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Other than Shareholders, this document is directed only at persons having professional experience in matters relating to investments (being "investment professionals" within the meaning of article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001) and the investments or investment activities to which this document relates are available only to such persons and will be engaged only with such persons. Persons who do not have professional experience in matters relating to investments (and who are not Shareholders) should not rely on this document nor take any action upon it, but should return it immediately to Collins Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR.

If you have sold or otherwise transferred all your shares in the Company, you should forward this document, together with the accompanying Form of Proxy, immediately to the purchaser, transferee or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee, except that this document should not be forwarded or transmitted into the United States, Canada, Japan, Australia, Ireland or South Africa or any other jurisdiction where it would be unlawful to do so.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the proposed admission to trading of the Enlarged Share Capital on AIM. This document does not constitute a prospectus and a copy of it has not been, and will not be, delivered to the Registrar of Companies in England and Wales for registration under Rule 4(2) of the POS Regulations. This document contains no offer to the public within the meaning of Schedule 11 to the Financial Services and Markets Act 2000, the Act, the POS Regulations or otherwise.

The Existing Directors and the Proposed Directors, whose names are set out on page 4 of this document, accept responsibility for the information contained in this document to the extent set out in paragraphs 1(a) and 1(b) of Part VII of this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Existing Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document, for which they are responsible, is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The rules of AIM are less demanding than those of the Official List. Furthermore, the London Stock Exchange has not itself examined or approved the contents of this document.

For a discussion of risks and other facts that should be considered in connection with an investment in the Company, prospective investors should read the section entitled "Risk Factors" set out in Part III of this document.

It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 11 November 2003. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The Placing Shares are not being made available to the public pursuant to the Placing.

Health Media Group plc

(incorporated and registered in England and Wales with registered number 3002645)

Proposed acquisition of Bybrook Limited

Proposed waiver of rule 9 of the City Code

Proposed Capital Reorganisation

Proposed Placing of 18,732,252 ordinary shares of 5p each at 112.54p per share

Application for admission to trading on AIM and proposed change of name to RWS Holdings plc

Nominated Adviser and Broker until Admission

Arbuthnot Securities Limited

Nominated Adviser and Broker following Admission

Collins Stewart Limited

SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING AND ACQUISITION

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
£5,000,000	100,000,000	Ordinary Shares of 5p each	£1,889,107.90*	37,782,158*
£5,753,082.25*	5,753,082,252*	Deferred Shares of 0.1p each	£5,753,082.25*	5,753,082,252*

* ignoring any fractions that may arise pursuant to the Capital Restructuring

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Placing Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in or into the United States, Canada, Japan, Australia, Ireland or South Africa. The Placing Shares have not been, and will not be registered under the United States Securities Act of 1933 (as amended) or under the applicable securities laws of Canada, Japan, Australia, Ireland or South Africa and, subject to certain exceptions, may not be offered for sale or subscription, or sold or subscribed, directly or indirectly, within the United States, Canada, Japan, Australia, Ireland or South Africa or to or by any national, resident or citizen of such countries.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or Collins Stewart or Arbuthnot or their respective directors.

Arbuthnot, which is regulated in the United Kingdom by The Financial Services Authority, is acting as nominated adviser and broker to the Company until Admission and no one else, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Arbuthnot or for providing advice in relation to the matters contained in this document or any matter concerning the Proposals or Admission. The responsibility of Arbuthnot as nominated adviser and broker to the Company until Admission is owed solely to the London Stock Exchange. Arbuthnot has not authorised the contents of this document and no liability whatsoever is accepted by Arbuthnot for the accuracy of any information contained in this document nor does Arbuthnot express any opinion on the suitability of the Enlarged Group for Admission.

Collins Stewart, which is regulated in the United Kingdom by The Financial Services Authority, will act as nominated adviser and broker to the Company following Admission and no one else, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Collins Stewart or for providing advice in relation to the matters contained in this document or any matter concerning the Proposals or Admission. The responsibility of Collins Stewart as nominated adviser and broker to the Company after Admission will be owed solely to the London Stock Exchange. Collins Stewart has not authorised the contents of this document.

A notice convening an Extraordinary General Meeting of the Company to be held at the offices of Olswang, 90 High Holborn, London WC1V 6XX at 10.05 a.m. on 10 November 2003 (or as soon thereafter as the Annual General Meeting of the Company to be held at the same place and on the same date at 10.00 a.m. shall have been concluded or adjourned) is set out at the end of this document. To be valid the Form of Proxy accompanying this document must be completed and returned in accordance with the instructions printed thereon, so as to be received by post or by hand by the Company's registrars not later than 48 hours before the time fixed for the meeting. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the meetings is 10.05 a.m. on 8 November 2003 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion of a Form of Proxy will not preclude a member from attending the EGM and voting in person.

CONTENTS

	<i>Page</i>
Expected Timetable	3
Placing Statistics	3
Directors, Secretary and Advisers	4
Definitions	5
PART I Letter from the Deputy Chairman of Health Media Group plc	9
PART II Information on the RWS Group	20
PART III Risk factors	26
PART IV Accountants' report on Health Media Group plc	28
PART V Accountants' report on Bybrook Limited	49
PART VI Unaudited pro forma statement of consolidated net assets for the Enlarged Group	73
PART VII Additional information	75
Notice of Extraordinary General Meeting of Health Media Group plc	98

EXPECTED TIMETABLE

Latest time and date for receipt of forms of proxy for the Annual General Meeting	10.00 a.m. 8 November 2003
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.05 a.m. 8 November 2003
Annual General Meeting	10.00 a.m. 10 November 2003
Extraordinary General Meeting	10.05 a.m. 10 November 2003
Record Date	10 November 2003
Completion of the Acquisition	11 November 2003
Dealings in the New Ordinary Shares to commence and in the Existing Ordinary Shares to recommence on AIM and CREST accounts credited	11 November 2003
Definitive share certificates despatched by	18 November 2003

PLACING STATISTICS

Total number of Ordinary Shares of 25p each in issue prior to the Placing and the Acquisition	23,104,748
Total number of Ordinary Shares of 5p each in issue prior to the Placing and the Acquisition assuming completion of the Capital Restructuring	462,094*
Number of Placing Shares being issued	18,732,252
Number of Vendor Shares being issued	18,587,812
Total number of New Ordinary Shares of 5p each being issued	37,320,064
Total number of Ordinary Shares of 5p each in issue following the Placing and the Acquisition	37,782,158*
Placing Price	112.54p
Market capitalisation of the Company at the Placing Price following the Acquisition and the Placing	£42.52 million

* ignoring any fractions that may arise pursuant to the Capital Restructuring

DIRECTORS, SECRETARY AND ADVISERS

Directors	The Existing Directors comprise: Andrew Brode (<i>Non-Executive Chairman</i>) Nicholas Fisher (<i>Non-Executive Deputy Chairman</i>) Gavin Mark Kaye (<i>Executive Director</i>) Peter Mountford (<i>Non-Executive Director</i>) all of: 25 Upper Brook Street, Mayfair, London W1K 7QD
Company Secretary	Gavin Mark Kaye
Proposed Directors following Admission	Following Admission the directors will comprise: Andrew Brode (<i>Executive Chairman</i>) Elisabeth Ann Lucas (<i>Executive Director</i>) Michael Anthony McCarthy (<i>Finance Director</i>) John Charles Ivey (<i>Senior Non-Executive Director</i>) Peter Mountford (<i>Non-Executive Director</i>) all of: 8 Baker Street, London W1U 3LL
Proposed Company Secretary following Admission	Michael Anthony McCarthy
Registered Office	25 Upper Brook Street Mayfair London W1K 7QD
Proposed Registered Office	8 Baker Street London W1U 3LL
Nominated Adviser and Broker until Admission	Arbuthnot Securities Limited One Victoria Square Birmingham B1 1BD
Financial Adviser to Bybrook and Nominated Adviser and Broker following Admission	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR
Reporting Accountants, Auditors to Health Media Group and Auditors to Bybrook	BDO Stoy Hayward 8 Baker Street London W1U 3LL
Solicitors to the Company	Salans Clements House 14-18 Gresham Street London EC2V 7NN
Solicitors to Bybrook	Olswang 90 High Holborn London WC1V 6XX
Solicitors to Collins Stewart	Hammonds 7 Devonshire Square Cutlers Gardens London EC2M 4YH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document unless otherwise stated or the context otherwise requires:

“Acquisition”	the proposed conditional acquisition by the Company of the entire issued share capital of Bybrook from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement to be entered into between the Vendors and the Company relating to the sale and purchase of the entire issued share capital of Bybrook, particulars of which are set out in paragraph 8 of Part VII of this document
“Act”	the Companies Act 1985
“Ad-Ex”	Ad-Ex (Translations) Limited, an indirectly wholly owned subsidiary of Bybrook incorporated in England and Wales with registered number 149111
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies as in force at the date of this document issued by the London Stock Exchange
“Annual General Meeting” or “AGM”	the annual general meeting of the Company convened for 10.00 a.m. on 10 November 2003, or any adjournment thereof
“the AGM documents”	the circular of the Company dated 10 October 2003 convening the AGM and the accompanying form of proxy
“Arbuthnot”	Arbuthnot Securities Limited
“Articles”	the Company’s articles of association
“Bybrook”	Bybrook Limited
“Bybrook Group”	Bybrook and its subsidiary undertakings as at the date of this document
“Bybrook Shares”	ordinary shares of 1p each in the capital of Bybrook
“Capital Reduction”	the proposed cancellation of the Deferred Shares, subject to approval by the Court
“Capital Reorganisation”	the Capital Restructuring and the Capital Reduction
“Capital Restructuring”	the proposed reorganisation of the share capital of the Company to be effected pursuant to Resolution 4 set out in the notice of EGM at the end of this document
“City Code”	the City Code on Takeovers and Mergers
“Collins Stewart”	Collins Stewart Limited
“Company” or “Health Media Group”	Health Media Group plc
“Combined Code”	the principles of good governance and code of practice prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel, published in June 1998 as amended from time to time
“Concert Party”	Andrew Brode and RBC Trustees as trustees of a trust for the benefit of Andrew Brode
“Court”	the High Court of Justice in England and Wales

“CREST”	the electronic settlement system operated by CRESTCo Limited, which facilitates the transfer of title to shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/No. 3755)
“Deferred Shares”	deferred shares of 0.1p each in the capital of the Company to be created as part of the Capital Restructuring
“Eclipse”	Eclipse Group Limited
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 10.05 a.m. on 10 November 2003, or as soon thereafter as the Annual General Meeting of the Company convened for 10.00 a.m. on 10 November 2003 is concluded or adjourned or any adjournment thereof, notice of which is set out at the end of this document
“Enlarged Group”	the Company and its subsidiary undertakings as enlarged by the Acquisition
“Enlarged Share Capital”	the issued ordinary share capital of the Company following the Acquisition and the Placing of all of the Placing Shares
“Existing Directors” or “Board”	the existing directors of Health Media Group whose names are set out on page 4 of this document
“Existing Ordinary Shares”	the 23,104,748 existing issued ordinary shares of 25p each in the Company at the date of this document (and which shall be converted, re-designated and consolidated in accordance with the Resolutions)
“Form of Proxy”	the form of proxy accompanying this document to be used by Shareholders in respect of the EGM
“Group”	the Company and its subsidiary undertakings as at the date of this document
“Independent Directors”	Nicholas Fisher and Gavin Mark Kaye, who are deemed to be independent for the purposes of the Board’s deliberation of the Proposals
“Irrevocable Agreement”	the irrevocable agreement dated 10 October 2003 under which the Company has undertaken to accept the Offers and execute the Acquisition Agreement if the Resolutions are passed
“London Stock Exchange”	the London Stock Exchange plc
“New Board” or “Proposed Directors”	the new board of the Company following Admission comprising Andrew Brode, Peter Mountford and the New Directors
“New Directors”	Elisabeth Ann Lucas, Michael Anthony McCarthy and John Charles Ivey
“New Ordinary Shares”	the Placing Shares and the Vendor Shares
“New RWS Options”	the new options over Ordinary Shares to be granted to existing optionholders under the RWS Share Option Scheme in consideration for the surrender of their options granted under the RWS Share Option Scheme further details of which are set out in Part I and paragraph 7 of Part VII of this document
“Offers”	the irrevocable offers by the Vendors dated 10 October 2003 to sell the entire issued share capital of Bybrook to the Company on the terms of the Acquisition Agreement
“Official List”	the Official List of the UK Listing Authority

“Options”	the options over certain Ordinary Shares to be granted to each of Peter Mountford, Adrian Bradshaw, Collins Stewart and the optionholders under the RWS Share Option Scheme conditional on Admission (and in the case of the options to Mr. Mountford and Mr. Bradshaw, conditional <i>inter alia</i> on the approval of Shareholders) particulars of which are set out in paragraphs 7 and 8 of Part VII of this document
“Ordinary Shares”	ordinary shares of 25p each in the capital of the Company prior to Admission and, following the passing of the Resolutions and on Admission, ordinary shares of 5p each in the capital of the Company
“Panel”	The Panel on Takeovers and Mergers
“Placees”	persons to be nominated by Collins Stewart as subscribers for the Placing Shares pursuant to the Placing Agreement
“Placing”	the conditional placing of the Placing Shares subject to the terms and conditions of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 October 2003 between the Company, Bybrook, Collins Stewart, Arbuthnot, the Existing Directors and the Proposed Directors relating to <i>inter alia</i> the Placing, particulars of which are set out in paragraph 8 of Part VII of this document
“Placing Price”	112.54p per Placing Share
“Placing Shares”	the 18,732,252 new Ordinary Shares of 5p each to be allotted to Placees pursuant to the terms of the Acquisition Agreement
“POS Regulations”	The Public Offers of Securities Regulations 1995
“Proposals”	together the Acquisition, the Placing and Admission
“RBC Trustees”	RBC Trustees (Guernsey) Limited as trustees of the Andrew Brode Life Interest Settlement, incorporated under the laws of Guernsey with registered number 37379 and with registered office at P.O. Box 48, Canada Court, Upland Road, St. Peter Port, Guernsey, Channel Islands GY1 3BQ
“Record Date”	10 November 2003
“Reed Elsevier”	Reed Elsevier (UK) Limited
“Resolutions”	the resolutions to be proposed at the EGM, as set out in the notice of EGM at the end of this document
“RWS” or “RWS Group”	RWS Group plc, an indirectly wholly owned subsidiary of Bybrook incorporated in England and Wales with registered number 1575193, together (where relevant) with its subsidiary undertakings
“RWS Directors”	Andrew Brode, Elisabeth Lucas, Michael McCarthy, Susan Anthony, Stephen Lodge and Reinhard Ottway
“RWS Information”	RWS Information Limited, an indirectly wholly owned subsidiary of Bybrook incorporated in England and Wales with registered number 1032254
“RWS Japan”	KK RWS Group, an indirectly wholly owned subsidiary of Bybrook incorporated under the laws of Japan

