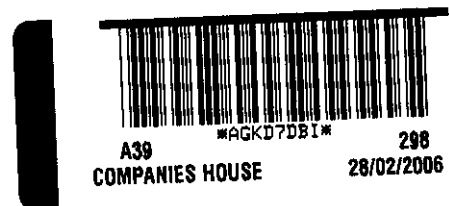


3002645

RWS Holdings plc
Annual Report
2005



RWS Holdings plc

Annual Report 2005

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RWS Holdings plc

ANNUAL REPORT 2005

Executive Chairman's Statement

I am pleased to report a robust performance from RWS with record sales and profits for its second year as a public company.

Business Overview

RWS is a leading provider of intellectual property support services and high level technical, legal and financial translation services. The core business - patent translation - is the largest operation of its kind in Europe, translating over 30,000 patents and intellectual property related documents each year. It serves a multinational blue chip client base drawn from Europe, North America and Japan. Clients will be active filers of patents in the medical, pharmaceutical, chemical, aerospace, defence, automotive, electronics and telecoms industries, as well as patent agents working on behalf of similar clients. The Group comprises two divisions, the RWS Translation division providing patent and documentation translation, filing and localization services in the UK, US, Japan and Europe and RWS Information division, which offers a comprehensive range of patent search, retrieval and monitoring services.

Strategy

The Group's strategy is to expand organically through the leveraging of its market-leading positions and reputation in the delivery of translation and search services. It will deploy its cash reserves for selective acquisitions if they can be demonstrated to enhance growth and shareholder value.

Results

The Group achieved further progress based upon its commanding position in its core patent translations activity. The underlying market growth continued with the European Patent Office annual report for 2004 confirming 10% growth in patent applications filed.

Sales and profit for the year were both at record levels. Sales grew by 15.4% to £35.9 million; profit before tax and goodwill amortization rose by 24.5% to £7.44 million. The Group has continued to gain significant multinational clients whilst retaining the work of existing clients. We expect this trend to continue in our core business.

RWS is the leading patent translations specialist in Europe, which is regarded as its home market; 2005 was also a further excellent year for our Japanese patent translations activities both in terms of sales and profit.

We acquired Eclipse Translations, based in North East England, in February 2005. The company enjoys excellent relationships with UK Government departments and has performed in line with the expectations we had for the business prior to its acquisition.

Dividend

The Board has recommended a final dividend of 4.35p per share, which, together with the interim dividend, will result in a total dividend for the year of 6.0p per share, 20% more than in 2004. The proposed total dividend is almost twice covered by after tax profits.

Operating Review

Translations

Patent translations account for 80% of our business and showed solid growth driven by record numbers of granted patents and demand from a wide group of multinational corporates to secure comprehensive geographic patent protection. The RWS translate and file service is perceived as high quality, convenient and cost-effective. Our Japanese operation seeks to replicate the European service. Clients appreciate our 'one-stop shop' approach coupled with the ability to manage substantial volumes across multiple jurisdictions. Effective October 2005 we have established a presence in Beijing which will provide patent translation services for our multinational clients. This business will incur costs in 2006 but we expect it to move into profit in late 2007.

Our commercial and technical translation services, which now include Eclipse, account for 13% of sales, and face heavy competition. At the lower end of the difficulty/quality spectrum, translation is being commoditised. RWS has always sought to position itself as a quality service provider and remains therefore unwilling to accept low margin projects where price is the sole determinant for the prospective client.

Information

The Information division now accounts for only 7% of group sales. This division experienced a marked downturn in Summer 2004 and has struggled to maintain the lower levels established at that time. Costs have been reduced to reflect the lower level of business, and this division continues to enjoy excellent margins.

I am pleased to report that our new PatBase database product is selling well ahead of expectations and has been favourably received by subscribers (corporate research departments and patent agents). We are in the process of expanding the database search functionality and subscriber appeal.

