642	231
Creditors: amounts due after one year	18	(33)	(66)
Provision for liabilities and charges	20	<u>-</u>	<u>(4,508)</u>
		<u>(33)</u>	<u>(4,574)</u>
Net assets/(liabilities)		<u>12,609</u>	<u>(4,343)</u>
Capital and reserves			
Called up share capital	23/24	1,889	-
Share premium account	24	737	1,405
Share option reserve	24	2,030	-
Reverse acquisition reserve	24	(8,483)	-
Profit and loss account	24	16,426	(5,748)
Shareholders' funds/(deficit) - equity interests	24	<u>12,599</u>	<u>(4,343)</u>
Non-equity minority interests		<u>10</u>	<u>-</u>
Shareholders' funds/(deficit) and minority interests		<u>12,609</u>	<u>(4,343)</u>

The notes on pages 17 to 28 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 5 January 2005 and were signed on its behalf by:

A S Brode
Director

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Statement of Group Cash Flow for the year ended 30 September 2004

		Year ended		6 months ended	
		30 September 2004		30 September 2003	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	25		5,265		1,711
Returns on investments and servicing of finance					
Interest received		570		369	
Interest paid		(75)		(60)	
			495		309
Tax (paid)/repaid			(1,330)		541
Capital expenditure and financial investment					
Purchase of tangible fixed assets	13	(210)		(152)	
Sale of tangible fixed assets		5		6	
Redemption of loan notes	14	17,500		-	
			17,295		(146)
Acquisitions and disposals					
Overdraft transferred on disposal of subsidiary	26	62		-	
Acquisition related expenses and other payments to third parties on the reverse acquisition		(1,693)		-	
			(1,631)		-
Equity dividends paid to shareholders	9	(567)		-	
Equity dividends paid to shareholders of Bybrook Limited		(10,000)		(500)	
			(10,567)		(500)
Increase in cash	27		9,527		1,915

The notes on pages 17 to 28 form part of these Financial Statements.

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Company Balance Sheet at 30 September 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Investments	14	4,965	-
Current assets			
Debtors	16	14,116	18
Cash at bank		8,800	1
		<u>22,916</u>	<u>19</u>
Creditors: amounts due within one year	17	<u>(8,703)</u>	<u>(346)</u>
Net current assets/(liabilities)		<u>14,213</u>	<u>(327)</u>
Total assets less current liabilities		<u>19,178</u>	<u>(327)</u>
Provisions for liabilities and charges	20	-	-
Net assets/(liabilities)		<u>19,178</u>	<u>(327)</u>
Capital and reserves			
Called up share capital	23/24	1,889	5,776
Share premium account	24	737	737
Share option reserve	24	2,030	-
Other reserves	24	5,533	5,533
Profit and loss account	24	8,989	(12,373)
Shareholders' funds/(deficit) - equity	24	<u>19,178</u>	<u>(327)</u>

The notes on pages 17 to 28 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 5 January 2005 and were signed on its behalf by:

A S Brode
Director

Annual Report 2004**Notes to the Financial Statements****1 Basis of consolidation and presentation of financial information**

The Company, then named Health Media Group plc ("HMG"), changed its accounting reference date from 28 February to 30 September and a copy of the statutory accounts for the seven months ended 30 September 2003 has been delivered to the Registrar of Companies and carried a qualified audit report because there was limited evidence in relation to comparatives and no accounting records were made available in relation to the principal trading subsidiary which is in liquidation. The Bybrook group also changed its accounting reference date from 31 March to 30 September. The last audited accounts of Bybrook Limited filed at Companies House are for the six months ended 30 September 2003 and include the auditor's report which was unqualified.

On 11 November 2003, HMG became the legal parent company of Bybrook Limited and its subsidiary undertakings. The substance of the combination was that Bybrook Limited acquired RWS Holdings plc in a reverse acquisition. As part of the transaction HMG changed its name to RWS Holdings plc.

Under the requirements of the Companies Act 1985, it would be necessary for the Company's consolidated accounts to follow the legal form of the business combination - in that case the pre-combination results would be those of HMG and its subsidiary undertakings, which would exclude Bybrook. Bybrook's results would then be brought into the Group from 11 November 2003, being the date of the acquisition. However, this would portray the combination as an acquisition of Bybrook by HMG and would, in the opinion of the Directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the Directors have adopted reverse acquisition accounting as a basis of consolidation in order to give a true and fair view of the substance of the combined entity. In invoking the true and fair override, the Directors note that reverse acquisition accounting is endorsed under International Financial Reporting Standard 22 and that the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

As a consequence of applying reverse acquisition accounting, the results for the year ended 30 September 2004 comprise the results of Bybrook for its year ended 30 September 2004, plus those of HMG from 11 November 2003. As severe long-term restrictions substantially hinder the rights of the Group over Pang Health Limited, which is in liquidation, it has been excluded from the consolidation in accordance with Financial Reporting Standard 2, "Accounting for subsidiary undertakings". The Group's investment in Pang Health Limited has been recorded as £nil.