“RWS LLC”	RWS Group LLC, a company incorporated under the laws of Delaware together with its immediate holding companies Watertone Limited and Brooklet Limited
“RWS Share Option Scheme”	the RWS Group 2001 Unapproved Share Option Scheme
“RWS Translation”	RWS Translations Limited, an indirectly wholly owned subsidiary of Bybrook incorporated in England and Wales with registered number 1086416
“Shareholders”	holders of Existing Ordinary Shares
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of section 72 of The Financial Services and Markets Act 2000
“Vendors”	Raphael Baron, David Owens, Andreas Siegmund, RBC Trustees (Guernsey) Limited and 3i Group plc
“Vendor Shares”	the 18,587,812 new Ordinary Shares to be allotted to one of the Vendors pursuant to the terms of the Acquisition Agreement
“Waiver”	the waiver by the Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the City Code

PART I

Letter from the Deputy Chairman of Health Media Group plc

Health Media Group plc

(incorporated and registered in England and Wales with registered number 3002645)

Directors:

Andrew Brode *(Non-Executive Chairman)*
Nicholas Fisher *(Non-Executive Deputy Chairman)*
Gavin Mark Kaye *(Executive Director)*
Peter Mountford *(Non-Executive Director)*

Registered Office:

25 Upper Brook Street
Mayfair
London
W1K 7QD

10 October 2003

To Shareholders

Dear Shareholder,

Proposed Acquisition of Bybrook Limited, a related Placing, reorganisation of share capital and change of name to RWS Holdings plc

Introduction

It was announced today that the shareholders of Bybrook have offered irrevocably to sell, subject to your approval, the whole of the issued share capital of Bybrook to the Company on the terms of the Acquisition Agreement. In addition, the Company has entered into the Irrevocable Agreement under which it has undertaken to accept the Offers and execute the Acquisition Agreement if the Resolutions to be proposed to Shareholders are passed. The consideration for the Acquisition values Bybrook at approximately £42.0 million and will be satisfied by the allotment of the New Ordinary Shares as described in the section entitled "Details of the Placing" below. The New Ordinary Shares will represent approximately 98.8 per cent. of the Enlarged Share Capital.

Bybrook is the holding company of RWS Group. RWS Group is a provider of intellectual property support services (patent translations and technical searches) to the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries. The RWS Group also provides specialist technical, legal and financial translation services to a number of areas of industry outside the patent arena. Based in the United Kingdom, the RWS Group also operates from offices in mainland Europe, New York and the Far East. Further details on Bybrook and the RWS Group are set out below and in Part II of this document. In view of the change in nature of the Group's business as a result of the Acquisition, it is proposed that the name of the Company be changed to RWS Holdings plc. Further details of the Placing are set out below.

In view of its size, the Acquisition would constitute a reverse takeover of the Company under the AIM Rules, a substantial property transaction with a director under section 320 of the Act and a change of control under the City Code and therefore requires the prior approval of Shareholders at the Extraordinary General Meeting. If the Resolutions are duly passed at the EGM, the Company's existing quotation on AIM will be cancelled and the Company will apply for the Enlarged Share Capital to be admitted to trading on AIM.

Your chairman Andrew Brode, together with Peter Mountford, a non-executive director of the Company, are both interested in the Acquisition by virtue of, firstly, Andrew Brode's directorship and beneficial interest in Bybrook representing 69.9 per cent. of Bybrook's issued share capital, and secondly, Peter Mountford's proposed option arrangements within the Enlarged Group as more particularly described in paragraph 8 of Part VII of this document. As a result of Andrew Brode's shareholding interest in Bybrook the Acquisition is deemed to be a related party transaction pursuant to the AIM Rules. As a result of their respective interests in the transaction neither Andrew Brode nor Peter Mountford have participated in the Board's deliberations with regard to the Acquisition and will not vote on the Resolutions. It is for this reason that I am writing to you both in my capacity as Non-Executive Deputy Chairman and as an Independent Director.

The purpose of this document is to provide you with information on the Proposals and to explain why the Independent Directors consider them to be in the best interests of the Company and Shareholders as a whole and why they recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Background to and reasons for the Acquisition

Health Media Group is a shell company originally established to develop, through acquisition, a group providing services within the education, publishing and media sectors. In August 2001 the Company acquired the entire issued share capital of Pang Management Limited (formerly Health Media Group Limited) in consideration of the issue to the holders of shares in Pang Management Limited of 18,700,000 Ordinary Shares. Pang Management Limited was the holding company of a group of companies which was a provider of health-related news, information, education and technology solutions. The business was not successful and in August 2002 was sold for £125,000 leaving the Group without any trading activities. Following the sale of the business of Pang Management Limited, a liquidator was appointed to Pang Health Limited (formerly Health Media Limited), a wholly owned subsidiary of Pang Management Limited.

Since August 2002 the Existing Directors have sought to realise value for Shareholders by seeking to use Health Media Group as a shell for a reverse takeover. However the range of opportunities explored has been constrained by the negligible cash resources of Health Media Group and no interested parties other than Bybrook have been identified.

At the most recent year end, the Company had a cash balance of only £3,000 and, with no present revenue stream or likely sources of funding, will be unable to finance the ongoing costs associated with maintaining its quotation on AIM. Furthermore, this lack of funding makes it increasingly difficult for the Existing Directors to pursue any opportunities for the Group which may arise.

The Group has latent capital tax losses of approximately £11 million that it has been unable to utilise. The Independent Directors believe that it is difficult to ascribe a value to tax losses since the losses within the Group are likely to be of use to only a limited number of companies. For these companies the value of the losses is uncertain and subject to agreement with the Inland Revenue, but may potentially represent considerable value. Nevertheless the Independent Directors believe that the valuation attributed to these capital losses by the Proposals is consistent with their understanding of current market practice in relation to the value of tax losses.

In light of the Company's current financial position the Independent Directors believe that if the Resolutions are not passed and accordingly the Proposals are not completed, in the absence of alternative funding arrangements the Board will have no alternative other than to seek the advice of an insolvency practitioner in which event a liquidation of the Company is expected to follow. Should this take place, it is highly uncertain whether any value for Shareholders would be recoverable.

Information on the RWS Group

The Proposed Directors believe the RWS Group to be a market leader in the provision of intellectual property support services (patent translation and technical searches) to the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries. The RWS Group also provides specialist technical, legal and financial translation services to a number of areas of industry outside the patent arena and operates from offices in the United Kingdom, mainland Europe, New York and the Far East. The RWS Group was originally established under the name of Randall Woolcott Services Limited in 1982 and has since grown substantially both through organic growth and by a series of acquisitions.

The Proposed Directors believe that the RWS Group has grown into one of the largest patent translation specialists in Europe, translating in excess of 30,000 patents and intellectual property related documents per annum. The RWS Group comprises two divisions, the RWS Translation division and the RWS Information division. The RWS Translation division provides patent and

document translation, filing and localisation services principally for companies based in Europe, North America and the Far East. The RWS Information division offers a comprehensive range of patent search, retrieval and monitoring services. As more fully described below, Bybrook's loss-making US business (RWS LLC) has been demerged from the Bybrook Group. As at 31 August 2003, the RWS Group (excluding RWS LLC) had over 270 full time employees, of which 64 were specialist translators and 25 were patent searchers.

Further information on the RWS Group is set out in Part II of this document.

Demerger of RWS LLC

In 1998, the Bybrook Group acquired Polyglot International, part of which represents what became the Group's US business, RWS LLC. In the three years ended 31 March 2003, RWS LLC generated operating losses of approximately £16.7 million, which were sustained via funding from the Bybrook Group totalling approximately £9.2 million over the same period. The RWS Directors did not envisage that the situation at RWS LLC would improve in the short term. Therefore, in order to ensure that both existing and prospective Health Media Group shareholders did not have to continue funding the loss-making US business, the RWS Directors decided to demerge RWS LLC from the rest of the Bybrook Group. On 7 October 2003, Brooklet Limited, the holding company of RWS LLC, was sold to the shareholders of Bybrook (other than 3i Group plc) for a total consideration of £500.

In addition, as part of this reorganisation, RWS Japan, which provides specialist patent translation services in the Far East, has been fully integrated into the RWS Group.

Further details of the RWS LLC demerger are set out in paragraph 8 of Part VII of this document.

Capital Reorganisation

As Shareholders may be aware, at the time of their suspension the Ordinary Shares were trading at a discount to their nominal value (being 25p per share). The Company is not permitted to issue shares at a discount to their nominal value. The Capital Reorganisation consists of a conversion of each Existing Ordinary Share into one ordinary share of 0.1p and 249 Deferred Shares, a consolidation of every 50 ordinary shares of 0.1p each into one ordinary share of 5p and the Capital Reduction. The net effect of the Capital Reorganisation is that every holder of 50 ordinary shares of 25p each will in place of these shares receive one ordinary share of 5p. The fractions of Ordinary Shares arising from the Capital Reorganisation will be converted into Deferred Shares. The Capital Restructuring will enable the Proposals to be effected and will apply to those Shareholders on the register of members of the Company on the Record Date.

Ordinary Shares

The value of each shareholding will not be directly affected and, except for the number of shares held and the difference in nominal value, the Ordinary Shares, following the Capital Reorganisation will have the same rights as the Existing Ordinary Shares.

The Ordinary Shares of 5p each will be in registered form and may be held in certificated or uncertificated form. It is expected that dealings on AIM and settlement in CREST in the Existing Ordinary Shares will recommence on 13 October 2003 and will continue until close of business on 10 November 2003. At that time it is intended that the register of members will be closed for transfers of Existing Ordinary Shares held in both certificated and uncertificated form.

It is intended that the Capital Restructuring will become effective, and dealings on AIM and settlement in CREST in the Ordinary Shares of 5p will commence on 11 November 2003.

New share certificates will be issued shortly after Admission to Existing Shareholders. Share certificates in respect of Ordinary Shares of 5p each will be sent by post (at the risk of the addressee) to those persons who are shown on the register as holders of Ordinary Shares immediately before Admission. Persons who have acquired Ordinary Shares in certificated form but who are not on the register at such time, should apply to the broker or other intermediary through whom they bought the shares to arrange for delivery to them of share certificates in respect of the Ordinary Shares of 5p each.

Existing share certificates will cease to be of value from Admission and should be destroyed. Pending the issue of new share certificates, transfers of the Ordinary Shares of 5p each in certificated form will be certified against the share register.

Shareholders whose Ordinary Shares are traded within the CREST settlement system at Admission will not be sent certificates and the Ordinary Shares of 5p each will be credited to their CREST account as soon as practicable after Admission.

Deferred Shares

The rights of the Deferred Shares, which will not be listed or quoted on any stock exchange, will be minimal, thereby rendering them effectively valueless. No certificates will be issued in respect of the Deferred Shares. The rights of the Deferred Shares are set out in paragraph (i) of Resolution 4.

The Company intends to apply to the Court for cancellation of the Deferred Shares shortly after Admission (as described below).

Articles of Association of the Company

Paragraph (i) of Resolution 4 seeks to amend the Articles of Association by deleting the existing Article 3 of the Articles of Association of the Company and inserting in its place a new Article setting out the rights and privileges attached to the Ordinary Shares and the Deferred Shares as regards income, capital, voting, certificates and the Company's authority in relation to the transfer and cancellation of the Deferred Shares.

Paragraph (j) of Resolution 4 seeks to override certain provisions of the Articles in order to give effect to the Capital Reorganisation.

Transfer of Deferred Shares

The Company will be authorised, pursuant to the Articles as amended by paragraph (i)(v) of Resolution 4, to transfer the Deferred Shares to a person nominated by the Company for no consideration. The Company intends to exercise this authority shortly following Admission.

Capital Reduction

After the passing of Resolution 4, the Company will be authorised to cancel, at any time, for no consideration, by means of a reduction of capital, the Deferred Shares.

The Capital Reduction will not be effective unless and until the Court has granted an order confirming the same and such order has been registered by the Registrar of Companies in England and Wales. Accordingly, assuming the resolution approving the Capital Reduction is passed at the EGM and subject to the Capital Restructuring becoming effective, the Company will be in a position to apply to the Court for an appropriate order to give effect to the Capital Reduction. It is anticipated that the petition for the order for the Capital Reduction will be made shortly after Admission. As creditors of the Company generally rank ahead of shareholders, the Court will only approve the Capital Reduction if it is satisfied that it does not prejudice the Company's creditors existing at the date of the Capital Reduction. It is general practice for a company applying for a reduction of capital in these circumstances to agree to give to the Court such undertakings as the Court may require, at its discretion, for the protection of creditors. The Court could refuse to confirm the Capital Reduction if such undertakings are not given. The Company will give to the Court such undertakings as it is advised are appropriate for the purposes of protecting the Company's creditors existing on the date on which the Capital Reduction becomes effective.