RWS Holdings plc

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Executive Chairman's Statement (continued)

Financial Review

The Group's financial position has strengthened considerably with net assets reaching £15.5 million, including net cash of £11.9 million. Free cash inflow was £5.2 million before expending £2.7 million on the acquisition of Eclipse, including £0.3 million on the early redemption of a bank mortgage on the Eclipse premises. Overall net cash inflow was £1.2 million. As in prior years, capital expenditure remained modest and good management of receivables ensured that the working capital increase was not material, after allowing for the Eclipse acquisition.

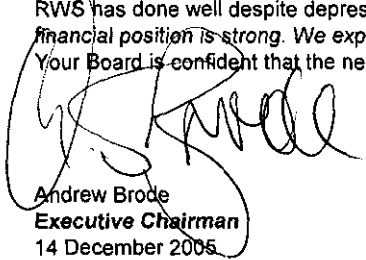
The most significant currency pair for the business is Euro/Sterling with approximately half of total sales billed in Euros; conversely, much of the cost base is Sterling denominated. During 2005, the Group's Euro exposure was largely hedged at a rate of 69.5. At present, only modest Euro hedging is in place as we anticipate a weakening in Sterling. The US dollar exposure is hedged at 1.74 for 2006.

People

I would like to thank all my Board colleagues and operating company directors for their valued contribution. All of the staff deployed throughout the Group deserve thanks for their efforts in delivering another set of record results. I wish in particular to pay tribute to the resolve of the staff of our Information division whose office is immediately adjacent to the site of the 7 July terrorist outrage in Tavistock Square.

Outlook

RWS has done well despite depressed economic conditions in the Eurozone. Our forward sales position is positive and our financial position is strong. We expect to deliver further double digit growth in 2006 and to grow the dividend in line with earnings. Your Board is confident that the necessary drivers are in place to meet our financial objectives.



Andrew Brode
Executive Chairman
14 December 2005

RWS Holdings plc

Annual Report 2005

Board of Directors at 30 September 2005

A S Brode (65)

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 (49)

Chief Executive Officer of RWS Translation Division

Appointed as a Director 11 November 2003.

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

M A McCarthy (58)

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 (64)

Senior Non-Executive Director

Chairman of the Remuneration Committee and Member of the Audit Committee

Appointed as a Director 11 November 2003.

Non-Executive Chairman of Derwent Valley Holdings plc.

P Mountford (48)

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

Annual Report 2005

Directors' Report

The Directors present their report together with the audited Financial Statements for the year ended 30 September 2005.

Results and Dividends

The Group Profit and Loss Account is set out on page 11 and shows a profit for the year. The Directors recommend a final dividend of 4.35p per Ordinary share. This, together with the interim dividend of 1.65p per share paid on 30 June 2005, gives a total dividend of 6p per Ordinary share for the year ended 30 September 2005. The total dividends to Shareholders amount to £2.3 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 profit before goodwill amortization and taxation was £7.44 million (2004 - £6 million) and with a goodwill charge of £0.6m the resulting profit before tax was £6.8 million. The tax charge of £2.3 million represented a rate of 30.4% on the profit before goodwill and exceptional items compared to 31.5% in 2004.

The Translation division has continued to show good growth and Eclipse Translations, acquired in February 2005, has performed in line with expectations. The market for the Information division has remained flat but its nascent on-line database service, Patbase, has been well received in the market.

The Group intends to continue to grow organically and seek selective acquisitions that will add shareholder value.

Political and Charitable Contributions

Financial contributions to charities and good causes during the year amounted to £5,000. There were no political donations.

Post Balance Sheet Events

No significant change has occurred since the 30 September 2005.

Directors

Details of members of the Board at 30 September 2005 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 2005 and 14 December 2005.

Andrew Brode retires by rotation at the Annual General Meeting and being eligible offers himself for re-election. The Company's AGM will be held in London on 9 February 2006.