Goodwill arose on the difference between the fair value of HMG's share capital and fair value of its net liabilities at the reverse acquisition date. This goodwill has been written-off in the year ended 30 September 2004, because HMG has no continuing business and therefore this goodwill has no intrinsic value. Other goodwill arising on consolidation and purchased goodwill are capitalised and amortized through the Profit and Loss Account over the Directors' estimate of its useful economic life that does not exceed 20 years.

The effect on the consolidated financial statements of adopting reverse acquisition accounting rather than following the legal form is widespread. However, the following table indicates the principal effect on the composition of the reserves.

	Reverse acquisition accounting £000	Normal acquisition accounting £000	Impact of reverse acquisition accounting £000
Called up share capital	1,889	1,889	-
Share premium reserve	737	737	-
Share option reserve	2,030	2,030	-
Reverse acquisition reserve	(8,483)	-	(8,483)
Other reserve	-	5,533	(5,533)
Profit and loss account	16,426	(6,602)	23,028
	<u>12,599</u>	<u>3,587</u>	<u>9,012</u>

In line with statutory reporting requirements, the comparatives in these financial statements are the figures in the audited accounts of Bybrook Limited for the six months ended 30 September 2003. The comparatives incorporate the financial statements of Bybrook Limited and all its subsidiary undertakings made up to 30 September 2003. The acquisition method of accounting was used with the results of subsidiary undertakings being included from the date of acquisition. The comparatives include the results of the now demerged loss making sub-group, Brooklet Limited (the holding company of, inter alia, RWS Group (LLC)). Disclosures in relation to this were contained in the Circular to Shareholders issued on 10 October 2003.

2 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost convention, applying accounting policies consistent with those applied in earlier periods, and, are in accordance with applicable accounting standards. The main accounting policies under UK GAAP were:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. Revenue, other than subscription revenue, is recognised as a translation, filing or search is fulfilled in accordance with agreed client instructions. Subscription revenue is recognised on a straight line basis over the term during which the service is provided.

2 Accounting policies (continued)

Intangible fixed assets

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill arising on acquisitions is capitalised and amortized through the Profit and Loss Account over the Directors' estimate of its useful economic life (generally not exceeding 20 years). Goodwill is reviewed for impairment when there are indications that the carrying value may not be recoverable.

Other purchased goodwill is capitalised and amortized through the Profit and Loss Account over the Directors' estimate of the useful economic life. The economic life for each asset within this category is considered individually and is not normally expected to exceed 20 years.

Tangible fixed assets

All tangible fixed assets are stated at cost less depreciation and any impairment recognised.

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets over their expected useful lives. It is calculated at the following rates on a straight line basis:

Leasehold improvements	-	over the term of the lease
Furniture and equipment	-	10% to 33%
Motor vehicles	-	25%

Fixed asset investments

Investments are held at nominal value where the acquisition met the merger relief conditions under Section 131 of the Companies Act 1985 plus the fair value of any other consideration. Other investments are stated at cost less any impairment in value.

Work in progress

Work in progress is valued at the lower of cost and net realisable value.

Foreign currencies

Foreign currency transactions by Group companies are booked in local currency at the exchange rate ruling on the date of the transaction. Foreign currency assets and liabilities are translated into local currency at the rates of exchange ruling at the balance sheet date. Exchange differences are included in operating profit.

Assets and liabilities of overseas subsidiary undertakings are translated into sterling at rates of exchange ruling at the date of the Group Balance Sheet. The results and cash flows of overseas subsidiary undertakings are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the period retained by overseas subsidiary undertakings are translated into sterling, less exchange differences arising on related foreign currency borrowings, are taken directly to reserves and reported in the Statement of Total Recognised Gains and Losses.

Financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes. Forward foreign exchange contracts are used to hedge currency exposures on up to the next 12 months' expected sales. The gains and losses on foreign exchange contracts hedging anticipated currency exposures on sales are deferred until the date the hedge contract matures. Short term trade debtors and creditors are not treated as financial assets or liabilities except for currency disclosures.