The cancellation of the Deferred Shares will not adversely affect the voting or dividend rights or rights on a return of capital of the Ordinary Shares.

Financial calendar

Health Media Group's year end for accounting purposes is currently 28 February. In 2001, this was changed from 31 December to the current date pursuant to the acquisition of Health Media Group Limited (when the Company was named Internet Direct plc). As a result of the Acquisition and conditional upon Admission, it is proposed that the Company changes its financial year end from

28 February to 30 September. Upon that change being effected, it is expected that the Company will despatch annual audited accounts in respect of the seven month period ended 30 September 2003 in January 2004. Historically, the Bybrook Group has operated with 31 March as its financial year end. However, in order to align the Bybrook Group year end with that of the Company, it is intended that the year end of the Bybrook Group will also be changed to 30 September. It is also expected that unaudited interim results of the Enlarged Group in respect of the six months ending 31 March 2004 will be announced in June 2004.

Terms of the Acquisition

The Vendors have made the Offers pursuant to which they have offered irrevocably to sell the entire issued share capital of Bybrook to the Company on the terms of the Acquisition Agreement. The Company has irrevocably undertaken to accept the Offers and execute the Acquisition Agreement if the Resolutions to be proposed at the EGM are passed. The consideration for the Acquisition values Bybrook at approximately £42.0 million and will be satisfied by the allotment of the New Ordinary Shares. The Acquisition will be conditional *inter alia* on:

- (i) the approval of the Resolutions to be proposed at the EGM;
- (ii) confirmation that the Panel will not require the Concert Party to make a general offer to acquire the whole of the share capital of the Company;
- (iii) Admission becoming effective on 11 November 2003 (or such later date as the Company and Collins Stewart may agree but in any event no later than 10 December 2003).

Further information on the Offers and the Acquisition Agreement is set out in paragraph 8 of Part VII of this document.

Details of the Placing

The Company proposes to issue the New Ordinary Shares at the Placing Price in accordance with the terms of the Acquisition Agreement. Of these New Ordinary Shares, the Placing Shares will be issued to institutional Placees, which will, in aggregate, represent approximately 49.6 per cent. of the Enlarged Share Capital. The remainder of the New Ordinary Shares, being the Vendor Shares, will be issued to one of the Vendors which will, in aggregate, represent approximately 49.2 per cent. of the Enlarged Share Capital.

The Placing is conditional upon, *inter alia*:

- (i) the approval of the Resolutions to be proposed at the EGM;
- (ii) the Offers being accepted by the Company and the Acquisition Agreement being entered into by it and becoming unconditional in all respects (save in respect of certain escrow conditions) and not having been terminated in accordance with its terms;
- (iii) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- (iv) Admission becoming effective on 11 November 2003 (or such later date as the Company and Collins Stewart may agree but in any event no later than 10 December 2003).

Further details of the Placing Agreement are set out in paragraph 8 of Part VII of this document.

Existing options and warrants

Adrian Bradshaw, Andrew Brode, James Golfar, Gavin Kaye and Peter Mountford have agreed to the cancellation of their existing options and warrants over Ordinary Shares which means that all the options and warrants issued by the Company prior to the date of this document have either lapsed or been waived other than the warrants issued to Westpool Investment Trust plc. Further details of the warrants issued to Westpool Investment Trust plc are set out in paragraph 8 of Part VII.

Each of Peter Mountford and Adrian Bradshaw, a business partner of Mr. Mountford, have been granted an option over 2.5 per cent. of the Enlarged Share Capital. These options are exercisable at the Placing Price and are exercisable at any time on or before the fifth anniversary of Admission. Any shares issued pursuant to the exercise of these options will be bound by the lock-in arrangements summarised below in this Part I and in paragraph 8 of Part VII of this document.

In addition, Collins Stewart has been granted an option over 1 per cent. of the Enlarged Share Capital. This option is exercisable at the Placing Price and is exercisable at any time on or before the fifth anniversary of Admission.

Further details of these options are contained in paragraph 8 of Part VII of this document.

Under the RWS Share Option Scheme, five directors of RWS Group were granted options over a total of 7.5 per cent. of the RWS Group issued ordinary share capital. Pursuant to the Proposals, the five optionholders have agreed to surrender their options granted under the RWS Share Option Scheme in exchange for which they are to be granted New RWS Options over Ordinary Shares of 5p each. In aggregate, the New RWS Options will be exercisable over 6 per cent. of the Enlarged Share Capital and are exercisable at a price that represents an 80 per cent. discount to the Placing Price. The New RWS Options will not be exercisable for 12 months from the date of grant. However, 25 per cent. of the New RWS Options shall vest and become exercisable 12 months from the date of grant. The remainder of the New RWS Options shall vest and become exercisable 2 years from the date of grant.

Further details of the New RWS Options and the five current optionholders are set out in paragraph 7 of Part VII of this document.

Financial effects of the Acquisition

The Proposed Directors expect the Acquisition to substantially increase the revenues of the Company and strengthen the Company's balance sheet.

An unaudited pro forma statement of consolidated net assets of the Enlarged Group, prepared for illustrative purposes only, showing the impact of the Acquisition is set out in Part VI of this document.

New Board

On Admission, Mr Kaye and I have agreed to resign as directors of the Company. The New Board will comprise:

Andrew Brode, aged 63 (*Executive Chairman*)

Andrew Brode, a chartered accountant, was between 1978 and 1990 chief executive of Wolters Kluwer (UK) plc, one of the UK's largest business-to-business information groups. In 1990 he founded Bybrook and became involved in a management buy-out of Eclipse, which was sold to Reed Elsevier in January 2000. In 1995 he led the management buy in of RWS Group. He is a substantial shareholder in and Chairman of Bybrook. He is also a non-executive director of Vitesse Media plc, Sport First plc and other private equity financed media companies.

Elisabeth Lucas, aged 47 (*Executive Director*)

Elisabeth Lucas is a linguist by profession who joined RWS Group in 1977. She moved from translation into the management team in the late 1980s and became the managing director of RWS Group's Translation division in 1992. Elisabeth Lucas was responsible for the introduction of the European Translation and Filing service component of the business of the RWS Group in 1994. On the acquisition of RWS Group by Bybrook in 1995 she became the Chief Executive Officer of the RWS Translation division and is responsible, together with Andrew Brode, for the worldwide operations of RWS Group's translation activities.

Michael McCarthy, aged 57 (*Finance Director*)

Michael McCarthy joined RWS Group as finance director in 2000. Between 1988 and 1999 he was employed by RAC Motoring Services Limited, initially as Corporate Chief Accountant, then as Head of Tax and Treasury. Prior to that, between 1979 and 1987, he was Financial Controller then Finance Director of an automotive paint manufacturing company. The earlier part of his career was as a management accountant in the agricultural consultancy division of Booker McConnell and as an Assistant Manager with Price Waterhouse in London, following qualification with Stoy Hayward & Co.

John Ivey, aged 62 (*Senior Non-Executive Director*)

John Ivey will be the Senior Non-Executive Director. He is chief executive of The Davis Service Group plc, a position he has held since 1987 following the merger with The Sunlight Service Group plc. John is also Non-Executive Chairman of Derwent Valley Holdings plc.

Peter Mountford, aged 46 (*Non-Executive Director*)

Peter Mountford is a director of a number of companies, including GW Pharmaceuticals plc of which he is a non-executive. He qualified as a Chartered Accountant in 1982, and in 1986 was one of the founding directors of Arthur Andersen Corporate Finance. Between 1989 and 1991, he was seconded to the Takeover Panel where he advised on a number of takeovers and public company transactions. He returned to Arthur Andersen in 1991 as a Corporate Finance Director, where he advised on a series of transactions including friendly and hostile public company bids, reverse takeovers, management buyouts and joint ventures. Together with Adrian Bradshaw, he set up Bradmount Investments Limited in 1995 as a private investment company.

Financial Information on Bybrook

The consolidated trading record of Bybrook set out below is extracted from the Accountants' Report in Part V of this document adjusted to exclude the results of its US business, RWS LLC which, as referred to above, has been demerged from Bybrook.

The basis of this adjustment is set out in Part II of this document.

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Turnover	<u>18,130</u>	<u>21,154</u>	<u>25,252</u>
Gross profit	<u>8,007</u>	<u>9,211</u>	<u>10,328</u>
Operating profit before amortisation of goodwill	<u>2,366</u>	<u>2,916</u>	<u>4,367</u>

Current trading and prospects of the Enlarged Group

The Group has not traded or carried on any business since 16 August 2002 when it sold its business. Since 16 August 2002 the costs of operating the Group have been kept to a minimum.

Since 31 March 2003, trading at RWS Group has exceeded the RWS Directors' expectations. Management accounts of RWS Group indicate that sales for the first five months of the current financial year are significantly ahead of the same period last year. Sales generated in July constituted a record month and August was also ahead of expectations. The Proposed Directors therefore view the prospects of the Enlarged Group for at least the remainder of the current financial year to be favourable.

Further financial information on Health Media Group and Bybrook is set out in Parts IV and V of this document.

Strategy of the Enlarged Group

The Enlarged Group has a clear strategy of achieving further growth in profitability in order to increase shareholder value, which will be implemented by the New Board and senior management of the Enlarged Group. The New Board expects to achieve this growth principally organically and also by selective acquisition. The strategy to achieve organic growth is to be implemented by exploiting the current favourable market conditions (which the Proposed Directors expect to continue for at least the short to medium term) and, additionally, by taking advantage of the increased market awareness the Proposed Directors expect to generate from the Proposals together with targeted spend on marketing. The New Board will also seek to further increase operating efficiencies thereby providing increased support to operating margins.

The New Board also expects to add to the Enlarged Group's profitability by continuing to selectively acquire niche businesses within the professional translation and information search marketplace. The New Board is mindful of the need for acquisitions to be earnings accretive and to increase return on capital employed.

Dealings and trading

Application will be made by the Company for the Enlarged Share Capital to be admitted to AIM on completion of the Acquisition and the Placing. Subject to completion of the Acquisition and the Placing, trading in such shares is expected to commence on 11 November 2003.

It is expected that, subject to the Placing Agreement becoming unconditional, the Placing Shares will be registered in the names of the Placees subscribing for them and issued:

- (a) in certificated form, where the Placee so elects, with the relevant share certificate expected to be despatched by post, at the Placee's risk, by 18 November 2003; or
- (b) in CREST where the Placee so elects and only if the Placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares expected to take place on 11 November 2003.

No temporary documents of title will be issued. All documents sent to a Placee, or as he may direct, will be sent through the post at his risk.

Pending the despatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register.

The City Code

Pursuant to Rule 9 of the City Code, when any person, or group of persons acting in concert, acquires shares in a company which is subject to the City Code, when taken together with shares already held by such person or persons, carry 30 per cent. or more of the voting rights of that company, such person or persons, except with the consent of the Panel, is or are required to make a general offer to all shareholders in that company to acquire the remaining shares in the company not already held by them at the highest price paid by any of them for such shares in the previous 12 months.

Further, when any person, or group of persons acting in concert, holds shares which carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, such person or persons, except with the consent of the Panel, may not normally acquire further shares which increase the percentage of the voting rights in the company held by them, without making a general offer to all shareholders in that company to acquire the remaining shares in the company not already held by them at the highest price paid by any of them for such shares in the previous 12 months.

Following Admission and on completion of the Acquisition, those shareholders who are deemed by the Panel to be acting in concert for the purposes of the City Code, will hold Ordinary Shares as follows:

	<i>No of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Andrew Brode	3,000	0.01
RBC Trustees*	<u>18,587,812</u>	<u>49.20</u>
	<u>18,590,812</u>	<u>49.21</u>

*Andrew Brode is the sole beneficiary, through a life interest settlement, of a trust managed by RBC Trustees.

Further information on the members of the Concert Party is set out in paragraph 5 of Part VII of this document.

Following completion of the Proposals, the Concert Party's shareholding will amount to approximately 49.2 per cent. of the Enlarged Share Capital. However, in this instance, the Panel has agreed to waive the obligation of the Concert Party, or any member thereof, to make a general offer under Rule 9 of the City Code arising on completion of the Proposals provided the Waiver is approved by independent Shareholders on a poll at the Extraordinary General Meeting (see Resolution 3). To be passed, Resolution 3 will require the approval of a simple majority of votes cast on that poll.

As a potential controller of the Company, the Concert Party has indicated that its intentions following completion of the Proposals would be to assist in the development of the Company's strategy as set out in this document and to make no material changes to this strategy and to continue Bybrook's existing business activities and to make no material changes to the business, including any redeployment of its fixed assets or the employment of its staff. On the basis that Health Media Group is currently a shell company with no trading business, following Admission there will be no active business of Health Media Group to be discontinued.

Lock-In arrangements

RBC Trustees, under a separate lock-in agreement, and all members of the New Board, under the terms of the Placing Agreement, have agreed with Collins Stewart and the Company that (save in limited circumstances) for a period of twelve months from Admission they will not, without the prior written consent of Collins Stewart, dispose of any Ordinary Shares. In the subsequent twelve month period, they will be entitled to dispose of up to 25 per cent. of their interests in Ordinary Shares provided that any such disposal is first sought to be made through the Company's broker in an orderly manner. Thereafter, they will be entitled to dispose of the balance of their shareholdings. For a period of 30 months after Admission and for so long as such parties are directors of the Company, any disposals by such parties must be made in an orderly manner through the Company's broker.

Furthermore, Adrian Bradshaw has agreed with the Company and Collins Stewart that (save in limited circumstances) any Ordinary Shares held by him pursuant to the exercise of his option (details of which are set out in paragraph 8 of Part VII of this document) will be subject to the same lock-in arrangements as described above.

Details of these lock-in arrangements are set out at paragraph 8 of Part VII of this document.