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 Translation 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

Annual Report 2005

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; and
- * 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 2005, excluding Directors, the following were substantial shareholders:

	% holding
Merrill Lynch Investment Managers Group Limited and Merrill Lynch and Co Inc	10.3
Other financial institutions with holdings in excess of 3%	12.3

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 at any time on or before the fifth anniversary of the admission to AIM. At 30 September 2005 options over 206,000 Ordinary shares of the Company had been exercised.

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 35 days (2004 - 37 days) average purchases. The Company had no trade creditors at the year end.

RWS Holdings plc

Annual Report 2005

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:

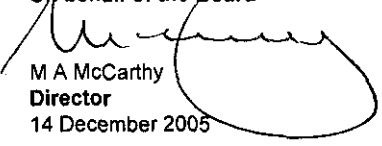
- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * 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 reappoint them will be proposed at the Annual General Meeting.

On behalf of the Board


M A McCarthy
Director
14 December 2005

RWS Holdings plc

Annual Report 2005

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 2005 was £1,147,000 (including £228,000 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	Total £'000	2005 Pension contributions £'000	Total £'000	2004 Pension contributions £'000
Andrew Brode	227	-	1	228	29	227	25
Elisabeth Lucas	177	38	1	216	5	203	5
Michael McCarthy	128	42	1	171	4	139	4
John Ivey	25	-	-	25	-	22	-
Peter Mountford	25	-	-	25	-	22	-
Nick Fisher	-	-	-	-	-	25	-
Gavin Kaye	-	-	-	-	-	25	-
	582	80	3	665	38	663	34

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.

RWS Holdings plc

Annual Report 2005

Directors' Remuneration Report (continued)

Directors' Interests in Shares

The interests of the Directors (including the interests of their families and related trusts), all of which were beneficial, in the Ordinary shares of the Company at 1 October 2004 and 30 September 2005 are shown below. There were no shares acquired or sold during the year. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries.

	Ordinary shares of 5p at start and end of year
Andrew Brode	18,590,812
Elisabeth Lucas	-
Michael McCarthy	-
John Ivey	10,000
Peter Mountford	3,325
	<u>18,604,137</u>

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	Last date exercisable
E A Lucas	At 1 October 2004 and 30 September 2005	604,515	23p	11.11.2004	12.12.2011
M A McCarthy	At 1 October 2004 and 30 September 2005	302,257	23p	11.11.2004	12.12.2011
P Mountford	At 1 October 2004 and 30 September 2005	944,553	112.54p	11.11.2004	11.11.2008
S P Anthony	At 1 October 2004 and 30 September 2005	453,386	23p	11.11.2004	12.12.2011
S J Lodge	At 1 October 2004 and 30 September 2005	604,515	23p	11.11.2004	12.12.2011
R K Ottway	At 1 October 2004	302,257	23p	11.11.2004	12.12.2011
	Exercised	75,564	23p		
	At 30 September 2005	<u>226,693</u>	23p	11.11.2004	12.12.2011

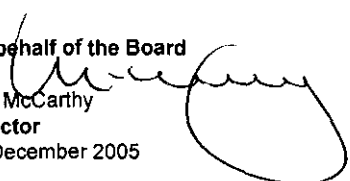
Transactions with Directors

During the year there were no material recorded transactions between the Company and the Directors.

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
14 December 2005

RWS Holdings plc

Annual Report 2005

Independent Auditors' Report to the Members of RWS Holdings plc

We have audited the Financial Statements of RWS Holdings plc on pages 11 to 25 which have been prepared under the accounting policies set out on pages 16 and 17.

