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RWS TRANSLATIONS LIMITED

Report and Financial Statements

For the year ended

30 September 2004



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RWS TRANSLATIONS LIMITED

Annual report and financial statements for the year ended 30 September 2004

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Directors

A S Brode (Chairman)
S Anthony
S J Lodge
E A Lucas
M A McCarthy

Secretary and registered office

S Anthony, 8 Baker Street, London, W1U 3LL.

Company number

1080416

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

RWS TRANSLATIONS LIMITED

Report of the directors for the year ended 30 September 2004

The directors present their report together with the audited financial statements for the year ended 30 September 2004.

Results and dividends

The profit and loss account is set out on page 3 and shows the result for the year. The directors recommend a final ordinary dividend of £1,665,000.

Principal activities, trading review and future developments

The Company's principal activity is the translation of technical and legal documents. The three operating sectors within the Company are: Patent Translation Services including European Translate and File; Translation and Localization Services; and, Medical Translation Services. The directors are pleased with the business performance and result for the period and anticipate continued growth in turnover and profit in the future.

There have been no events since the balance sheet date that materially affect the position of the Company.

Charitable contributions

During the year to 30 September 2004 the Company made charitable donations of £2,182 (six months ended 30 September 2003 - £558).

Purchase of own shares

On 1 October 2003 the Company repurchased for cancellation all the deferred shares for the consideration of £1.

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 to small suppliers.

Directors and their interests

The directors of the Company during the year were:

A S Brode
S Anthony
S J Lodge
E A Lucas
M A McCarthy

No director had any interest in the share capital of the Company.

A S Brode's interest in the share capital of the ultimate parent company is disclosed in the financial statements of that company. The interests of directors in the new options under the RWS Holdings plc 2003 Unapproved Share Option Scheme were granted on 10 December 2003, and are disclosed in the financial statements of RWS Holdings plc, the ultimate parent company.

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 of the profit or loss for that year. In preparing those financial statements, the directors are required to:

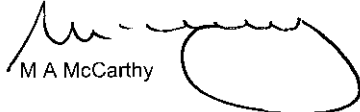
- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- * 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 Company 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 Company and 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

5 January 2005

RWS TRANSLATIONS LIMITED

Report of the independent auditors

To the shareholders of RWS Translations Limited

We have audited the financial statements of RWS Translations Limited on pages 3 to 10 which have been prepared under the accounting policies set out on page 5.

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 Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 state of the Company's affairs as at 30 September 2004, and of its 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
and Registered Auditors
London*

5 January 2005

RWS TRANSLATIONS LIMITED

Profit and loss account for the year ended 30 September 2004

	Note	Year ended 30 September 2004 £	6 months ended 30 September 2003 £
Turnover	2	25,613,047	11,541,545
Cost of sales		15,427,078	6,835,911
Gross profit		10,185,969	4,705,634
Administrative expenses		5,570,391	2,432,433
Operating profit		4,615,578	2,273,201
Interest receivable		43,122	44,081
Profit on ordinary activities before taxation	4	4,658,700	2,317,282
Taxation	5	273,345	651,770
Profit on ordinary activities after taxation		4,385,355	1,665,512
Dividend - interim of £16,650 per share (2003 - £122,612.84 per share)		(1,665,000)	(12,261,284)
Retained profit/(loss) for the period	12	2,720,355	(10,595,772)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 5 to 10 form part of these financial statements.

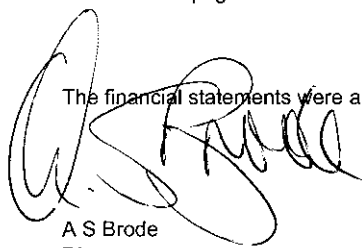
RWS TRANSLATIONS LIMITED

Balance sheet at 30 September 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	6	404,741	432,654
Tangible assets	7	387,599	419,192
Investments	8	201	201
		<hr/>	<hr/>
		792,541	852,047
Current assets			
Work in progress		642,673	932,453
Debtors	9	9,588,479	8,705,767
Cash at bank		647,252	92,087
		<hr/>	<hr/>
		10,878,404	9,730,307
Creditors: amounts due within one year	10	7,284,878	8,916,642
		<hr/>	<hr/>
Net current assets		3,593,526	813,665
		<hr/>	<hr/>
Net assets		4,386,067	1,665,712
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	100	200
Capital redemption reserve	12	100	-
Profit and loss account	12	4,385,867	1,665,512
		<hr/>	<hr/>
Shareholders' funds - equity	12	4,386,067	1,665,712
		<hr/>	<hr/>

The notes on pages 5 to 10 form part of these financial statements.

The financial statements were approved by the Board on 5 January 2005.



A S Brode
Director

RWS TRANSLATIONS LIMITED

Notes to the financial statements

1 Accounting policies

The financial statements contain information about RWS Translations Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group financial statements

Group financial statements have not been prepared as the Company has taken advantage of the exemption conferred by section 228 of the Companies Act 1985. The financial statements of the Company and its subsidiary undertakings are incorporated in the consolidated financial statements of the ultimate parent company, RWS Holdings plc.