Deferred taxation

The Group accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax liabilities and assets are not discounted.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits

Operating leases

Annual rentals are charged to the Profit and Loss Account on a straight line basis over the lease term.

Pension costs

Company contributions to the group personal pension scheme are charged to the Profit and Loss Account in the period in which they become payable.

Share options

When shares and share options are awarded to employees a charge is made based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (revised 2003) "Employee Share Schemes". The credit entry for this charge is taken to the Profit and Loss reserve and reported in the reconciliation of movements in shareholders' funds.

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Notes to the Financial Statements (continued)

3 Segment information	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Turnover by class of business		
Translation and localization services - continuing	28,448	12,699
Translation and localization services - discontinued	-	2,250
Information services	2,647	1,508
	<u>31,095</u>	<u>16,457</u>

The tables below show information by geographic area and, for turnover and tangible fixed assets, material countries.

Turnover by geographic location of Group undertaking

United Kingdom	27,597	12,756
Continental Europe	481	201
Japan	2,711	1,116
United States of America	306	2,384
	<u>31,095</u>	<u>16,457</u>

Turnover by geographic market in which customers are located

United Kingdom	4,583	2,463
Continental Europe		
Germany	10,501	4,873
France	3,062	1,455
Other	7,105	3,116
	<u>20,668</u>	<u>9,444</u>
Japan	1,678	572
United States of America	4,050	3,858
Other	116	120
	<u>31,095</u>	<u>16,457</u>

Total assets by location of Group undertaking

UK	21,868	32,731
Others	1,174	908
	<u>23,042</u>	<u>33,639</u>

Net operating assets by location of Group undertaking

UK	11,762	(5,004)
Others	847	661
Net assets	<u>12,609</u>	<u>(4,343)</u>

Profit before taxation by business sector and location of Group undertaking

In the opinion of the Directors, disclosure would be seriously prejudicial to the interests of the Group.

4 Employees	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Staff costs consist of:		
Wages and salaries	9,263	6,121
Social security costs	1,082	646
Pension costs	195	99
	<u>10,540</u>	<u>6,866</u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Production staff	262	303
Administrative staff	61	88
	<u>323</u>	<u>391</u>

Details of the Directors' emoluments and pension contributions and the interests of Directors and Senior Executives in the Ordinary shares of the Company are set out on pages 8 and 9 in the Directors' Remuneration Report.

5 Exceptional items, non-recurring costs and charges

Goodwill write-off

On 11 November 2003, Bybrook Limited completed its reverse acquisition of Health Media Group plc which then changed its name to RWS Holdings plc. Goodwill arising on the reverse acquisition represents Health Media Group plc's share capital of 462,095 Ordinary shares at the placing price of 112.54p plus 5,753,082,252 Deferred shares at nominal value of 0.1p plus acquisition expenses less the fair value of Health Media Group plc net liabilities acquired. However, the rights of the Deferred shares which were not listed or quoted on any stock exchange were minimal, thereby rendering them effectively valueless. With the sanction of an order of the High Court of Justice dated 15 September 2004, the capital of the Company was reduced by cancelling the Deferred shares for no consideration.

	£'000
Cost of the acquisition	520
Acquisition related expenses	1,069
Total consideration	1,589
Add: fair value of Health Media Group plc's net liabilities acquired	
Current assets	
Debtors	18
Cash	1
	19
Current liabilities	
Trade creditors	10
Accruals	336
	327
Goodwill	
	1,916

This goodwill has been written-off in the year ended 30 September 2004, because Health Media Group plc had no continuing business.

Non-recurring costs associated with the flotation

The Group incurred £297,000 (6 months to 30 September 2003 - £359,000) of non-recurring expenses associated with the flotation which have been written-off to Profit and Loss Account. No significant tax effect arises from these items.

Disposal of subsidiary undertakings with operations based in California

On 7 October 2003, Bybrook Limited sold the entire share capital of subsidiaries with operations based in California to its shareholders for a consideration of £500. The terms of this agreement were set out in the Admission Document sent to Shareholders on 10 October 2003. A loss of £126,000 arose on the demerger of this sub-group (note 26).