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 state of affairs as at 30 September 2005, 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

BDO STOY HAYWARD LLP

Chartered Accountants

Registered Auditors

8 Baker Street

London W1U 3LL

14 December 2005

RWS Holdings plc

Annual Report 2005

Group Profit and Loss Account for the year ended 30 September 2005

		2005			2004		
	Note	Before goodwill amortization £'000	Goodwill amortization £'000	Total £'000	Before goodwill amortization and exceptional items £'000	Goodwill amortization and exceptional items £'000	Total £'000
Turnover	3	35,875	-	35,875	31,095	-	31,095
Cost of sales		(21,198)	-	(21,198)	(18,327)	-	(18,327)
Gross profit		14,677	-	14,677	12,768	-	12,768
Administrative expenses							
Amortization of goodwill	11	-	(616)	(616)	-	(542)	(542)
Goodwill write-off		-	-	-	-	(1,916)	(1,916)
Non-recurring costs associated with the flotation		-	-	-	-	(297)	(297)
Other		(7,648)	-	(7,648)	(7,143)	-	(7,143)
		(7,648)	(616)	(8,264)	(7,143)	(2,755)	(9,898)
Group operating profit		7,029	(616)	6,413	5,625	(2,755)	2,870
Loss on sale of subsidiary undertakings		-	-	-	-	(126)	(126)
Profit on ordinary activities before interest				6,413			2,744
Net interest	5	412	-	412	352	-	352
Profit on ordinary activities before taxation	6	7,441	(616)	6,825	5,977	(2,881)	3,096
Taxation	7	(2,265)	-	(2,265)	(1,884)	1,662	(222)
Profit on ordinary activities after taxation		5,176	(616)	4,560	4,093	(1,219)	2,874
Attributable to minorities		-	-	-	-	-	-
Net profit for the financial year (Profit attributable to shareholders)		5,176	(616)	4,560	4,093	(1,219)	2,874
Dividends	8			(2,319)			(1,890)
Profit retained for the financial year	22			2,241			984
Earnings per 5p Ordinary share	9						
Basic earnings per share		13.5 p		11.9 p	12.2p		8.6p
Diluted earnings per share		12.6 p		11.1 p	11.5p		8.1p

All amounts relate to continuing activities.

The notes on pages 16 to 25 form part of these Financial Statements.

RWS Holdings plc**Annual Report 2005****Group Statement of Total Recognised Gains and Losses for the year ended 30 September 2005**

	Note	2005 £'000	2004 £'000
Profit attributable to shareholders		4,560	2,874
Exchange adjustments on retranslation of net assets of subsidiary undertakings	22	(25)	5
Total recognised gains and losses		<u>4,535</u>	<u>2,879</u>

The notes on pages 16 to 25 form part of these Financial Statements.

RWS Holdings plc

Annual Report 2005

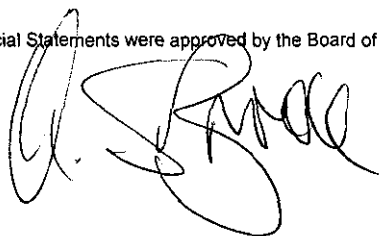
Group Balance Sheet at 30 September 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	7,049	5,451
Tangible assets	12	<u>935</u>	<u>585</u>
		7,984	6,036
Current assets			
Work in progress	14	773	682
Debtors	15	6,571	5,217
Cash at bank		<u>12,280</u>	<u>11,107</u>
		19,624	17,006
Creditors: amounts due within one year	16	<u>(12,109)</u>	<u>(10,400)</u>
Net current assets		<u>7,515</u>	<u>6,606</u>
Total assets less current liabilities		15,499	12,642
Creditors: amounts due after one year	17	-	(33)
Net assets		<u>15,499</u>	<u>12,609</u>
Capital and reserves			
Called up share capital	21/22	1,922	1,889
Share premium account	22	1,378	737
Share option reserve	22	1,962	2,030
Capital reserve	22	68	-
Reverse acquisition reserve	22	(8,483)	(8,483)
Profit and loss account	22	18,642	16,426
Shareholders' funds - equity interests	22	<u>15,489</u>	<u>12,599</u>
Non-equity minority interests		<u>10</u>	<u>10</u>
Shareholders' funds and minority interests		<u>15,499</u>	<u>12,609</u>

The notes on pages 16 to 25 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 14 December 2005 and were signed on its behalf by:

A S Brode
Director



RWS Holdings plc

Annual Report 2005

Statement of Group Cash Flow for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	23	7,142	5,265
Returns on investments and servicing of finance			
Interest received		401	570
Interest paid		(1)	(75)
		400	495
Tax paid		(2,143)	(1,330)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	12	(233)	(210)
Sale of tangible fixed assets		-	5
Redemption of loan notes		-	17,500
		(233)	17,295
Free cash flow		5,166	21,725
Acquisitions and disposals			
Acquisition of subsidiary undertakings	26	(2,430)	-
Net overdraft in subsidiary undertakings acquired	26	(249)	-
Overdraft transferred on disposal of subsidiary undertakings		-	62
Acquisition related expenses and other payments to third parties on the reverse acquisition		-	(1,693)
		(2,679)	(1,631)
Equity dividends paid to shareholders		(1,970)	(567)
Equity dividends paid to shareholders of Bybrook Limited		-	(10,000)
		(1,970)	(10,567)
Financing			
Issue of ordinary shares	22	674	-
Increase in cash	24	1,191	9,527

The notes on pages 16 to 25 form part of these Financial Statements.

RWS Holdings plc

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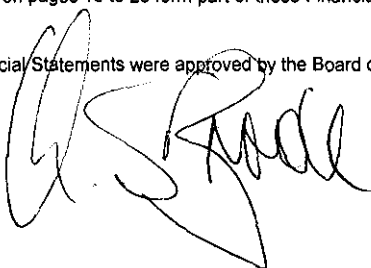
Company Balance Sheet at 30 September 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	13	4,965	4,965
Current assets			
Debtors	15	17,533	14,116
Cash at bank		<u>6,303</u>	<u>8,800</u>
		23,836	22,916
Creditors: amounts due within one year	16	<u>(7,963)</u>	<u>(8,703)</u>
Net current assets		15,873	14,213
Net assets		<u>20,838</u>	<u>19,178</u>
Capital and reserves			
Called up share capital	21/22	1,922	1,889
Share premium account	22	1,378	737
Share option reserve	22	1,962	2,030
Capital reserve	22	68	-
Other reserves	22	5,533	5,533
Profit and loss account	22	9,975	8,989
Shareholders' funds - equity	22	<u>20,838</u>	<u>19,178</u>

The notes on pages 16 to 25 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 14 December 2005 and were signed on its behalf by:

A S Brode
Director



1 Basis of consolidation and presentation of financial information

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

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 by International Financial Reporting Standard 3 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.

Goodwill arose on the difference between the fair value of the legal parent'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 the 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>

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.

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.

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.

2 Accounting policies (continued)

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:

Long leasehold and 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	2005 £'000	2004 £'000
Turnover by class of business		
Translation and localization services	33,327	28,448
Information services	2,548	2,647
	<u>35,875</u>	<u>31,095</u>

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

Turnover by geographic location of Group undertaking		
United Kingdom	31,748	27,597
Continental Europe	611	481
Japan	3,339	2,711
United States of America	177	306
	<u>35,875</u>	<u>31,095</u>

Turnover by geographic market in which customers are located		
United Kingdom	4,882	4,583
Continental Europe		
Germany	13,284	10,501
France	3,698	3,062
Other	6,695	7,105
	<u>23,677</u>	<u>20,668</u>
Japan	2,446	1,678
United States of America	4,747	4,050
Other	123	116
	<u>35,875</u>	<u>31,095</u>

Total assets by location of Group undertaking		
UK	26,082	21,868
Others	1,526	1,174
	<u>27,608</u>	<u>23,042</u>

Net assets by location of Group undertaking		
UK	14,366	11,762
Others	1,133	847
Net assets	<u>15,499</u>	<u>12,609</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	2005 £'000	2004 £'000
Staff costs consist of:		
Wages and salaries	10,186	9,263
Social security costs	1,201	1,082
Pension costs	221	195
	<u>11,608</u>	<u>10,540</u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Production staff	267	262
Administrative staff	65	61
	<u>332</u>	<u>323</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.