Dividend Policy

At present the Company is unable to pay a dividend due to the deficit in its distributable reserves. Following Admission, the New Board proposes to apply to the Court for the Capital Reduction so as to eliminate the deficit in distributable reserves and to permit the payment of a dividend.

Save for the pre-flotation dividend being paid to Bybrook shareholders in the amount of £10 million as referred to in the paragraph entitled "Post balance sheet events" in Part V of this document and an interim dividend in respect of the 6 months ended 31 March 2003 in the amount of £0.5 million, no dividends have ever been declared or paid by Bybrook.

Following completion of the Capital Reduction, the New Board intends to pursue a progressive dividend policy in line with the Enlarged Group's achieved rate of growth in earnings over time whilst maintaining a suitable level of dividend cover and retaining sufficient of its earnings to fund the development and growth of the RWS business.

Were the Company (as enlarged by the Acquisition) to have been traded on AIM for the whole of the financial year ended 31 March 2003, the New Board would have recommended a total dividend in respect of that year equivalent to 3.35p per Ordinary Share of 5p, which would represent a net dividend yield of approximately 3 per cent. to the Placing Price. This dividend would have been covered by earnings (excluding RWS LLC losses and goodwill amortisation) approximately 2.3 times.

It is envisaged that interim dividends will be payable in July and final dividends in February of each year, in the approximate proportions of one-third to two-thirds respectively to the total annual dividend. It is intended that the first dividend to be paid by the Company following Admission will be the interim dividend in respect of the period from Admission to 31 March 2004, which the Company expects to pay in July 2004.

Corporate Governance

The New Board is committed to maintaining high standards of corporate governance. The New Board intends, so far as practicable given the Company's size and the constitution of the New Board, to comply with the Combined Code.

The New Board proposes to establish an audit committee and a remuneration committee, each of which will comprise Andrew Brode and the non-executive directors of the Company and each will have duties and responsibilities delegated by the New Board. Any new non-executive directors appointed by the Company will be asked to join these committees. The audit committee will be chaired by Peter Mountford and the remuneration committee will be chaired by John Ivey. At the discretion of the members, Michael McCarthy may be invited to attend meetings of the audit committee.

The audit committee will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Enlarged Group. The audit committee will have unrestricted access to the Company's external auditors.

The remuneration committee will review the scale and structure of the executive directors' remuneration and the terms of their appointments. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the New Board as constituted from time to time. The remuneration committee will also administer any share option schemes and will be responsible for setting any performance criteria in relation to the exercise of options granted under any share option schemes.

Extraordinary General Meeting

At the end of this document you will find a notice convening an Extraordinary General Meeting of the Company, which is to be held at 10.05 a.m. on 10 November 2003, or as soon thereafter as the Annual General Meeting of the Company convened for 10.00 a.m. on 10 November 2003 is concluded or adjourned, at the offices of Olswang, 90 High Holborn, London WC1 6XX. The Resolutions to be proposed at the EGM will be as follows:

- (a) to discharge the Board's duty under section 142 of the Act;
- (b) to approve the entry into by the Company of the Acquisition Agreement for the purposes of section 320 of the Act;
- (c) to approve the Waiver;
- (d)
 - (i) to convert and redesignate the Existing Ordinary Shares into one ordinary share of 0.1p each and 249 Deferred Shares;
 - (ii) to consolidate the Ordinary Shares of 0.1p arising from sub-paragraph (i) above into Ordinary Shares of 5p each and to convert any fractions of ordinary shares arising on such consolidation into Deferred Shares;
 - (iii) to sub-divide every unissued ordinary share of 25p each into five ordinary shares of 5p each;

- (iv) to increase the authorised share capital of the Company from £10,000,000 to £10,753,082.25 by the creation of 15,061,645 new ordinary shares of 5p each in the capital of the Company;
 - (v) to approve the option agreements between the Company and Peter Mountford and the Company and Adrian Bradshaw the terms of which are summarised in paragraph 8 of Part VII of this document;
 - (vi) to grant authority to the directors of the Company pursuant to section 80 of the Act to allot relevant securities inter alia as consideration of the Acquisition;
 - (vii) to empower the directors of the Company pursuant to section 95 of the Act to allot equity securities for cash otherwise than pursuant to the Acquisition pro rata to existing Shareholders for limited purposes and otherwise up to an aggregate nominal value of £94,455.35, being approximately 5 per cent. of the Enlarged Share Capital;
 - (viii) to change the name of the Company to RWS Holdings plc; and
 - (ix) to amend the articles of association of the Company to create the Deferred Shares.
- (e) to approve the Capital Reduction.
- Resolutions (a) to (c) will be proposed as ordinary resolutions and resolutions (d) and (e) will be proposed as special resolutions. As required by the Panel, resolution (c) will be decided on a poll by independent Shareholders.

Taxation

Information regarding United Kingdom taxation is set out in paragraph 12 of Part VII of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

Further information

Your attention is drawn to the further information set out in Parts II to VII of this document.

Action to be Taken

You will find enclosed with this document a Form of Proxy, for use in connection with the EGM. Whether or not you intend to be present at the EGM, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 10.05 a.m. on 8 November 2003. Completion of the Form of Proxy will not preclude you from attending and voting at the meeting should you so wish.

Recommendation and voting intentions

As set out in the beginning of this letter, Andrew Brode and Peter Mountford are interested in the Proposals and have, accordingly, not participated in the Board's deliberations with regard to the Acquisition and have agreed, with regard to the Resolutions, that they will abstain, and will take all reasonable steps to ensure that their associates will abstain, from exercising any voting rights at the Extraordinary General Meeting.

In light of the reasons set out in "Background to and reasons for recommending the Acquisition", the Independent Directors consider that the Proposals are in the best interests of the Company and Shareholders as a whole and having consulted Arbuthnot, that the terms of the Acquisition are fair and reasonable insofar as the Existing Shareholders are concerned. In addition the Independent Directors, who have been so advised by Arbuthnot, consider the Waiver to be fair and reasonable so far as the Existing Shareholders are concerned. In providing advice to the Independent Directors, Arbuthnot has taken into account the Independent Directors' commercial assessments. Accordingly, the Independent Directors recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. Further, certain other shareholders and I have given undertakings to vote our respective shares in favour of the Resolutions which, in aggregate, amount to approximately 55.9 per cent. of the issued share capital of the Company.

Yours faithfully

Nick Fisher
Deputy Chairman

PART II

Information on the RWS Group

Introduction

The Proposed Directors believe RWS Group, as the principal trading subsidiary of Bybrook, to be a market leader in intellectual property support services (patent translation and technical searches) to the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries. The RWS Group also provides specialist technical, legal and financial translation services to a number of areas of industry outside the patent arena. Based in the United Kingdom, RWS Group also operates from offices in mainland Europe, New York and the Far East. In the year ended 31 March 2003, the continuing RWS Group, as set out below, generated operating profits (excluding goodwill amortisation) of approximately £4.37 million on sales of over £25.25 million. Over the three years ended 31 March 2003 operating profits (excluding goodwill amortisation) and sales generated by the continuing RWS Group have increased at compound annual rates of 35.9 and 18.0 per cent. respectively.

Key strengths

The Proposed Directors believe that, inter alia, the RWS Group has the following key strengths:

- a leading position in a growing market;
- an extremely capable and experienced management team;
- a track record of cash generative growth;
- a reputation for the excellence and quality of its work;
- strong relationships with a blue-chip and diverse customer base;
- access to a wide number of high quality translators and searchers, both employees and freelance; and
- an ability to work at the cutting edge of intellectual property developments through the skills of its highly specialised translation and search resources.

History and development

The RWS Group was formed under the name of Randall Woolcott Services Limited in 1982 when M.H. Randall & Partners, a professional translation service, acquired Woolcott & Company, specialists in patent and trademark information searching. Since then, the RWS Group has grown substantially and has consolidated its position as a market leader in the provision of patent translation and search services both through organic growth and by a series of selective acquisitions. In 1990 Bybrook was established for the purchase of Eclipse, publishers of legal journals, from Wolters Kluwer.

In 1987 and in 1994, the RWS Group won the Queen's Award for Export Achievement. Further, in 1992 the Proposed Directors believe that the RWS Group was the first company in its field to be awarded ISO 9000 accreditation. In 1995 the RWS Group was acquired by Bybrook by means of a management buy-in, together with 3i Group plc, with the management team comprising Andrew Brode, Elisabeth Lucas, Steve Lodge and Sue Anthony. In 1998 Bybrook acquired Polyglot International, a translation and localisation specialist, which had offices in San Francisco, Moscow and associates in Tokyo and Berlin. In 2000, Eclipse was sold to Reed Elsevier for a substantial profit, part of which was represented by the issue of £20 million of loan notes to Bybrook (of which £2.5 million of loan notes have been redeemed) which mature in January 2005.

In 2000 the RWS Group acquired Edgeworth King & Co Limited, a London based patent and information search company. In 2001, the RWS Group purchased the business of Hogg Silver, a patent and information search company. Ad-Ex (Translations) Limited, a translation company,

was acquired in 2002 and now forms the nucleus of the Group's specialist medical translations division. As more fully described in Part I, on 7 October 2003, Bybrook sold Brooklet Limited the holding company of the loss-making US business, RWS LLC, to the shareholders of Bybrook (other than 3i Group plc) for a total consideration of £500 and has also reorganised the Bybrook Group so as to fully integrate RWS Japan which provides specialist patent translation services in the Far East. As at 31 August 2003, the RWS Group (excluding RWS LLC) had over 270 full-time employees, of which 64 were full-time specialist translators and 25 were patent searchers.

Financial information

The consolidated trading record of Bybrook set out below is extracted from the Accountants' Report on Bybrook in Part V of this document and adjusted to exclude goodwill amortisation and the results of its US business, RWS LLC, which are extracted from the post balance sheet event note (note 28) in the Accountants' Report on Bybrook.

	<i>Year ended</i> 31 March 2001 £'000	<i>Year ended</i> 31 March 2002 £'000	<i>Year ended</i> 31 March 2003 £'000
Turnover			
Bybrook Group (including RWS LLC)	22,053	24,708	29,153
Less: RWS LLC	3,923	3,554	3,901
Bybrook Group (excluding RWS LLC)	<u>18,130</u>	<u>21,154</u>	<u>25,252</u>
Gross profit			
Bybrook Group (including RWS LLC)	8,689	10,202	11,435
Less: RWS LLC	682	991	1,107
Bybrook Group (excluding RWS LLC)	<u>8,007</u>	<u>9,211</u>	<u>10,328</u>
Operating profit/(loss)			
Bybrook Group (including RWS LLC)	(3,410)	(781)	(4,360)
Less: RWS LLC	(5,300)	(3,189)	(8,209)
	1,890	2,408	3,849
Add back: amortisation of goodwill	<u>476</u>	<u>508</u>	<u>518</u>
Operating profit before amortisation of goodwill of Bybrook Group (excluding RWS LLC)	<u>2,366</u>	<u>2,916</u>	<u>4,367</u>

Description of the business of RWS Group

The Proposed Directors believe that RWS Group is one of the largest patent translation specialists in Europe, translating in excess of 30,000 patents and intellectual property-related documents per annum from its operations in the UK, mainland Europe, New York and the Far East. The RWS Group comprises two divisions namely RWS Translation and RWS Information. The RWS Translation division provides patent and document translation, filing and localisation services principally for companies based in Europe, North America and the Far East. RWS Information offers a diverse range of patent search, retrieval and monitoring services.

The Proposed Directors place great emphasis upon the integrity of the services and have implemented rigorous checking procedures that are integrated into the RWS Group's production processes. Each job follows a closely monitored production path specifically designed to meet an individual customer's requirements.

The RWS Translation division

Translation of highly complex documents in areas such as medicine, electronics or engineering require the translator to not only have highly competent language skills but, more particularly, also a specialist knowledge of the subject matter. RWS Translation either employs or has access to

highly skilled translators who are subject specialists and who have received specific training for patent translation work. More than half of translation work undertaken by RWS Translation is from French and German into English. RWS Translation can, however, provide patent translation services in a larger number of language combinations. As at 31 August 2003, the RWS Group employed 64 specialist translators and had access to a further 600 carefully selected freelance translators. It predominantly uses in-house translators that specialise in the translation of patents in areas such as biochemistry, chemistry, electronics, engineering, genetics, medicine, pharmaceuticals and telecommunications.

The RWS Translations division has consistently shown significant growth in recent years, such growth being driven by a number of factors, including:

- an increasing desire by companies to protect their intellectual property which has resulted in a doubling of the number of patent applications filed at the European Patent Office in the last ten years;
- growing research and development spend of such companies; and
- the increasing accessibility of intellectual property information through new media dissemination services such as the internet which, in turn, has accelerated the need for quick and effective intellectual property protection.

The RWS Translation division offers a European Translation and Filing service (“ETF”) which was set up in 1994 to provide a comprehensive offering for translating and filing European patents. Under current European legislation the claims of granted patents are required to be lodged in the three main languages, English, French and German. Patents are then required to be translated into the languages of the other designated states in order to ensure enforceability. ETF work involves translation into a number of European languages for which RWS often employs local freelance translators. Freelance translators typically have higher charge-out rates than in-house translators resulting in lower margins being achieved by ETF related work than other areas of the Group. However, the RWS Translation division has seen significant growth in both sales and profitability from ETF within the last two financial years and the Proposed Directors believe that it will continue to do so for at least the short to medium term.

RWS Japan provides a Japanese Translation and Filing Service (“JTF”) which is similar to the ETF service and has been growing strongly in recent years.

The RWS Translation division provides its translation services to a large number of market-leading companies that operate within the pharmaceutical, chemical, telecommunications, technology, aerospace, defence, automotive and electronics sectors. The RWS Translation division is not over-reliant on any one customer with the top five customers accounting for 24 per cent. of the division’s sales and 21 per cent. of Bybrook Group sales in the year ended 31 March 2003.