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
6 Net interest		
Interest receivable		
Securities	278	308
Short-term deposits	146	44
	424	352
Interest payable on short-term borrowings	(72)	(47)
	352	305

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
7 Profit on ordinary activities before taxation		
This is arrived at after charging/(crediting):		
Depreciation (note 13)	279	161
Amortization of goodwill (note 12)	542	271
Auditors' remuneration		
- Audit fees (Company £32,500, 2003 - £22,700)	84	79
- Non-audit services (see note below)	53	16
Operating lease rentals		
- Equipment	95	58
- Land and buildings	725	592
Profit on disposal of fixed assets	(1)	(1)
Exchange losses	182	25
Exceptional items, non-recurring costs and charges (note 5)		
- Goodwill written-off	1,916	-
- Non-recurring costs associated with the flotation	297	359

Additionally to the Auditors' remuneration for non-audit services noted above further fees amounting to £62,000 (2003 - £95,000) for non-audit services are included within exceptional items.

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Notes to the Financial Statements (continued)

8 Taxation

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Analysis of tax charge:		
Corporation tax	1,691	723
Adjustments in respect of prior periods	-	26
Overseas taxation	193	41
	<u>1,884</u>	<u>790</u>
Exceptional tax credit (see note below)	(1,662)	-
Total current tax charge	<u>222</u>	<u>790</u>

Taxation reconciliation to UK statutory rate

The taxation assessed for the year is lower than the standard rate of corporation tax.

The table below reconciles the UK statutory tax charge to the Group's current tax charge on ordinary activities before taxation.

Profit on ordinary activities before taxation	3,096	2,172
Notional taxation charge at UK corporation tax rate of 30% (2003 - 30%)	929	652
Effects of:		
Items not deductible or not chargeable for tax purposes	789	91
Depreciation in excess of capital allowances	55	15
Other short term timing differences	(22)	-
Differences in effective overseas tax rates	47	5
Unutilised tax losses	86	-
Adjustments in respect of prior periods	(1,662)	26
Current tax charge for the year	<u>222</u>	<u>790</u>

Certain overseas trading losses in prior years within the Bybrook group were available for group relief but had not been allowed for in deriving the tax charge in prior periods. The quantum has now been agreed and the effect (£1.66 million) is recognised in the Profit and Loss Account.

The Group has estimated capital losses of £20 million available for offset against the capital gain arising on the redemption of loan notes in the period. As the quantum of the capital losses has not been agreed the offset of the capital losses has not been recognised in the current tax charge.

9 Dividends

	Year ended 30 September 2004 Pence per share	£'000	6 months ended 30 September 2003 £ per share	£'000
On each 1p Ordinary and 1p 'A' Ordinary share				
Interims, paid on 11 November 2003	-	-	658.43	25,432
On each 5p Ordinary share				
Interim, paid on 12 July 2004	1.5	567	-	-
Final proposed	3.5	1,323	-	-
	<u>5.0</u>	<u>1,890</u>	<u>658.43</u>	<u>25,432</u>

In respect of the 6 months ended 30 September 2003, the directors of Bybrook Limited declared interim dividends of £25.4 million. These were conditional on the reverse acquisition being completed and the admission to AIM. The relevant conditions were met on 11 November 2003. Of the total, £10 million or £258.90 per share was a pre-flotation dividend and the balance was payable to the Group's holding company, RWS Holdings plc, post flotation.

10 Earnings per Ordinary share

Earnings per share are based on the group profit for the year and a weighted average of 33,590,041 Ordinary shares in issue during the year (6 months ended 30 September 2003 - 38,625). Bybrook's results shown as the Group's comparatives in these financial statements, include losses from localization operations in the United States that were demerged before the reverse takeover.

	Year ended 30 September 2004	EPS	6 months ended 30 September 2003	EPS
	Earnings £000	Pence	Earnings £000	£
Basic earnings	2,874	8.6	1,382	35.78
Goodwill amortization and exceptional items, non-recurring costs and charges	2,881	8.5	630	16.31
	<u>5,755</u>	<u>17.1</u>	<u>2,012</u>	<u>52.09</u>
Exceptional tax credit from prior year trading losses	(1,662)	(4.9)	-	-
Adjusted earnings	<u>4,093</u>	<u>12.2</u>	<u>2,012</u>	<u>52.09</u>

No significant tax effect arises from the adjustment for goodwill and exceptional items.

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Notes to the Financial Statements (continued)

10 Earnings per Ordinary share (continued)

	Year ended 30 September 2004 Number of shares	6 months ended 30 September 2003 Number of shares
Diluted earnings per share are based on the group profit for the period and a weighted average of Ordinary shares in issue during the period calculated as follows:		
In issue	33,590,041	38,625
Dilutive potential Ordinary shares arising from unexercised share options	2,040,730	-
	<u>35,630,771</u>	<u>38,625</u>

The weighted average number of Ordinary shares in issue reflects that the equivalent of only 462,095 Ordinary shares were in issue for the period from the beginning of the financial year until 11 November 2003. At the year end there were unexercised options over a total of 4,533,857 Ordinary shares.