RWS Holdings plc

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Notes to the Financial Statements (continued)

5 Net interest	2005	2004
	£'000	£'000
Interest receivable		
Securities	-	278
Short-term deposits	413	146
	<u>413</u>	<u>424</u>
Interest payable on short-term borrowings	(1)	(72)
	<u>412</u>	<u>352</u>
6 Profit on ordinary activities before taxation	2005	2004
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation (note 12)	342	279
Amortization of goodwill (note 11)	616	542
Auditors' remuneration		
- Audit fees (Company £32,500, 2004 - £32,500)	85	84
- Non-audit services	30	53
Operating lease rentals		
- Equipment	115	95
- Land and buildings	769	725
Profit on disposal of fixed assets	-	(1)
Exceptional items, non-recurring costs and charges		
- Goodwill written-off	-	1,916
- Non-recurring costs associated with the flotation	-	297
7 Taxation	2005	2004
	£'000	£'000
Analysis of tax charge:		
Corporation tax	2,024	1,691
Adjustments in respect of prior years	(53)	-
Overseas taxation	294	193
	<u>2,265</u>	<u>1,884</u>
Exceptional tax credit	-	(1,662)
Total current tax charge	<u>2,265</u>	<u>222</u>
Taxation reconciliation to UK statutory rate		
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	6,825	3,096
Notional taxation charge at UK corporation tax rate of 30% (2004 - 30%)	2,048	929
Effects of:		
Items not deductible or not chargeable for tax purposes	148	789
Depreciation in excess of capital allowances	45	55
Other short term timing differences	(4)	(22)
Differences in effective overseas tax rates	81	47
Unutilised tax losses	-	86
Adjustments in respect of prior periods	(53)	(1,662)
Current tax charge for the year	<u>2,265</u>	<u>222</u>

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 year ended 30 September 2004. 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 and no deferred tax asset recognised.

RWS Holdings plc

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Notes to the Financial Statements (continued)

8 Dividends	2005		2004	
	Pence per share	£'000	Pence per share	£'000
On each 5p Ordinary share				
Interim, paid on 30 June 2005	1.65	647	1.50	567
Final proposed (2004 - paid 7 March 2005)	4.35	1,672	3.50	1,323
	<u>6.00</u>	<u>2,319</u>	<u>5.00</u>	<u>1,890</u>

9 Earnings per Ordinary share	2005		2004	
	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Basic earnings	4,560	11.9	2,874	8.6
Goodwill amortization and exceptional items, non-recurring costs and charges	616	1.6	2,881	8.5
	<u>5,176</u>	<u>13.5</u>	<u>5,755</u>	<u>17.1</u>
Exceptional tax credit from prior year trading losses	-	-	(1,662)	(4.9)
Adjusted earnings	<u>5,176</u>	<u>13.5</u>	<u>4,093</u>	<u>12.2</u>

No significant tax effect arose from the adjustment for goodwill and exceptional items in the year ended 30 September 2004.

	Number of shares	Number of shares
Diluted earnings per share are based on the group profit for the year and a weighted average of Ordinary shares in issue during the year calculated as follows:		
In issue	38,204,648	33,590,041
Dilutive potential Ordinary shares arising from unexercised share options	<u>2,735,932</u>	<u>2,040,730</u>
	<u>40,940,580</u>	<u>35,630,771</u>

The weighted average number of Ordinary shares in issue in 2004 reflects that the equivalent of only 462,095 Ordinary shares were in issue for the period from the beginning of that financial year until 11 November 2003. At 30 September 2005 there were unexercised options over a total of 3,874,472 (2004 - 4,533,857) Ordinary shares.

10 Profit 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 profit after tax and before dividends of £3,305,000 (2004 - £17,499,000) which is dealt with in the financial statements of the parent company.