In the year ended 31 March 2003, the RWS Translation division generated approximately £22.4 million of sales, representing 88.6 per cent. of Bybrook Group sales (excluding RWS LLC).

The RWS Information division

The RWS Information division provides a range of services including patent and trademark search and retrieval, patent watch and documentation information services such as ownership and duration. Whilst historically representing less than 20 per cent. of RWS Group sales, the RWS Information division enables the RWS Group to offer a comprehensive service in respect of patents and related documentation. The RWS Information division also enables clients to conduct searches to establish the viability of existing patent filings, potential infringements of patent rights by competitor companies and also to locate relevant documentation that may invalidate an invention in a patent claim. It also offers a patent watch service in respect of other filings by third parties that may infringe upon existing patent rights. To a company where safeguarding intellectual property rights is key, the ability to access such information quickly and accurately can be an important factor in safeguarding future profitability.

The RWS Information division's customers comprise a wide range of multi-national corporates and firms of patent attorneys. In the year ended 31 March 2003 the top five customers accounted for approximately 33 per cent. of the division's sales and 3.75 per cent. of Bybrook Group sales.

In the year ended 31 March 2003, the RWS Information division generated sales of £2.87 million, representing 11.4 per cent. of Bybrook Group sales (excluding RWS LLC).

Customers of RWS Group

RWS Group has a broad customer base and its major clients are predominantly blue chip companies operating in the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries and patent agents. In the year ended 31 March 2003, the Group's top ten customers accounted for 30.7 per cent. of Bybrook Group sales, with no one customer accounting for more than 6.7 per cent. of Bybrook Group sales.

Within the RWS Translation division, the ETF service has proved a considerable attraction to the RWS Group's largest clients who are saved the administrative burden and considerable expense in replicating these services in-house or in sourcing them from many providers. The Proposed Directors believe that the risk of losing a large customer is low as work from large corporates and patent agents is typically referred to RWS Group by a number of sources or individuals within a particular organisation and therefore, in many cases, there are multiple accounts per single customer. Additionally, there are very few alternative patent translators with the capacity to service fluctuating volumes from large companies. The work on translations encompasses a range of languages and the Proposed Directors believe that, for many customers, it would be uneconomic for them to permanently staff such a service as part of an in-house department. Further custom is received as overflow work from in-house departments that are periodically unable to satisfy their internal translation and information requirements. In recent years, a number of major European corporates have moved towards outsourcing much of their translation and searching requirements.

The RWS Group has a high level of customer retention and it invests significant time in maintaining client relationships through close monitoring of work volumes and regular communication.

RWS Group marketplace and competition

On the basis of the information available to them, the Proposed Directors believe the RWS Group to be a market leader in the provision of patent translation and technical searches in Europe. The patent translation and technical search marketplace has seen significant growth in recent years with RWS Group's customers paying increasing attention to the protection of their intellectual property rights. This has been demonstrated by significant increases in the number of patent applications being filed at the European Patent Office in recent years. The Proposed Directors believe that this trend will continue for at least the short to medium term.

The Proposed Directors do not believe that the RWS Group has a directly comparable competitor. The market for patent translation is fragmented and is serviced by a large number of freelance translators. The Proposed Directors believe that there are only a small number of corporate entities that operate within the market segment which the RWS Group occupies. Murgitroyd Group plc, a quoted patent attorney business, has within it a division that provides patent translation services similar to those offered by RWS but on a significantly smaller scale. There are also a number of privately owned companies that work within the patent translation or the technical search arenas but the Proposed Directors are not aware of any company that provides the same breadth and quality of service in both patent translation and technical search on a scale similar to that of the RWS Group.

The RWS Group also competes with the in-house translation departments of many of its larger corporate customers and also with intellectual property lawyers and agents who can also instruct freelance translators and technical searchers on an individual basis. However, the RWS Group often acts for larger corporates when their in-house departments are not able to handle the workload within required timeframes. Additionally, intellectual property lawyers represent a significant source of business for the RWS Group.

The Proposed Directors believe that the barriers to entry for newcomers to the patent translation and technical search marketplaces are significant. The RWS Group has, over time, developed strong relationships with a high quality customer base and employs or has access to a large number of permanent and freelance translators and searchers who are highly trained and typically possess skill sets that are extremely uncommon.

As stated above, under current European legislation the claims of granted patents are required to be lodged in three main languages, English, French and German. Patents are then required to be translated into the languages of the other designated European member states to ensure enforceability. This existing process may be affected by proposed new European legislation which may come into force based on the introduction of one or both of the Community Patent and the London Agreement.

The Community Patent

There is a proposal to introduce a Community Patent as an alternative to the current European patent. Following grant, the Community Patent will not require translation of the complete patent. It is proposed that the claims (only) of the patent be translated into all official Community languages unless a Member State renounces that requirement. The Community Patent has not yet come into force.

The London Agreement

There is a proposal to limit the current requirement for full translations of European patents following grant. In October 2000, the "London Agreement" was entered into by ten member countries of the European patent system (Denmark, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, Sweden, Switzerland and the United Kingdom). The signatories agreed to waive to a large degree the requirement for translations. The London Agreement has not yet come into force.

This new legislation may impact on the volume of patent translation work that is required in the European market generally. Your attention is drawn to the risk factors in Part III of this document and in particular the sub-paragraphs headed Community Patent and London Agreement.

Directors and Senior Management

The Executive Chairman of RWS is Andrew Brode whose primary role is to oversee the RWS Group strategy. The day-to-day operations of the business are run by Elisabeth Lucas, CEO RWS Translation division, and Stephen Lodge, Managing Director, RWS Information division. Elisabeth and Stephen are assisted at an executive level by Susan Anthony, Managing Director of the UK Translations division, Mike McCarthy, Group Finance Director and Reinhard Ottway, who is in charge of business development. Immediately below board level, Andreas Siegmund and David Owens head the RWS Group's subsidiaries in Germany and Japan respectively.

Summary details of Andrew Brode, Elisabeth Lucas and Michael McCarthy are set out on pages 14 and 15 of Part I of this document and each of them will be members of the New Board.

Summary details of other members of the senior management of RWS Group are set out below:

Susan Anthony (aged 38)

Susan graduated with a first class honours degree in English and German from Goldsmith's College, University of London. She joined the RWS Group in September 1987, working in production and sales and in July 1992 was promoted to the role of Production Director. In April 1996 she was elected a director of RWS Group and was appointed UK managing director of the RWS Translation division in April 1999. She is company secretary to the RWS Group and its associate companies.

Stephen Lodge (aged 45)

Stephen graduated from Brunel University in 1980 with a BSc in Electrical/Electronic Engineering. He worked for Smiths Industries from 1977 to 1982 (sponsored student 1977-1980; Microprocessor Design Engineer 1981-1982). He joined the RWS Group in 1982 and was appointed a director of Woolcott & Company Ltd (subsequently RWS Information Limited) in 1984. He was appointed to the RWS Group board in 1986 and became managing director of the RWS Information division in 1992.

Reinhard Ottway (aged 43)

Reinhard is a graduate of Marburg University, with a diploma in Pedagogics and an MA in English Philology. Following a period as a freelance translator and foreign language teacher in Spain, he returned to Germany and started work as translator and searcher at a patent attorney firm in Bremen, qualifying as a state-approved translator. He joined the RWS Group in 1993 as business development manager to set up a German sales office. He transferred to the UK in 1996 and was appointed to the RWS Group board in 2001 with responsibility for worldwide business development of the RWS Group.

Yvette Edwards (aged 42)

Yvette is a graduate with a degree in chemistry who joined RWS Information in 1984 as a patent searcher, initially conducting searches in the subject areas of pharmaceuticals, detergents, absorbent articles and foodstuffs. After a few years, she became involved in the Watch Department (preparing current awareness reports) and the Documentation Department (patent status and filewrappers). Having been made a director in 1992, her all-round knowledge of the RWS Information business resulted in promotion to technical director in 1997, where her current responsibilities include quality, production and training.

Roger Staple (aged 58)

Roger is a graduate with a degree in physics who worked for Philips Industries and for various patent searching companies before joining Edgeworth, King & Co. Ltd which was purchased by RWS Information in 2000, where he is now a director.

Andreas Siegmund (aged 41)

Andreas who is a graduate in Telecoms and IT, founded Polymedia (a technical documentation and translation company) in Berlin in 1992. In 1998 Polymedia became part of the RWS Group and this subsidiary has been headed up by him since that time.

David Owens (aged 56)

David is a graduate of Sophia University (Tokyo) and with a PhD from University of Glasgow. He worked in Toshiba Corporation's International Training Centre from 1983 to 1985. Subsequently, David served as General Manager of Sycom Inc. from 1985 to 1998 and was appointed President of KK RWS Group (the Japanese subsidiary of RWS Group) in 1998.

PART III

Risk Factors

An investment in the Enlarged Group may be subject to a number of risks particular to the Enlarged Group over and above the risks associated with an investment in a quoted company generally. Any prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list.

AIM

Application is to be made for the Enlarged Share Capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined or approved the contents of this document. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or may become, relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

Share price volatility and liquidity

The share price of emerging companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are traded and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect companies trading on AIM generally. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may therefore realise less than, or lose all of, their investment.

Future raising of additional funds

The Enlarged Group's capital requirements will depend on numerous factors, including its ability to maintain and expand its penetration of the markets in which it operates. The Enlarged Group cannot predict accurately the timing and amount of its capital requirements. If its capital requirements vary materially from its plans, the Enlarged Group may require further financing sooner than anticipated. Market conditions may prevent additional funds from being raised which could restrict the development of the Enlarged Group.

Future profitability

There is no guarantee that the business strategy of the Enlarged Group will lead to profitability or that it will generate sufficient revenues to cover its costs. The expected growth in revenues of the Enlarged Group may be significantly adversely affected by a number of factors including, but not limited to, the expected growth of the patent translation and information search market not materialising, suitable acquisition targets not being available and adverse national or European legislation being enacted.

No long term contracts

The RWS Group has no contracts of a long term nature with its clients which guarantee minimum levels of work. A lack of repeat business could significantly reduce future sales and profitability.

Protection of intellectual property rights

Inadequate protection by the RWS Group of its intellectual property rights may harm its ability to compete effectively. Any intellectual property rights owned by the Enlarged Group, or subsequently acquired, and the exploitation of such rights can be subject to legal disputes.

Appropriate personnel

The RWS Group is and will continue to be dependent on certain personnel for its continued success. Although the Enlarged Group has arrangements in place with its key personnel to secure their services, the retention of their services cannot be guaranteed. Keyman insurance policies exist on the lives of Michael McCarthy and Elisabeth Lucas and on the other RWS Directors (save for Andrew Brode). The ability of the RWS Group to carry on technical intellectual property translation work requires highly qualified personnel. This means that the RWS Group is dependent on the continued availability of such personnel and on the education systems in the respective jurisdictions in which it operates to continue to produce technically qualified translators of sufficiently high standard to support its business.

Community Patent

There is a proposal to introduce a Community Patent as an alternative to the current European patent. The current proposal for the Community patent insofar as it relates to translations mirrors the current European patent system up to the point of grant of the patent. The application will be processed in one of English, French or German. It is then necessary for a translation of the claims into the other two languages to take place prior to grant. Under the current European patent regime, following grant a full translation of the patent into the local language of each of the selected member countries is required. However, following grant, the Community Patent will not require translation of the complete patent. It is proposed that the claims (only) of the patent be translated into all official Community languages unless a Member State renounces that requirement. This new Community Patent regime will co-exist with the current European regime, and rights owners would in appropriate cases be entitled to elect between the two. Where the Community Patent regime is elected in respect of each patent only the claims element will be required to be translated, the length of each individual translation will be significantly reduced. This may result in an overall reduction in the volume of translation work that the RWS Group is called upon to carry out. Although the Community Patent has been under discussion for 30 years, it seems that it is now very likely to come into force although the 3 year predicted timetable may slip. Additionally, the current proposal as outlined above may be subject to change so the effect of it on the RWS Group may not be exactly as suggested above.

London Agreement

In October 2000, 10 member countries of the European patent system entered into the so called "London Agreement" pursuant to which they agreed to waive to a large degree the requirement for patent translations to be filed in countries that are parties to the London Agreement. If brought into force the London Agreement will potentially significantly reduce the number of translations required following grant of a European patent. However, as it will not enter force until at least 8 of the signatories have ratified it, as to date no country has done so, there is no indication when or whether this will happen.

Currency

The majority of the RWS Translation sales are invoiced in euros whilst the key costs (personnel and property rentals) are sterling based. The RWS Group has entered into forward sales contracts for its estimated surplus euro receipts for the period to 31 March 2004. Any significant appreciation in sterling versus the euro will have a negative effect on the Enlarged Group's future profitability.

Litigation

The RWS Group provides professional services to its clients. In excess of 30,000 patent and intellectual property related documents are translated per annum many of which are subject to filing deadlines at relevant national patent offices. The effect of a missed filing, where a later filing is not accepted, may prevent a client from obtaining a patent in a relevant territory and may give rise to a claim being made against the RWS Group. Although it maintains a level of professional indemnity insurance, there is a reputational and financial risk to the RWS Group in the event of any claim (whether for the late patent filing or otherwise) being made against it, both of which could be substantial.

PART IV

Accountants' Report on Health Media Group plc



BDO Stoy Hayward
Chartered Accountants

8 Baker Street
London W1U 3LL

The Directors and Proposed Directors
Health Media Group plc
25 Upper Brook Street
London
W1K 7QD

The Directors
Arbuthnot Securities Limited
One Victoria Square
Birmingham
B1 1BD

The Directors
Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

10 October 2003

Dear Sirs

Health Media Group plc ("Health Media Group" or the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 10 October 2003 of Health Media Group.