A reconstruction occurred in the year details of which are in notes 1 and 23.

11 Loss attributable to the members of RWS Holdings plc

No Profit and Loss Account has been presented for the Company, as permitted by Section 230 of the Companies Act 1985. The group profit for the year includes a loss after tax and before dividends of £433,000 (7 months ended 30 September 2003 – loss of £272,000) which is dealt with in the financial statements of the parent company.

12 Intangible fixed assets

	Goodwill £'000
Group	
Cost at beginning of year	19,745
Additions (note 5)	1,916
Disposal (note 26)	(9,348)
Cost at end of year	<u>12,313</u>
Amortization at beginning of year	13,752
Disposal (note 26)	(9,348)
Impairment loss (note 5)	1,916
Provision for the year	542
Amortization at end of year	<u>6,862</u>
Net book value at beginning of year	5,993
Net book value at end of year	<u>5,451</u>

Goodwill arising on the reverse acquisition (see note 5) has been written-off in the year ended 30 September 2004, because Health Media Group plc had no continuing business.

At 30 September 2004, the net book value of goodwill arising on consolidation was £4,996,000 (30 September 2003 - £5,474,000), and the net book value of other goodwill was £455,000 (30 September 2003 - £519,000).

13 Tangible fixed assets

	Leasehold improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Group				
Cost at beginning of year	423	1,735	29	2,187
Exchange adjustments	-	(5)	-	(5)
Additions	24	167	19	210
Disposal on sale of subsidiary undertakings (note 26)	(19)	(571)	-	(590)
Disposals and other movements	-	(236)	(21)	(257)
Cost at end of year	<u>428</u>	<u>1,090</u>	<u>27</u>	<u>1,545</u>
Depreciation at beginning of year	187	1,258	14	1,459
Exchange adjustments	-	(5)	-	(5)
Provision for the year	54	218	7	279
Disposal on sale of subsidiary undertakings (note 26)	(15)	(506)	-	(521)
Disposals and other movements	-	(236)	(16)	(252)
Depreciation at end of year	<u>226</u>	<u>729</u>	<u>5</u>	<u>960</u>
Net book value at beginning of year	236	477	15	728
Net book value at end of year	<u>202</u>	<u>361</u>	<u>22</u>	<u>585</u>

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Notes to the Financial Statements (continued)

14 Investments

	Loan notes £'000	Total £'000
Group		
Cost and net book value at beginning of year	17,500	17,500
Disposals	(17,500)	(17,500)
Cost and net book value at end of year	-	-
	Loan notes £'000	Subsidiary undertakings £'000
Company		Total £'000
Cost and net book value at beginning of year	-	-
Additions	17,771	4,965
Disposals	(17,771)	-
Cost and net book value at end of year	-	4,965

The Loan Notes, repayable at par on 25 January 2005, were purchased from Bybrook and redeemed on 31 December 2003. Interest was receivable on 30 June and 31 December of each year in arrears at ¼ of a per cent below six month LIBOR at the start of the period. The cost included interest accrued but unpaid up to the date of purchase.

On 11 November 2003, the Company became the legal parent of Bybrook Limited and its subsidiary undertakings. The purchase consideration comprised the issue to the vendors of Bybrook of 37,320,064 Ordinary shares in the Company which had a fair value of £42 million and the issue of options over 2,266,930 Ordinary shares in the Company to certain Executive Directors and Senior Executives the details of which are set out on page 9 in the Directors' Remuneration Report; the options intrinsic value amounted to £2,030,000. The related acquisition expenses amounted to £1,069,000. However, the investment cost relating to the issue of shares is held at nominal value as the acquisition met the merger relief conditions under Section 131 of the Companies Act 1985.

On completion of the reverse acquisition, the following were the principal wholly owned subsidiary undertakings and have been consolidated in the Financial Statements. All companies are incorporated in their principal country of operation.

	Country	Nature of business
Bybrook Limited	England	Holding company
RWS Group Limited	England	Holding company
RWS Translations Limited	England	Patent, technical and legal translations
RWS Information Limited	England	Patent and technical information searches
KK RWS Group	Japan	Patent, technical and legal translations
RWS Group GmbH	Germany	Technical and legal translations
Lawyers' and Merchants' Translation Bureau Inc	USA	Technical and legal translations
Plastics Translations Limited	England	Holding company
RWS (Overseas) Limited	England	Holding company

All subsidiary undertakings, except Bybrook Limited are held indirectly.