11 Intangible fixed assets	Goodwill £'000
Group	
Cost at beginning of year	12,313
Additions (see note 26)	<u>2,214</u>
Cost at end of year	<u>14,527</u>
Amortization at beginning of year	6,862
Provision for the year	<u>616</u>
Amortization at end of year	<u>7,478</u>
Net book value at beginning of year	5,451
Net book value at end of year	<u>7,049</u>

At 30 September 2005, the net book value of goodwill arising on consolidation was £6,658,000 (2004 - £4,996,000), and the net book value of other goodwill was £391,000 (2004 - £455,000).

RWS Holdings plc

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Notes to the Financial Statements (continued)

12 Tangible fixed assets	Leasehold land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Group				
Cost at beginning of year	428	1,090	27	1,545
Additions	17	216	-	233
Acquisition of subsidiary undertakings	453	146	-	599
Cost at end of year	898	1,452	27	2,377
Depreciation at beginning of year	226	729	5	960
Acquisition of subsidiary undertakings	73	67	-	140
Provision for the year	71	264	7	342
Depreciation at end of year	370	1,060	12	1,442
Net book value at beginning of year	202	361	22	585
Net book value at end of year	528	392	15	935

13 Investments	Subsidiary undertakings £'000
Company	
Cost and net book value at beginning and end of year	4,965

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
Eclipse Translations Limited	England	Technical and legal translations

All subsidiary undertakings, except Bybrook Limited are held indirectly.

14 Work in progress	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Translations, searches and localizations	773	-	682	-

15 Debtors	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due within one year				
Trade debtors	5,650	-	4,620	-
Amounts owed by Group undertakings	-	17,510	-	14,105
Other debtors	425	1	95	-
Prepayments and accrued income	496	22	502	11
	6,571	17,533	5,217	14,116

16 Creditors: amounts due within one year	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft - secured (note 19)	351	-	369	-
Trade creditors	1,539	-	1,377	-
Amounts owed to Group undertakings	-	1,724	-	2,666
Other creditors	567	-	443	6
Creditors for taxation and social security	823	-	336	-
Corporation tax	5,509	4,434	5,383	4,434
Accruals and deferred income	1,648	133	1,169	274
Dividend payable	1,672	1,672	1,323	1,323
	12,109	7,963	10,400	8,703

17 Creditors: amounts due after one year	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Other creditors	-	-	33	-

18 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 2005, 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 £351,000 (2004 - £369,000). Sterling overdrafts bear an interest rate of 1% (2004 - 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 the principal currency exposure to the Euro was unhedged but exposure to the US Dollar was substantially hedged.

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 2005					
Sterling	-	4,599	1,086	381	6,066
Yen	-	-	-	-	-
	-	4,599	1,086	381	6,066
At 30 September 2004					
Sterling	-	2,349	1,006	88	3,443
Yen	-	-	27	-	27
	-	2,349	1,033	88	3,470

Fair value of financial assets and financial liabilities

	2005		2004	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Short term overdrafts	(351)	(351)	(369)	(369)
Cash	12,280	12,280	11,107	11,107
Derivative financial instruments held to hedge currency exposures on expected future sales	-	-	-	-
Forward foreign exchange contracts	-	-	-	-
	11,929	11,929	10,738	10,738

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	-	16	16
Unrecognised gains and losses arising in previous years recognised in the year	-	(16)	(16)
Unrecognised gains and losses arising in the year	56	-	56
Unrecognised gains and losses at end of year	56	-	56
Gains and losses expected to be recognised in 2006	56	-	56
Gains and losses expected to be recognised in 2007 or later	-	-	-

RWS Holdings plc

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Notes to the Financial Statements (continued)

19 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 £351,000 (2004 - £369,000)

20 Commitments and contingent liabilities	2005 £'000	2004 £'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	<u>3,051</u>	<u>4,109</u>
Annual commitments under operating leases which expire:		
Land and buildings		
Within one year	17	17
Between one and five years	721	693
After five years	<u>43</u>	<u>43</u>
	<u>781</u>	<u>753</u>
Equipment		
Within one year	26	9
Between one and five years	<u>106</u>	<u>108</u>
	<u>132</u>	<u>117</u>

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

21 Share capital	2005 £'000	2004 £'000
Authorised		
100,000,000 Ordinary shares of 5p	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
38,441,496 Ordinary shares of 5p	<u>1,922</u>	<u>1,889</u>

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 8.1% of the issued share capital of the Company at the year end. Other unexercised options represent 1.9% of the issued share capital of the Company at 30 September 2005.