The Company was incorporated as Internet Direct Limited on 16 December 1994 and changed its name to Internet Direct plc on 11 April 2000 and to Health Media Group plc on 13 August 2001.

Basis of preparation

The financial information is based on the audited consolidated financial statements of Health Media Group for the two years ended 28 February 2003 and comparative amounts for the year ended 28 February 2001 set out in the financial statements of Health Media Group for the year ended 28 February 2002 (the "Relevant Period") to which no adjustments were considered necessary.

As explained under '*Basis of consolidation*' below, the acquisition by Health Media Group of Pang Management Limited (formerly Health Media Holdings Limited or "HMH") on 13 August 2001 was accounted for using reverse acquisition accounting. Consequently, the financial information includes the trading results of HMH and its subsidiary undertakings from 1 March 2000, although Health Media Group did not take control of HMH until 13 August 2001.

KPMG Audit Plc, Chartered Accountants and Registered Auditors, 8 Salisbury Square, London EC4Y 8BB, were auditors to HMH for the year ended 28 February 2001. The audit report for that year was unqualified.

KPMG Audit Plc, Chartered Accountants and Registered Auditors, 1 Puddle Dock, London EC4V 3PD, were auditors to Health Media Group for the year ended 28 February 2002. The audit report for that year was unqualified, but included a statement referring to a fundamental uncertainty in relation to going concern.

BDO Stoy Hayward, Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, were auditors to Health Media Group for the year ended 28 February 2003. The audit report for that year was qualified because the auditors were unable to perform sufficient audit procedures to obtain reasonable assurance in relation to the results and cash flows of its principal trading subsidiary and the loss on its disposal and subsequent liquidation as included in those financial statements.

Responsibility

Such financial statements are the responsibility of the directors of Health Media Group who approved their issue.

The directors of Health Media Group are responsible for the contents of the admission document dated 10 October 2003 in which this report is included, and the proposed directors of Health Media Group are responsible for certain parts thereof, as set out in Part VII of the admission document.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

However, the evidence available to us was limited because no accounting records were made available to us for Pang Health Limited (formerly HMG Worldwide Limited), the principal trading subsidiary of Health Media Group. As explained in note 3 to the financial information below, the assets and trade of Pang Health Limited were sold to a third party on 16 August 2002. On 12 September 2002 Pang Health Limited was placed into liquidation. The liquidator currently holds the accounting records of Pang Health Limited. There were no other satisfactory procedures that we could adopt to confirm that the income and expenses and cash flows of Pang Health Limited for the period up to 12 September 2002, the loss on disposal of its assets and trade and the loss arising on its liquidation were correctly stated.

Going concern

In forming our opinion, we have considered the adequacy of the disclosure made under '*Going Concern*' below concerning the uncertainty regarding the availability to Health Media Group of continuing finance to enable it to meet its liabilities as they fall due. The directors of Health Media Group are recommending the reverse takeover of the Group by Bybrook Limited which is subject to shareholder approval. In the event of this transaction not being completed, the Group will no longer remain a going concern unless the directors can find alternative sources of finance. In view of the significance of the fact that the preparation of the financial information on the going concern basis assumes the ongoing provision of funds, we consider that these disclosures should be brought

to your attention but our opinion is not qualified in this respect. The financial information does not include any adjustments that might result should continuing finance not be made available to Health Media Group.

Qualified opinion arising from limitation in audit scope

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial information gives a true and fair view of the consolidated results and cash flows of Health Media Group for the year ended 28 February 2003.

In our opinion, the financial information gives, for the purposes of the admission document dated 10 October 2003, a true and fair view of the consolidated state of affairs of Health Media Group as at the dates stated and of its consolidated results and cash flows for the two years ended 28 February 2002.

Consent

We consent to the inclusion in the admission document dated 10 October 2003 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Financial Information

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

Since the sale of Health Media Group's only operating business on 16 August 2002, the Company has not traded. The operating subsidiary itself was put into liquidation on 12 September 2002. As a result of the directors' decision not to draw any fees or remuneration since 31 July 2002, the Company has had sufficient funds to continue as a going concern whilst searching for potential reversal targets. Following the year end, an approach was made by Bybrook Limited to reverse itself into the Company. The Board is recommending the acquisition of Bybrook Limited. A number of costs in relation to this transaction have been incurred by the Company, which will mean that in the event that the transaction does not proceed, the Company may no longer remain as a going concern. However, in view of the level of undertakings received to vote in favour of the transaction, the directors expect that the reverse acquisition will be completed and, as a consequence, the Company will have sufficient funds injected into it to meet its liabilities as they fall due. As such, the financial information has been prepared on a going concern basis and no adjustments have been made to the financial information that may result from the Company not being considered a going concern.

Basis of consolidation

The assets and trade of Pang Health Limited were sold to a third party on 16 August 2002. On 12 September 2002 Pang Health Limited was placed into liquidation. As severe long-term restrictions substantially hinder the rights of Health Media Group over Pang Health Limited, it has been excluded from consolidation from 12 September 2002 in accordance with Financial Reporting Standard No 2, "Accounting for Subsidiary Undertakings". Since that date, Health Media Group's investment in Pang Health Limited has been recorded at £nil.

With effect from 13 August 2001, Health Media Group became the legal parent company of HMMH and its subsidiary undertakings in a share-for-share transaction. Due to the relative values of the companies, the former HMMH shareholders became the majority shareholders with 85 per cent. of

the enlarged share capital of Health Media Group, prior to the placing and open offer in August 2001. Further, Health Media Group's continuing operations and executive management were those of HMH. Accordingly, the substance of the combination was that HMH acquired Health Media Group in a reverse acquisition. As part of the business combination, the Company changed its year end to 28 February.

Under the requirements of the Companies Act 1985, it would normally 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 the Company and its subsidiary undertakings, which would exclude HMH. HMH's results would then be brought into Health Media Group from 13 August 2001, being the date of reverse acquisition. However, this would portray the combination as an acquisition of HMH by Health Media Group 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 adopted reverse acquisition accounting as a basis of consolidation in order to give a true and fair view, which is necessary as the Companies Act 1985 does not allow this method of accounting.

In invoking the true and fair override, the directors noted that reverse acquisition accounting is endorsed under International Accounting 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 12 months ended 28 February 2002 comprise the results of HMH for its 12 months ended 28 February 2002 plus those of Health Media Group from 13 August 2001, the date of reverse acquisition, to 28 February 2002. Comparative group figures are those of HMH for the year ended 28 February 2001. As set out in note 15, goodwill amounting to £676,000 arose on the differences between the fair value of Health Media Group's share capital and the fair value of its net assets at the reverse acquisition date. The goodwill has been written off in the year ended 28 February 2002 because Health Media Group has no continuing businesses and therefore the goodwill has no intrinsic value.

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 as at 28 February 2002.

	<i>Reverse acquisition accounting (as disclosed) £'000</i>	<i>Normal acquisition accounting £'000</i>	<i>Impact of reverse acquisitions accounting £'000</i>
Called up share capital	5,776	5,776	—
Share premium reserve	737	737	—
Merger reserve	—	3,082	(3,082)
Other reserves	5,533	—	5,533
Profit and loss account	<u>(11,983)</u>	<u>(9,532)</u>	<u>(2,451)</u>
	<u>63</u>	<u>63</u>	<u>—</u>

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 10 years.

On the subsequent disposal of an acquired business, the profit or loss on disposal is calculated after charging the unamortised amount of any related goodwill.

The Company evaluates its goodwill for financial impairment where events or circumstances indicate that the carrying value of goodwill may not be fully recoverable. When such evaluations indicate that the carrying value of goodwill exceeds its recoverable value an impairment is recorded.

Tangible fixed assets

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

Leasehold improvements	—	5 years
Fixtures, fittings and office equipment	—	4-5 years
Computer equipment	—	3 years
Motor vehicles	—	4 years

Foreign currencies

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Where the provision of goods and services is invoiced in advance, revenue is recognised over the period in which the goods and services are provided.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Financial instruments

Health Media Group's financial instruments consist of cash, short term debtors and creditors. In relation to the disclosure in note 23, short term debtors and creditors are not treated as financial assets or financial liabilities.

Investments

Investments in subsidiary undertakings are stated at cost, less any impairment in value.

Share options

Where share options are granted to employees as part of their remuneration, the amount by which the exercise price of share options granted is lower than the fair value of the options at the date of grant is charged to the profit and loss account on a straight line basis from the date of grant to the date at which the employee becomes unconditionally entitled to the options.

Gains arising on the exercise of unapproved share options granted to United Kingdom based employees since 6 April 1999 attract employer's National Insurance. Provision is made for the National Insurance charge on all outstanding options over the vesting period of the options, on the basis of the Company's share price at the end of the period as an estimate of the value at the future exercise date.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Consolidated profit and loss accounts

		<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>
		2001	2002	2003
	<i>Notes</i>	£'000	£'000	£'000
Turnover	1	1,351	2,001	535
Cost of sales		986	1,989	497
Gross profit		<u>365</u>	<u>12</u>	<u>38</u>
Distribution expenses		(1,154)	(1,096)	(491)
Administrative expenses		(6,991)	(4,321)	(741)
Operating loss	2	<u>(7,780)</u>	<u>(5,405)</u>	<u>(1,194)</u>
Disposal of subsidiary business and assets	3	—	—	182
Effect of liquidation on subsidiary	3	—	—	891
Net interest receivable and similar income	6	197	60	3
Loss on ordinary activities before taxation		<u>(7,583)</u>	<u>(5,345)</u>	<u>(118)</u>
Tax on loss from ordinary activities		—	—	—
Retained loss		<u><u>(7,583)</u></u>	<u><u>(5,345)</u></u>	<u><u>(118)</u></u>
Loss per share				
Basic	8	(88)p	(27)p	(0.5)p
Diluted	8	<u>(88)p</u>	<u>(27)p</u>	<u>(0.5)p</u>

All amounts relate to activities that were discontinued on 16 August 2002.

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

There is no difference between the reported results and those prepared on a historical cost basis.

Consolidated balance sheets

		<i>As at</i> 28 February 2001 £'000	<i>As at</i> 28 February 2002 £'000	<i>As at</i> 28 February 2003 £'000
	<i>Notes</i>			
Fixed assets				
Intangible assets	9	1,663	—	—
Tangible assets	10	369	168	—
		<u>2,032</u>	<u>168</u>	<u>—</u>
Current assets				
Debtors	12	1,013	1,030	—
Cash at bank and in hand		2,096	368	3
		<u>3,109</u>	<u>1,398</u>	<u>3</u>
Creditors: amounts falling due within one year	13	(1,930)	(1,503)	(58)
Net current assets/(liabilities)		<u>1,179</u>	<u>(105)</u>	<u>(55)</u>
		<u>3,211</u>	<u>63</u>	<u>(55)</u>
Capital and reserves				
Called up share capital	15	1,253	5,776	5,776
Share premium account	16	—	737	737
Other reserve	16	8,833	5,533	5,533
Profit and loss account	16	(6,875)	(11,983)	(12,101)
Shareholders' funds – equity		<u>3,211</u>	<u>63</u>	<u>(55)</u>

Consolidated cash flow statement

		<i>Year ended</i> <i>28 February</i> 2001 £'000	<i>Year ended</i> <i>28 February</i> 2002 £'000	<i>Year ended</i> <i>28 February</i> 2003 £'000
Net cash outflow from operating activities	Notes 19	(3,743)	(2,778)	(557)
Returns on investments and servicing of finance				
Interest received		211	60	3
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(340)	(43)	—
Sale of tangible fixed assets		10	14	—
Net cash outflow from capital expenditure		(330)	(29)	—
Acquisitions and disposals				
Purchase of subsidiary undertakings		(481)	—	—
Net overdrafts acquired with subsidiary undertakings		(222)	—	—
Proceeds from sale of subsidiary undertaking		650	—	—
Payments made on the reverse acquisition of Health Media Group		—	(743)	—
Cash acquired on the reverse acquisition of Health Media Group		—	1,280	—
Net cash taken on liquidation		—	—	(115)
Net overdrafts taken over with sale of business		—	—	189
Proceeds from sale of subsidiary undertaking		—	—	115
Net cash (outflow)/inflow from acquisitions and disposals		(53)	537	189
Cash outflow before management of liquid resources and financing		(3,915)	(2,210)	(365)
Financing				
Issue of ordinary share capital		6,004	658	—
Repayments of loans in the period		—	(176)	—
Cash inflow from financing		6,004	482	—
Increase/(decrease) in cash for the year	20	<u>2,089</u>	<u>(1,728)</u>	<u>(365)</u>

Notes to the consolidated financial information

1. Turnover, profit and net assets

Turnover

	<i>Year ended</i> <i>28 February</i> 2001 £'000	<i>Year ended</i> <i>28 February</i> 2002 £'000	<i>Year ended</i> <i>28 February</i> 2003 £'000
Analysis by class of business:			
Provision of health information	941	2,001	535
Medical publishing	410	—	—
	<u>1,351</u>	<u>2,001</u>	<u>535</u>
	<i>Year ended</i> <i>28 February</i> 2001 £'000	<i>Year ended</i> <i>28 February</i> 2002 £'000	<i>Year ended</i> <i>28 February</i> 2003 £'000
Analysis by geographical market:			
<i>By destination</i>			
United Kingdom	1,023	1,115	475
Europe	201	188	60
Rest of the World	127	698	—
	<u>1,351</u>	<u>2,001</u>	<u>535</u>

Turnover by destination as above is not materially different from that by origin.

Loss before taxation

This information is not provided, as, in the opinion of the directors, such disclosure would be seriously prejudicial to Health Media Group.

Net assets

Health Media Group operates from the United Kingdom and there are no significant assets or liabilities in other territories.