15 Work in progress

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Translations, searches and localizations	682	-	1,127	-

16 Debtors

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due within one year				
Trade debtors	4,620	-	4,826	-
Amounts owed by Group undertakings	-	14,105	-	-
Other debtors	95	-	59	18
Prepayments and accrued income	502	11	649	-
	5,217	14,116	5,534	18

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17 Creditors: amounts due within one year	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft - secured (note 21)	369	-	1,546	-
Trade creditors	1,377	-	1,838	10
Amounts owed to Group undertakings	-	2,666	-	-
Other creditors	443	6	471	-
Creditors for taxation and social security	336	-	364	-
Corporation tax	5,383	4,434	2,223	-
Accruals and deferred income	1,169	274	1,534	336
Dividend payable	1,323	1,323	25,432	-
	10,400	8,703	33,408	346

18 Creditors: amounts due after one year	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Other creditors	33	-	66	-

On 1 March 2001, the business of Hogg Silver & Co. was acquired and the Directors estimated that the total deferred consideration, which is contingent upon future revenues, would amount to £177,747. Of this amount £100,000 (2003 - £110,000) was outstanding at the year end, of which £33,000 (2003 - £66,000) will fall due for payment within one to two years.

19 Financial instruments and related disclosures

Over half the Group's UK sales are denominated in foreign currencies whilst the associated cost base is substantially in sterling. Sales and costs in currencies are monitored regularly and the Group hedges through forward exchange contracts, currency risks that may arise on operations during the following year. The following disclosures exclude all short term trade related debtors and creditors except within the currency exposure analysis.

Interest rate risk management

Most available funds, after meeting capital requirements, have been invested in Sterling and Euro deposits. At 30 September 2004, all deposits were on overnight placement generating interest at rates between 1% and 5%.

Borrowing facilities

The Group relies on its cash balances and a short term overdraft facility to manage liquidity. At the year end the overdraft amounted to £369,000 (2003 - £1,546,000). Sterling overdrafts bear an interest rate of 1% (2003 - 1%) over Barclays Bank base rate.

Currency exposures

In order to manage its currency exposure, the Group seeks to maintain cash balances in currencies in which expenses will be paid. Approximately half of the Group's expected future sales next year give rise to currency exposures. At the year end about 40% of the principal currency exposure to the Euro was hedged using forward foreign exchange contracts.

Functional currency of group operations

	Net foreign currency monetary assets and liabilities				
	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
At 30 September 2004					
Sterling	-	2,349	1,006	88	3,443
Yen	-	-	27	-	27
	-	2,349	1,033	88	3,470
At 30 September 2003					
Sterling	-	3,429	159	348	3,936
Yen	-	-	127	-	127
	-	3,429	286	348	4,063

Fair value of financial assets and financial liabilities

	2004		2003	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Short term overdrafts	(369)	(369)	(1,546)	(1,546)
Cash	11,107	11,107	2,757	2,757
Derivative financial instruments held to hedge currency exposures on expected future sales	-	-	-	-
Forward foreign exchange contracts	-	-	-	-
	10,738	10,738	1,211	1,211

19 Financial instruments and related disclosures (continued)

Gains and losses on hedges

The Group's policy is to seek to hedge currency exposures on expected future sales through forward foreign currency contracts. The table below shows the extent to which the Group has off balance sheet (unrecognised) and off balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the Profit and Loss Account for the year and those gains and losses which are expected to be included in Profit and Loss Accounts in subsequent years.

The Group has no forward foreign currency contracts hedging foreign currency assets and liabilities that have been translated at the forward rate inherent in the contracts, so there are no deferred gains and losses.

	Gains £'000	Losses £'000	Total net gains £'000
Unrecognised gains and losses at beginning of year	-	38	38
Unrecognised gains and losses arising in previous years recognised in the year	-	(38)	(38)
Unrecognised gains and losses arising in the year	-	16	16
Unrecognised gains and losses at end of year	-	16	16
Gains and losses expected to be recognised in 2005	-	16	16
Gains and losses expected to be recognised in 2006 or later	-	-	-

20 Provision for liabilities and charges

	Deferred taxation £'000	Other provisions £'000	Total £'000
Group			
At beginning of year	4,434	74	4,508
Transfer to corporation tax	(4,434)	-	(4,434)
Release to profit and loss account	-	(74)	(74)
At end of year	-	-	-

After the acquisition of Bybrook, the Company acquired from its subsidiary undertaking third party Loan Notes that were repayable in full on 25 January 2005. The loan notes had been part of the consideration received by Bybrook for the sale of a subsidiary undertaking in January 2000. The inherent corporation tax liability related to this element of the consideration was deferred until the Loan Notes were redeemed. The Loan Notes were purchased from Bybrook Limited with the purchaser settling in due course any corporation tax liability inherent at the date of completion.