RWS Holdings plc

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Notes to the Financial Statements (continued)

22 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
Group					
At beginning of year	1,889	737	(6,453)	16,426	12,599
Issue of share capital	33	641	-	-	674
Profit retained for the financial year	-	-	-	2,241	2,241
Exchange movements	-	-	-	(25)	(25)
At end of year	1,922	1,378	(6,453)	18,642	15,489

	Reverse acquisition reserve £'000	Share option reserve £'000	Capital reserve £'000	Total other reserves £'000
Other reserves				
At beginning of year	(8,483)	2,030	-	(6,453)
Issue of share capital	-	(68)	68	-
At end of year	(8,483)	1,962	68	(6,453)

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
Company					
At beginning of year	1,889	737	7,563	8,989	19,178
Issue of share capital	33	641	-	-	674
Profit retained for the financial year	-	-	-	986	986
At end of year	1,922	1,378	7,563	9,975	20,838

	Merger reserve £'000	Share option reserve £'000	Capital reserve £'000	Total other reserves £'000
Other reserves				
At beginning of year	5,533	2,030	-	7,563
Issue of share capital	-	(68)	68	-
At end of year	5,533	1,962	68	7,563

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

	2005 £'000	2004 £'000
Group operating profit	6,413	2,870
Depreciation and amortization	958	2,737
Profit on sale of tangible fixed assets	-	(1)
Work in progress (increase)/decrease	(91)	445
Debtors (increase)/ decrease	(1,341)	171
Creditors increase/(decrease)	1,218	(883)
Other non-cash movements	(15)	(74)
Net cash inflow from operating activities	7,142	5,265

RWS Holdings plc

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Notes to the Financial Statements (continued)

24 Reconciliation of net cash flow to movement in net funds	2005 £'000	2004 £'000
Increase in cash in the year	1,191	9,527
Net funds at beginning of the year	10,738	1,211
Net funds at end of year	11,929	10,738

25 Analysis of net funds	At 1 Oct 2004 £'000	Cash flow £'000	At 30 Sept 2005 £'000
Cash	11,107	1,173	12,280
Overdrafts	(369)	18	(351)
	10,738	1,191	11,929

26 Acquisition of subsidiary undertakings

On 1 February 2005, the Group acquired Eclipse Translations Limited for a consideration of £2,250,000 paid in cash. In calculating the goodwill arising on acquisition, the provisional fair value of net assets acquired has been assessed and adjustments to book value made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Provisional fair value adjustments Taxation liabilities £'000	Revaluation of fixed assets £'000	Fair value to the Group £'000
Fixed assets	524	-	(65)	459
Current assets	281	-	-	281
Creditors due within one year	(524)	(300)	-	(824)
Net assets/(liabilities) acquired	281	(300)	(65)	(84)

Cash consideration (including acquisition expenses of £180,000)	2,430
Less: amount recoverable from the vendors in respect of taxation liabilities	(300)
	2,130
Net liabilities acquired	84
Goodwill	2,214
Net overdraft included in undertakings acquired	249

The effects of the acquisition on results for the Group for the year to 30 September 2005, are not material and are therefore not shown separately on the Group Profit and Loss Account and Group Cash Flow Statement.

27 Related party transactions

During the year there were no material recorded transactions between related parties.

28 Post balance sheet events

There have been no events that require disclosure since 30 September 2005.

RWS Holdings plc

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