Turnover

Turnover represents sales to customers at invoiced amounts less value added tax. Revenue is recognised as a translation or filing is fulfilled in accordance with agreed client instructions.

Intangible fixed assets

Purchased goodwill on acquisition of a subsidiary is capitalised and amortized through the profit and loss account over the directors' estimate of its useful economic life that does not exceed 20 years.

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.

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	-	3 to 10 years

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Work in progress

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

Deferred taxation

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the 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.

Foreign currencies

Foreign currency transactions are translated into sterling at the rates of exchange ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the year end. Any differences are taken to the profit and loss account.

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 personal pension contribution scheme are charged to the profit and loss account in the year in which they become payable.

RWS TRANSLATIONS LIMITED

Notes to the financial statements

2 Turnover analysed by markets	Year ended 30 September 2004 £	6 months ended 30 September 2003 £
United Kingdom	3,187,451	1,656,439
The Rest of Europe	19,426,913	8,701,530
United States of America	2,799,349	1,157,694
Japan	138,043	9,112
Other	61,291	16,770
	25,613,047	11,541,545

All turnover resulted from continuing activities

3 Employees	Year ended 30 September 2004 £	6 months ended 30 September 2003 £
Staff costs consist of:		
Wages and salaries	6,213,497	3,167,594
Social security costs	708,881	353,439
Pension costs	122,459	60,862
	7,044,837	3,581,895

No directors are paid through the Company.

There were pension contributions of £18,085 outstanding at the year end (30 September 2003 - £18,298).

	Number	Number
The average number of employees (including directors) during the period was as follows:		
Production staff	216	213
Administrative staff	16	16
	232	229

4 Profit on ordinary activities before taxation	Year ended 30 September 2004 £	6 months ended 30 September 2003 £
This is stated after charging/(crediting) the following amounts:		
Auditors' remuneration - audit services	14,500	14,500
Operating lease rentals		
- other assets	460,275	219,029
- plant and machinery	82,174	37,602
Depreciation - owned assets (note 7)	152,577	64,981
Exchange differences	128,048	(18,983)
Amortization of goodwill (note 6)	27,913	13,956
Provision for amounts owed by Group undertakings	241,000	-
	241,000	-

RWS TRANSLATIONS LIMITED

Notes to the financial statements

5 Taxation	Year ended 30 September 2004 £	Year ended 30 September 2003 £
UK corporation tax	1,493,891	704,439
Over provision in previous years	(1,220,546)	(52,669)
Total current tax charge	<u>273,345</u>	<u>651,770</u>
Factors affecting tax charge for the period: The taxation assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are:		
Profit on ordinary activities before taxation	4,658,700	2,317,282
UK corporation tax charge thereon at the standard rate	1,397,610	695,185
Effects of:		
Expenses not deductible	75,771	34
Goodwill amortization not deductible	8,374	4,187
Differences between capital allowances and depreciation	12,136	5,033
Over provision in prior years	(1,220,546)	(52,669)
Current tax charge for the period	<u>273,345</u>	<u>651,770</u>

6 Intangible assets	Goodwill £
Cost at beginning and end of year	<u>558,262</u>
Amortization at beginning of year	125,608
Provision for the year	27,913
Amortization at end of year	<u>153,521</u>
Net book value at beginning of year	<u>432,654</u>
Net book value at end of year	<u>404,741</u>

True and fair override on divisionalisation of subsidiary undertakings

As part of a rationalisation of the Group, the trade of Translation and Language Consultants (International) Limited was transferred into the Company at 1 April 1999. This resulted in an apparent overvaluation of investments held in the Company's books, though there was no overall loss to the Group. Schedule 4 to the Companies Act 1985 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. In the opinion of the directors the value of the trade at that date was equal to the carrying value of the investment in the subsidiary undertaking. The directors consider that as the substance of the transaction was merely to reorganise the Group's operation, such a treatment would fail to give a true and fair view and the diminution in value of the investment has instead been reallocated to goodwill.

The effect on the Company's balance sheet of this departure from the requirements of Schedule 4 in the period was to recognise goodwill of £404,741 net of amortization of £153,521.

RWS TRANSLATIONS LIMITED

Notes to the financial statements

7 Tangible assets

	Leasehold improvements £	Furniture and equipment £	Total £
Cost at beginning of year	313,146	699,609	1,012,755
Additions	24,172	96,812	120,984
Disposals	-	(236,664)	(236,664)
Cost at end of year	337,318	559,757	897,075
Depreciation at beginning of year	105,787	487,776	593,563
Provision for the year	38,713	113,864	152,577
Disposals	-	(236,664)	(236,664)
Depreciation at end of year	144,500	364,976	509,476
Net book value at beginning of year	207,359	211,833	419,192
Net book value at end of year	192,818	194,781	387,599

8 Investments

	2004 £	2003 £
Subsidiary undertakings		
Cost at beginning and end of year	382,307	382,307
Provision at beginning and end of year	382,106	382,106
Net book value at end of year	201	201

The following were subsidiary undertakings at the end of the year:

	Proportion of voting rights and ordinary share capital held	Nature of business	Country of incorporation
Askus Translation Services Limited	100%	Dormant	Eire
Chemical Translations Limited	100%	Dormant	England
European Law Translations Limited	100%	Dormant	England

The directors are of the opinion that the aggregate value of the shares in and the amounts owing from the subsidiary undertakings is not less than the aggregate of the amounts at which those assets are included in the Company's balance sheet.