Other provisions include amounts payable to certain employees, previously vendors of a business acquired by the Group in prior years, on the achievement of revenue growth over a specific period. The Directors estimate that no amount will now be payable.

21 Guarantees and other financial commitments

In respect of sterling overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees that are secured by fixed and floating charges over the assets of the Group. At the end of the year the liabilities covered by these guarantees totalled £369,000 (2003 - £1,484,000)

22 Commitments and contingent liabilities

	2004 £'000	2003 £'000
Group		
Forward foreign exchange contracts		
At the balance sheet date the Group had outstanding contracts, for periods of twelve months or less, to sell foreign currency having a principal amount of	4,109	3,147
Annual commitments under operating leases which expire:		
Land and buildings		
Within one year	17	169
Between one and five years	693	473
After five years	43	585
	753	1,227

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Notes to the Financial Statements (continued)

22 Commitments and contingent liabilities (continued)	2,004	2,003
	£'000	£'000
Annual commitments under operating leases which expire (continued):		
Equipment		
Within one year	9	4
Between one and five years	108	145
	<u>117</u>	<u>149</u>

The Group had no capital commitments contracted for but not provided for in the Financial Statements.

23 Share capital	2004	2003
	£'000	£'000
Authorised		
40,000,000 Ordinary shares of 25p	-	10,000
100,000,000 Ordinary shares of 5p	5,000	-
	<u>5,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
23,104,748 Ordinary shares of 25p	-	5,776
37,782,158 Ordinary shares of 5p	1,889	-
	<u>1,889</u>	<u>5,776</u>

Prior to the reverse takeover, trading in the Company's Ordinary shares had been suspended and at that time they were trading at a discount. To enable the acquisition proposals to be effected, the Company restructured its capital. This reorganisation consisted of a conversion of each then existing Ordinary share of 25p each into one Ordinary share of 0.1p and 249 Deferred shares of 0.1p each, a consolidation of every 50 Ordinary shares of 0.1p each into one Ordinary share of 5p, and, a capital reduction. The net effect of the capital reorganisation was that every holder of 50 Ordinary shares of 25p each received one Ordinary share of 5p.

The details of the acquisition of Bybrook Limited were contained in the Circular to Shareholders accompanying the last Annual Report. The capital reorganisation with the exception of the proposed capital reduction, the admission to trading on AIM of the enlarged share capital, and the change of name of the Company were all completed on 11 November 2003. The capital reduction was completed and registered by Companies House on 16 September 2004.

Details of Directors' and Senior Executive options to subscribe for the Ordinary shares of the Company are set out on page 9 in the Directors' Remuneration Report. In aggregate these options represent 8.5% of the issued share capital of the Company at 30 September 2004. The Company, on 10 October 2003, entered into two further option agreements conditional on completion of the reverse takeover and admission to AIM. These options represent 3.5% of the issued share capital of the Company at 30 September 2004.

The share capital balance in the Group Balance Sheet at 30 September 2003 reflects that of Bybrook Limited prior to the reverse acquisition. This represented 29,625 allotted, called up and fully paid Ordinary shares of 1p each and 9,000 allotted, called up and fully paid 'A' Ordinary shares of 1p each.

24 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Share premium account	Reverse acquisition and share option reserves	Profit and loss account	Shareholders' funds/(deficit)
	£'000	£'000	£'000	£'000	£'000
Group					
At beginning of year	-	1,405	-	(5,748)	(4,343)
Dividend from Bybrook Limited	-	-	-	15,432	15,432
	-	1,405	-	9,684	11,089
Shares held by existing HMG shareholders	5,776	737	-	-	6,513
Shares issued to Bybrook shareholders	1,866	-	-	-	1,866
Adjustments arising on the reverse acquisition	-	(1,405)	(8,483)	-	(9,888)
Share options issued	-	-	2,030	-	2,030
Capital reduction	(5,753)	-	-	5,753	-
Profit retained for the financial year	-	-	-	984	984
Exchange movements	-	-	-	5	5
At end of year	<u>1,889</u>	<u>737</u>	<u>(6,453)</u>	<u>16,426</u>	<u>12,599</u>

At 30 September 2004 the Reverse Acquisition Reserve amounted to £(8,483,000) and the Share Option Reserve amounted to £2,030,000. Both arose during the year.