2. Operating loss

This is arrived at after charging/(crediting):

	<i>Year ended</i> <i>28 February</i> 2001 £'000	<i>Year ended</i> <i>28 February</i> 2002 £'000	<i>Year ended</i> <i>28 February</i> 2003 £'000
Depreciation	78	146	55
Amortisation of goodwill	291	168	—
Impairment of goodwill	3,898	2,171	—
Hire of plant and machinery – operating leases	11	29	11
Hire of other assets – operating leases	77	233	107
Auditors' remuneration			
audit services	25	25	10
non-audit services	49	71	—
Exchange differences	1	(1)	(5)
Fixed assets write off	—	81	—
Loss on disposal of fixed asset	1	3	—

In addition to the figures above, KPMG received fees of £46,000 in respect of the reversal of HMM into Internet Direct plc during the year ended 28 February 2002.

3. Exceptional costs/(income)

	<i>Year ended</i> 28 February 2001 £'000	<i>Year ended</i> 28 February 2002 £'000	<i>Year ended</i> 28 February 2003 £'000
Discount on options granted	940	200	—
National Insurance on share options	68	(68)	—
Web development costs	547	—	—
Re-organisation costs	—	110	—
Loss on disposal of discontinued operations	—	50	—
Compensation for loss of office	—	30	—
Write off of leasehold improvements	—	81	—
Provision against shares held by Employee Share Ownership Trust	—	99	—
Disposal of Pang Health Limited business and assets	—	—	(182)
Effect of liquidation of Pang Health Limited	—	—	(891)

The discount on options granted relates to a total of 580,000 options in Health Media Group to employees during the period at an exercise price of 7p.

National Insurance on share options relates to the release of provisions made for the National Insurance charge on all outstanding options over the vesting period of the options, on the basis of the Company's share price at the end of the period.

Web development costs were incurred in the year ended 28 February 2001 as Health Media Group sought to build a secure network for the medical profession. Due to the changing market conditions and requirements of the targeted market the project was refocused and an alternative solution sought. The costs were classified as exceptional as they do not relate to the ongoing business of Health Media Group.

The re-organisation costs relate to the closure of the Oxford office.

The loss on disposal of discontinued operations relates to an adjustment to the consideration receivable for the publishing business sold on 28 February 2001 as a result of the completion accounts submitted during the period. This disposal relates to the sale of the traditional publishing business on 28 February 2001, which was acquired as part of IsisMedNet Limited on 21 August 2000.

Compensation for loss of office relates to payments made to the former Chief Executive Director who resigned on 10 December 2001.

The write off of leasehold improvements relates to the write off of the net book value of the leasehold improvements at the Company's principal place of business ahead of its move into new premises in July 2002.

During the year ended 28 February 2002, the Employee Share Ownership Trust ("ESOT") subscribed for a total of £99,000 of new ordinary shares in the Company. Since the Company no longer has any employees and, as such, the ESOT has no remaining options held against the shares it owns in the Company, full provision has been made against the value of the shares held by the ESOT.

The disposal of the Pang Health Limited business on 16 August 2002 resulted in the following profit:

	£'000
Proceeds	125
Less legal costs	<u>(10)</u>
	115
(Assets)/liabilities sold	
Fixed assets	(113)
Debtors and prepayments	(332)
Creditors and accruals	323
Overdraft taken over	<u>189</u>
Profit on disposal	<u><u>182</u></u>

The effect of the liquidation of Pang Health Limited on 12 September 2002 was as follows:

	£'000
Net receipt in respect of sale of business	(115)
Recoverable VAT	(33)
Creditors and accruals	<u>1,034</u>
	886
Liquidator fees	<u>5</u>
Profit arising from liquidation of subsidiary	<u><u>891</u></u>

4. Employees

The average number of employees, including executive directors, was:

	<i>Year ended</i> 28 February 2001 Number	<i>Year ended</i> 28 February 2002 Number	<i>Year ended</i> 28 February 2003 Number
Management	4	7	2
Sales and marketing	12	13	1
Production	18	35	8
Administration	<u>4</u>	<u>6</u>	<u>1</u>
	<u><u>38</u></u>	<u><u>61</u></u>	<u><u>12</u></u>

Staff costs for all employees, including executive directors, consist of:

	<i>Year ended</i> 28 February 2001 £'000	<i>Year ended</i> 28 February 2002 £'000	<i>Year ended</i> 28 February 2003 £'000
Wages and salaries	1,254	2,003	328
Social security costs	<u>133</u>	<u>204</u>	<u>38</u>
	<u><u>1,387</u></u>	<u><u>2,207</u></u>	<u><u>366</u></u>

5. Directors

	<i>Basic salary £'000</i>	<i>Benefits in kind £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
Year ended 28 February 2001				
A Brode				—
G Kaye				101
N Fisher				—
P Mountford				—
A Bradshaw				—
J Golfar				—
D A Fitzpatrick				120
S Goodchild				22
G Shearer				66
				<u>309</u>
Year ended 28 February 2002				
A Brode	10	—	—	10
G Kaye	93	9	—	102
N Fisher	15	—	—	15
P Mountford	9	—	—	9
A Bradshaw	—	—	—	—
J Golfar	—	—	—	—
D A Fitzpatrick	79	10	30	119
S Goodchild	65	5	—	70
G Shearer	75	5	—	80
	<u>346</u>	<u>29</u>	<u>30</u>	<u>405</u>
Year ended 28 February 2003				
A Brode	9	—	—	9
G Kaye	46	5	—	51
N Fisher	7	—	—	7
P Mountford	7	—	—	7
S Goodchild	32	3	—	35
G Shearer	37	3	—	40
	<u>138</u>	<u>11</u>	<u>—</u>	<u>149</u>

G Kaye received private pension contributions of £4,625 during the year to 28 February 2003 (2002: £8,479; 2001: £nil).

D A Fitzpatrick resigned on 10 December 2001 and received £30,000 compensation for loss of office, all of which was paid before 28 February 2002.

The Group operates two share option schemes:

- (i) The Health Media Unapproved Replacement Share Option Scheme 2001 – the scheme grants options in respect of the 834,220 ordinary shares held by the Company's Employee Share Ownership Trust (ESOT). Following the sale of the operating business on 16 August 2002 and the ensuing transfer of all employees to the purchaser, all existing options previously granted to employees of Health Media Group have lapsed.
- (ii) The Executive Share Option Scheme – the scheme grants options to employees at an exercise price of not less than the nominal value of an ordinary share and is exercisable at a minimum period to be agreed by the Remuneration Committee with a maximum exercise date of ten years from the date of grant. The Scheme has 2.75 million shares available for grant, of which 0.5 million have been granted to G. Kaye on an unconditional basis, see below. All other options previously granted to employees have lapsed.

All company options have been granted by the Company's ESOT managed by Orbis Trustees of Jersey.

The warrants and options entitlements of the directors as at 28 February 2002, 28 February 2003 and 31 May 2002 were as follows:

	<i>Number of 25p warrants</i>	<i>Exercise price</i>	<i>Exercise period</i>
A Brode	165,000	55p	13 November 2001 – 19 April 2007
P Mountford	165,000	55p	13 November 2001 – 19 April 2007
P Mountford	489,619	66.5p	13 November 2001 – 18 July 2008
	<i>Number of 25p warrants</i>	<i>Exercise price</i>	<i>Exercise period</i>
P Mountford	33,000	55p	13 November 2001 – 19 April 2007
P Mountford	195,847	66.5p	13 November 2001 – 18 July 2008

In addition to the above, the following options were granted under the Executive Share Option Scheme on 1 February 2002:

<i>Option holder</i>	<i>Number of options</i>	<i>Option price</i>	<i>Date of exercise</i>
G Kaye	500,000	25p	1 February 2005 to 1 February 2012

Options granted to G Shearer and S Goodchild on the same date have lapsed.

In addition to the warrants referred to above, Westpool Investments Trusts plc have warrants over 1,200,000 ordinary shares at an exercise price of 78.5p exercisable at any time between 13 August 2002 and 13 August 2005.

6. Net interest receivable and similar income

	<i>Year ended 28 February 2001 £'000</i>	<i>Year ended 28 February 2002 £'000</i>	<i>Year ended 28 February 2003 £'000</i>
Other interest receivable	212	60	3
Interest payable on directors' loan accounts	(15)	—	—
	<u>197</u>	<u>60</u>	<u>3</u>

7. Taxation on profit from ordinary activities

There was no tax charge in the year ending 28 February 2003 or the previous periods due to trading losses having been incurred in all periods, by the operating subsidiary, amounting to in excess of £5 million. No deferred tax asset in respect of the trading losses has been recognised due to the uncertainty over utilisation of these losses.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	<i>Year ended 28 February 2001 £'000</i>	<i>Year ended 28 February 2002 £'000</i>	<i>Year ended 28 February 2003 £'000</i>
Loss on ordinary activities before tax	<u>(7,583)</u>	<u>(5,345)</u>	<u>(118)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(2,275)	(1,604)	(35)
Effect of:			
Losses carried forward	<u>2,275</u>	<u>1,604</u>	<u>35</u>
	<u>—</u>	<u>—</u>	<u>—</u>

8. Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the losses, being loss after tax, minority interests and preference dividends are as follows:

	<i>Year ended</i> 28 February 2001 <i>Number</i>	<i>Year ended</i> 28 February 2002 <i>Number</i>	<i>Year ended</i> 28 February 2003 <i>Number</i>
Weighted average number of equity shares used in the calculation of basic and diluted loss per share	<u>8,596,585</u>	<u>19,908,149</u>	<u>23,104,748</u>
	£'000	£'000	£'000
Losses, being loss after tax, minority interests and preference dividends	<u>(7,583)</u>	<u>(5,345)</u>	<u>(118)</u>

9. Intangible assets

	<i>Goodwill</i> £'000
Cost	
As at 1 March 2000	90
Additions	5,892
Disposals	<u>(137)</u>
As at 28 February 2001	5,845
Additions	676
Disposals	<u>—</u>
As at 28 February 2002 and 2003	<u>6,521</u>
Amortisation	
As at 1 March 2000	5
Provided for the year	291
Provided for impairment	3,898
Disposals	<u>(12)</u>
As at 28 February 2001	4,182
Provided for the year	168
Provided for impairment	<u>2,171</u>
As at 28 February 2002 and 2003	<u>6,521</u>
Net book value	
As at 28 February 2000	<u>85</u>
As at 28 February 2001	<u>1,663</u>
As at 28 February 2002 and 2003	<u>—</u>

Intangible assets represent purchased goodwill arising on business acquisitions. Additions in the period to 28 February 2002 relates to goodwill arising on the reverse acquisition of HMM.

10. Tangible assets

	<i>Leasehold improvements</i> £'000	<i>Fixtures, fittings and office equipment</i> £'000	<i>Computer equipment</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
Cost					
As at 1 March 2000	—	16	32	—	48
Additions	103	114	96	14	327
On acquisition of business	—	10	90	53	153
Disposals	—	(3)	—	(14)	(17)
As at 28 February 2001	103	137	218	53	511
Additions	13	9	21	—	43
Disposals	—	—	(2)	(32)	(34)
As at 28 February 2002	116	146	237	21	520
Disposals	(116)	(146)	(237)	(21)	(520)
As at 28 February 2003	—	—	—	—	—
Depreciation					
As at 1 March 2000	—	1	3	—	4
Provided for the year	13	17	43	5	78
On acquisition of business	—	1	51	10	62
Disposals	—	—	—	(2)	(2)
As at 28 February 2001	13	19	97	13	142
Provided for the year	22	31	80	13	146
Write down of assets	81	—	—	—	81
Disposals	—	—	(1)	(16)	(17)
As at 28 February 2002	116	50	176	10	352
Provided for the year	—	13	39	3	55
Disposals	(116)	(63)	(215)	(13)	(407)
As at 28 February 2003	—	—	—	—	—
Net book value					
As at 28 February 2000	—	15	29	—	44
As at 28 February 2001	90	118	121	40	369
As at 28 February 2002	—	96	61	11	168
As at 28 February 2003	—	—	—	—	—

Leasehold improvements were written down to £nil in the period to 28 February 2002 in view of Health Media Group's relocation to new premises on 1 July 2002.

11. Fixed asset investments

Subsidiary and associated undertakings

The following were subsidiary and associated undertakings at 28 February 2003 and all have been included in the consolidated financial information:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
Pang Management Limited	England & Wales	100%	Holding Company
Internet Direct Limited	England & Wales	100%	Dormant
Pang Health Limited	England & Wales	100%	In liquidation
Pang Medical Communications Limited	England & Wales	100%	Dormant

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

Pang Health Limited (formerly HMG Worldwide Limited and Health Media Limited) a 100 per cent. owned subsidiary, was placed into liquidation on 12 September 2002.

All other subsidiary undertakings of Pang Health Limited have been dissolved.

12. Debtors

	<i>As at 28 February 2001 £'000</i>	<i>As at 28 February 2002 £'000</i>	<i>As at 28 February 2003 £'000</i>
Trade debtors	493	498	—
Other debtors	319	265	—
Prepayments and accrued income	201	177	—
Recoverable VAT	—	90	—
	<u>1,013</u>	<u>1,030</u>	<u>—</u>

All amounts fall due for payment within one year.

13. Creditors

Amounts falling due within one year

	<i>As at 28 February 2001 £'000</i>	<i>As at 28 February 2002 £'000</i>	<i>As at 28 February 2003 £'000</i>
Trade creditors	716	606	10
Other creditors (including taxation and social security)	183	147	—
Unsecured loans	265	—	—
Accruals and deferred income	766	750	48
	<u>1,930</u>	<u>1,503</u>	<u>58</u>

14. Acquisitions

On 13 August 2001, Internet Direct plc acquired Health Media Group under a reverse acquisition. Goodwill arising on the reverse acquisition represents Internet Direct plc's share capital of 3.3 million shares at the placing price of 41.5p per share plus acquisition expenses less the fair value of Internet Direct plc's net assets acquired as set out below:

	£'000
Cost of acquisition	1,369
Acquisition related expenses	<u>656</u>
Total consideration	2,025
Less: Fair value of Internet Direct plc's net assets acquired	
<i>Current assets</i>	
Capitalised fair value of investment	69
Prepayments	1
VAT recoverable	8
Cash	<u>1,280</u>
	1,358
<i>Current liabilities</i>	
Accruals	<u>(9)</u>
	<u>(1,349)</u>
Goodwill	<u><u>676</u></u>

The goodwill of £676,000 was written off during the year ended 28 February 2002 because Internet Direct plc has no continuing business and therefore the goodwill has no intrinsic value.