9 Debtors

	2004 £	2003 £
Trade debtors	3,738,803	3,451,522
Amounts owed by Group undertakings	5,671,033	5,092,217
Other debtors	4,266	1,455
Prepayments and accrued income	174,377	160,573
	9,588,479	8,705,767

All amounts shown under debtors are due within one year.

RWS TRANSLATIONS LIMITED

Notes to the financial statements

10 Creditors: amounts due within one year	2004	2003
	£	£
Bank overdraft - secured (note 17)	303,821	1,375,433
Trade creditors	1,217,141	1,149,078
Other creditors	157,969	169,574
Creditors for taxation and social security	199,716	199,622
Corporation tax	767,357	1,812,895
Amounts owed to Group undertakings	3,980,838	3,422,729
Accruals and deferred income	658,036	787,311
	7,284,878	8,916,642

11 Share capital	2004	2003
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
100 deferred shares of £1 each	100	100
	200	200
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
100 deferred shares of £1 each	-	100
	100	200

Deferred shares have no dividend rights and on winding up rank after the ordinary shareholders. The deferred shares also do not carry any right to vote at general meetings other than one convened for the purpose of considering a resolution directly affecting the rights attached to the deferred shares.

On 1 October 2003 the Company repurchased for cancellation all deferred shares for consideration of £1.

12 Reconciliation of shareholders' funds	Share capital			Profit and loss	Shareholders' funds
	Ordinary shares	Deferred shares	Capital redemption reserve	account	
	£	£	£	£	£
At beginning of year	100	100	-	1,665,512	1,665,712
Retained profit for the year	-	-	-	2,720,355	2,720,355
Redemption of shares	-	(100)	100	-	-
At end of the year	100	-	100	4,385,867	4,386,067

13 Commitments	2004	2003
	£	£
Forward foreign exchange contracts		
At the balance sheet date the Company had outstanding contracts, for periods of twelve months or less, to sell foreign currency having a principal amount of	4,109,000	3,125,000
Annual commitments under operating leases which expire:		
Land and buildings		
Between one and five years	299,450	-
After five years	43,505	338,310
	342,955	338,310

Certain lease commitments are now borne by another group company.

RWS TRANSLATIONS LIMITED

Notes to the financial statements

14 Cash flow statement

The Company has taken advantage of the exemption allowed under Financial Reporting Standard No 1 "Cash flow statements" not to produce a cash flow statement as it is a wholly owned subsidiary of RWS Holdings plc. A group cash flow statement is included in the financial statements of RWS Holdings plc.

15 Related party transactions

The Company has taken advantage of the exemption allowed under Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose any transactions or balances with entities which are part of the Group as consolidated financial statements of the ultimate parent company are available from Companies House.

16 Ultimate parent company

At 30 September 2004 the Company's ultimate parent company was RWS Holdings plc, a company registered in England, which is the parent of both the smallest and largest groups of which the company is a member.

Copies of the consolidated financial statements of RWS Holdings plc are available from Companies House.

17 Guarantees and other financial commitments

The Company, together with certain other Group undertakings, in respect of overdraft facilities, has given to the Group's principal bankers cross-guarantees that are secured by fixed and floating charges over the assets of the Company.

The page which follows does not
form part of the statutory
financial statements of the Company

RWS TRANSLATIONS LIMITED

Detailed profit and loss account for the year ended 30 September 2004

	Year ended 30 September 2004 £	6 months ended 30 September 2003 £
Turnover	25,613,047	11,541,545
Cost of sales	15,427,078	6,835,911
Gross profit	10,185,969	4,705,634
Less: Expenses		
Marketing costs	101,373	61,601
Personnel costs	798,730	361,634
Motor and travelling expenses	19,717	8,088
Rent, rates and service charges	636,119	304,215
Insurance	11,605	5,598
Light and heat	24,376	13,125
Cleaning and laundry	79,041	43,076
Legal, professional and accountancy	706	2,804
Office equipment costs	44,467	16,939
Subscriptions	6,263	2,831
Postage and delivery	292,448	141,292
Printing and stationery	84,098	47,727
Copying	165,628	84,759
Telephone and telex	85,023	41,807
Sundry expenses	27,492	8,585
Repairs and maintenance	87,344	38,152
Storage and removals	4,190	2,357
Branch office expenses	84,540	38,445
Bank charges	46,282	26,624
Bad debts	(3,698)	2,046
Depreciation	152,577	64,981
Management charges	2,404,283	1,112,662
Exchange differences	128,048	(18,983)
Office expenses	18,644	7,554
Donations	2,182	558
Amortization of goodwill	27,913	13,956
Provision for amounts owed by Group undertakings	241,000	-
	5,570,391	2,432,433
Profit before tax	4,615,578	2,273,201