24 Reconciliation of shareholders' funds and movements on reserves (continued)

Company	Share capital £'000	Share premium account £'000	Other reserves and share option reserve £'000	Profit and loss account £'000	Shareholders' funds/(deficit) £'000
At beginning of year	5,776	737	5,533	(12,373)	(327)
Shares issued to Bybrook shareholders	1,866	-	-	-	1,866
Share options issued	-	-	2,030	-	2,030
Capital reduction	(5,753)	-	-	5,753	-
Profit retained for the financial year	-	-	-	15,609	15,609
At end of year	1,889	737	7,563	8,989	19,178

At 30 September 2004 the Other Reserves amounted to £5,533,000 and the Share Option Reserve amounted to £2,030,000. The latter arose during the year.

A dividend of £15,432,000 was received by the Company from Bybrook Limited on 11 November 2003. This dividend was conditional on the reverse acquisition being completed and the Company being admitted to AIM so it had not been previously recognised by the Company but it had been included in dividends payable in the subsidiary's accounts for the six months ended 30 September 2003. Further details are given in note 9.

The Deferred shares of the Company, which were not listed or quoted on any stock exchange and had minimal rights thereby rendering them effectively valueless, were cancelled for no consideration by means of a reduction of capital in September 2004.

The purchase consideration for the acquisition of Bybrook Limited valued Bybrook at £44 million. This was satisfied by the issue to the vendors of Bybrook of 37,320,064 Ordinary shares in the Company which at the placing price had a fair value of £42 million and the issue of options over 2,266,930 Ordinary shares of 5p each to Executive Directors and Senior Executives. The Share Option Reserve amounting to £2,030,000 relates to these options.

25 Reconciliation of operating profit to net cash flow from operating activities

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Group operating profit	2,870	1,867
Depreciation and amortization	2,737	432
Profit on sale of tangible fixed assets	(1)	(1)
Work in progress decrease/(increase)	445	(386)
Debtors decrease/(increase)	171	(701)
Creditors (decrease)/increase	(883)	512
Other non-cash movements	(74)	(12)
Net cash inflow from operating activities	5,265	1,711

26 Disposal of subsidiary undertakings

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Fixed assets	69	-
Current assets	820	-
Creditors due within one year	(763)	-
Book value of net assets disposed	126	-
Cash consideration	-	-
Loss on disposal of subsidiary undertakings	126	-
Overdraft included in undertakings disposed	62	-

On 7 October 2003, Bybrook Limited sold the entire share capital of subsidiaries with operations based in California to its shareholders for a consideration of £500. The terms of this agreement were set out in the Admission Document sent to Shareholders on 10 October 2003.

27 Reconciliation of net cash flow to movement in net funds

	Year ended 30 September 2004 £'000	6 months ended 30 September 2003 £'000
Increase in cash in the year	9,527	1,915
Net funds/(debt) at beginning of the year	1,211	(704)
Net funds at end of year	10,738	1,211

28 Analysis of net funds	At 1 Oct 2003 £'000	Cash flow £'000	Exchange movements £'000	At 30 Sept 2004 £'000
Cash	2,757	8,350	-	11,107
Overdrafts	(1,546)	1,177	-	(369)
	<u>1,211</u>	<u>9,527</u>	<u>-</u>	<u>10,738</u>

29 Related party transactions

During the year there were no material recorded transactions between the Company and the Directors other than as disclosed below.

On 7 October 2003, Brooklet Limited together with its subsidiary undertakings was sold to the shareholders of Bybrook Limited, as at that date, for consideration of £500. The disposal of the localization business in the US was part of the rationalization of the Bybrook Group ahead of its acquisition by Health Media Group plc, an AIM listed company. Andrew Brode was the Chairman and the major shareholder in Bybrook Limited and is the Executive Chairman and the major shareholder of the Company.

Pursuant to an agreement dated 2 January 2002, Bradmount Investments Limited, of which Peter Mountford is a director, is entitled to consultancy fees. In the year to 30 September 2004, these fees were estimated to amount to £70,000 (2003 - £Nil).

30 Post balance sheet events

The Company issued and allotted 377,821 new Ordinary shares of 5p each pursuant to the exercise of an option by its nominated adviser, Collins Stewart Limited. The option was granted to Collins Stewart Limited at the time of the Company's admission to AIM in November 2003, and represented an option over 1% of the Company's issued share capital at the time of flotation. The new shares were placed with institutional shareholders.

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