15. Share capital

	<i>As at</i> 28 February 2001 £'000	<i>As at</i> 28 February 2002 £'000	<i>As at</i> 28 February 2003 £'000
Authorised			
40,000,000 ordinary shares of 25p each	—	10,000	10,000
40,000,000 ordinary shares of 5p each	<u>2,000</u>	<u>—</u>	<u>—</u>
Allotted, called up and fully paid			
23,104,748 ordinary shares of 25p each	—	5,776	5,776
25,057,168 ordinary shares of 5p each	<u>1,253</u>	<u>—</u>	<u>—</u>

The share capital balance in Health Media Group's balance sheet at 28 February 2001 reflected that of HMM prior to the reverse acquisition. This represented 25,057,168 allotted, called up and fully paid up ordinary shares of 5p each.

During the year ended 28 February 2002, the Company issued the following ordinary shares:

- (i) 18,700,000 shares of 25p each in August 2001 in respect of the reverse acquisition of Internet Direct plc with a nominal value of £4,675,000;
- (ii) 826,900 shares in August 2001 in respect of a placing and open offer at 60.5p per share less issue expenses;
- (iii) 57,850 shares in August 2001 in respect of professional services received at 60.5p per share; and
- (iv) 220,000 shares in February 2002 in respect of shares issued to the Employee Share Option Trust ("ESOT") with a nominal value of £55,000.

16. Reserves and reconciliation of movements in shareholders' funds

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Other Reserves £'000</i>	<i>Profit and Loss Account £'000</i>	<i>Total £'000</i>
At 1 March 2000					
Opening shareholders' funds	1	100	—	(232)	(131)
New share capital subscribed	62	5,950	—	—	6,012
Shares issued	1,190	(6,050)	4,860	—	—
Merger reserve on acquisition	—	—	3,973	—	3,973
Discount on share options	—	—	—	940	940
Loss for the year	—	—	—	(7,583)	(7,583)
As at 28 February 2001	1,253	—	8,833	(6,875)	3,211
Conversion of existing HMH shares to Health Media Group shares	(1,253)	—	(8,833)	—	(10,086)
Shares held by existing Health Media Group shareholders	825	572	—	—	1,397
Shares issued to HMH shareholders	4,675	—	—	—	4,675
Shares issued for cash	207	293	—	—	500
Costs associated with issue of shares	—	(149)	—	—	(149)
Shares issued for professional services	14	21	—	—	35
Shares issued to the ESOT	55	—	—	—	55
Other reserves arising on acquisition	—	—	5,533	—	5,533
Share options compensation charge	—	—	—	237	237
Loss for the year	—	—	—	(5,345)	(5,345)
As at 28 February 2002	5,776	737	5,533	(11,983)	63
Loss for the year	—	—	—	(118)	(118)
As at 28 February 2003	5,776	737	5,533	(12,101)	(55)

17. Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	<i>As at 28 February 2001 £'000</i>	<i>As at 28 February 2002 £'000</i>	<i>As at 28 February 2003 £'000</i>
Land and buildings			
– expiring in one to two years	28	18	—
– expiring in more than five years	169	169	—

18. Related party transaction

The directors consider the material transactions undertaken by the Company with parties related to the Company were as follows:

Year ended 28 February 2001

<i>Name of party</i>	<i>Relationship</i>	<i>Type of transaction</i>	<i>Transaction amount £'000</i>	<i>Amount due to related party at year end £'000</i>
Dr A Kirby	Former Director	Loan	—	72
		Interest	4	4
			<u>4</u>	<u>76</u>
N Fisher	Director	Loan	—	106
		Interest	7	7
			<u>7</u>	<u>113</u>
Benalex Holdings Limited	Company established by N Fisher (Director)	Loan	—	72
		Interest	4	4
			<u>4</u>	<u>76</u>

Year ended 28 February 2002

<i>Name of party</i>	<i>Relationship</i>	<i>Type of transaction</i>	<i>Transaction amount £'000</i>	<i>Amount due to related party at year end £'0000</i>
Dr A Kirby	Former Director	Loan	—	76
		Repayment – cash	(76)	(76)
			<u>(76)</u>	<u>—</u>
N Fisher	Director	Loan	—	113
		Repayment – cash	(24)	(24)
		Repayment – shares	(89)	(89)
			<u>(113)</u>	<u>—</u>
Benalex Holdings Limited	Company Established by N Fisher (Director)	Loan	—	76
		Repayment – cash	(76)	(76)
			<u>(76)</u>	<u>—</u>

The loans were made under the terms of an Investment and Shareholders' Agreement dated 24 August 1999. The loans accrued interest at 6 per cent. p.a., and were repayable in full on repayment of the loan or any proportionate part of it.

The Company was entitled to repay all or part of the loans at any time.

The loans from Dr A Kirby and Benalex Holdings Limited as well as £24,000 of the loan to N Fisher were repaid in cash on 12 August 2001. The balance of N Fisher's loan was converted into 215,000 ordinary shares in HMH, which formed part of his shareholding at the reverse acquisition date.

19. Reconciliation of operating loss to net cash flow from operating activities

	<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>
	2001	2002	2003
	£'000	£'000	£'000
Operating loss	(7,780)	(5,405)	(1,194)
Depreciation and fixed asset write off	78	227	55
Goodwill amortisation	291	168	—
Goodwill write off	3,898	2,171	—
Share option charge	940	237	—
(Increase)/decrease in debtors	(889)	(8)	666
Decrease in creditors	(13)	(171)	(84)
Increase in stocks	(271)	—	—
Loss on disposal of fixed asset	3	3	—
Net cash flow from operating activities	<u>(3,743)</u>	<u>(2,778)</u>	<u>(557)</u>

20. Reconciliation of net cash flow to movement in net funds

	<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>	<i>Year ended</i> <i>28 February</i>
	2001	2002	2003
	£'000	£'000	£'000
Increase/(decrease) in cash in the year	2,089	(1,728)	(365)
New loans in the year	(15)	—	—
Repayment of loans in the year	—	265	—
Change in net funds/(debt) resulting from cash flows	2,074	(1,463)	(365)
Net funds/(debt) at the beginning of the period/year	(243)	1,831	368
Net funds at the end of the period/year (note 21)	<u>1,831</u>	<u>368</u>	<u>3</u>

21. Analysis of net debt

	<i>At start of the</i> <i>year</i>	<i>Cash flow</i>	<i>Non-cash</i>	<i>At the end of</i>
	£'000	£'000	changes	the year
			£'000	£'000
Year ended 28 February 2001				
Cash in hand, at bank	6	2,090	—	2,096
Debt due within one year	(250)	—	(15)	(265)
Total	<u>(244)</u>	<u>2,090</u>	<u>(15)</u>	<u>1,831</u>
Year ended 28 February 2002				
Cash in hand, at bank	2,096	(1,728)	—	368
Debt due within one year	(265)	176	89	—
Total	<u>1,831</u>	<u>(1,552)</u>	<u>89</u>	<u>368</u>
Year ended 28 February 2003				
Cash in hand, at bank	368	(365)	—	3

22. Significant non-cash transactions

During the year ended 28 February 2002 significant non-cash transactions arose from the conversion of N Fisher's loan to ordinary shares prior to the reverse acquisition (see note 18) and the Internet Direct plc shares exchanged for HMMH shares as a result of the reverse acquisition (see note 16).

23. Financial instruments

The Board reviews and agrees policies for managing its financial risks as necessary. The principal financial risks faced by Health Media Group are interest and exchange rate fluctuations. The main financial instruments Health Media Group holds are cash deposits and its bank overdraft facilities. The Group holds financial instruments to finance working capital for its current operations.

Surplus cash, in connection with the future funding of the business, is invested in bank deposits or held on corporate money market deposit at the appropriate bank interest rate.

There is minimal foreign currency risk at the present time as almost all transactions are entered into in local currency. The Group has no material currency exposures at 28 February 2002. The Group does not trade in financial instruments.

Financial assets

The Group's financial assets excluding short-term debtors:

	<i>As at</i> 28 February 2001 £'000	<i>As at</i> 28 February 2002 £'000	<i>As at</i> 28 February 2003 £'000
Rent deposits	240	240	—
Cash and other deposits	<u>2,096</u>	<u>368</u>	<u>3</u>
	<u>2,336</u>	<u>608</u>	<u>3</u>

Financial liabilities

The Group has no financial liabilities at the 28 February 2002 that required disclosure under FRS13.

Fair values of financial instruments

The book and fair value of financial instruments are identical. Short term debtors and creditors have been excluded from this disclosure as permitted by FRS 13.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART V

Accountants' report on Bybrook Limited



BDO Stoy Hayward
Chartered Accountants

8 Baker Street
London W1U 3LL

The Directors and Proposed Directors
Health Media Group plc
25 Upper Brook Street
London
W1K 7QD

The Directors
Arbuthnot Securities Limited
One Victoria Square
Birmingham
B1 1BD

The Directors
Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

10 October 2003

Dear Sirs

Bybrook Limited ("Bybrook" or the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 10 October 2003 of Health Media Group plc.

Basis of preparation

The financial information is based on the audited consolidated financial statements of Bybrook for the three years ended 31 March 2003 (the "Relevant Period") to which no adjustments were considered necessary.

BDO Stoy Hayward, Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, have been auditors to Bybrook throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Bybrook who approved their issue.

The directors of Health Media Group plc are responsible for the contents of the admission document dated 10 October 2003 in which this report is included, and the proposed directors of Health Media Group plc are responsible for certain parts thereof, as set out in Part VII of the admission document.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated 10 October 2003, a true and fair view of the state of affairs of the Company as at the dates stated and of its consolidated profits and cash flows for the years then ended.

Consent

We consent to the inclusion in the admission document dated 10 October 2003 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and all of its subsidiary undertakings. The acquisition method of accounting has been used to consolidate the results of subsidiary undertakings in the group accounts. The results of subsidiary undertakings are included from the date of acquisition.

Intangible fixed assets and amortisation

Purchased goodwill on acquisition of a subsidiary is capitalised and amortised 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 amortised 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.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Tangible 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
Motor vehicles	– 4 years

Fixed asset investments

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

Impairments

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is determined by reference to the higher of net realisable value and value in use.

Current asset investments

Investments held as current assets are stated at the lower of cost and net realisable value. Equity investments are included as current assets when regarded as available for sale.

Work in progress

Work in progress is valued at the lower of cost and net realisable value, except where substantially complete in which case profit is included subject to any provisions for costs to completion.

Foreign currencies

Foreign currency transactions of individual companies are booked in local currency at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into local currency at the rates of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated into sterling at the average rates of exchange during the year and their balance sheets are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

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.

Financial instruments

Short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures.

The group does not hold or issue derivative financial instruments for trading purposes.

Forward exchange contracts are used to fix the exchange rate of committed and anticipated foreign currency transactions. Gains and losses arising on such hedges are not recognised until the transaction occurs.

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 period in which they become payable.

Consolidated profit and loss accounts

		<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Turnover				
Continuing operations		22,053	24,708	28,735
Acquisitions		—	—	418
	1	<u>22,053</u>	<u>24,708</u>	<u>29,153</u>
Cost of sales		<u>13,364</u>	<u>14,506</u>	<u>17,718</u>
Gross profit		8,689	10,202	11,435
Administrative expenses		<u>12,099</u>	<u>10,983</u>	<u>15,795</u>
Operating loss				
Continuing operations		(3,410)	(781)	(4,395)
Acquisitions		—	—	35
	2	<u>(3,410)</u>	<u>(781)</u>	<u>(4,360)</u>
Interest receivable		1,269	985	766
Interest payable and similar charges	5	<u>(400)</u>	<u>(384)</u>	<u>(169)</u>
Loss on ordinary activities before taxation		(2,541)	(180)	(3,763)
Tax on loss from ordinary activities	6	<u>922</u>	<u>490</u>	<u>992</u>
Loss on ordinary activities after taxation	19	<u>(3,463)</u>	<u>(670)</u>	<u>(4,755)</u>
Dividends (including non-equity)	7,19	—	—	500
Retained loss		<u>(3,463)</u>	<u>(670)</u>	<u>(5,255)</u>
Loss per share				
Basic	8	<u>£(85.37)</u>	<u>£(16.57)</u>	<u>£(130.48)</u>

All amounts relate to continuing activities at 31 March 2003

Statement of total recognised gains and losses

		<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Loss for the financial year	20	(3,463)	(670)	(4,755)
Exchange translation differences	20	<u>739</u>	<u>(52)</u>	<u>(425)</u>
Total recognised gains and losses for the year		<u>(2,724)</u>	<u>(722)</u>	<u>(5,180)</u>

Consolidated balance sheets

		<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
	<i>Notes</i>			
Fixed assets				
Intangible assets	9	13,801	12,827	6,179
Tangible assets	10	935	815	745
Investments	11	20,205	17,500	17,500
		<u>34,941</u>	<u>31,142</u>	<u>24,424</u>
Current assets				
Work in progress	12	235	723	741
Debtors	13	4,630	4,485	4,839
Investments	14	—	—	—
Cash at bank and in hand		3,299	545	1,894
		<u>8,164</u>	<u>5,753</u>	<u>7,474</u>
Creditors: amounts falling due within one year	15	(10,975)	(6,111)	(7,676)
Net current liabilities		<u>(2,811)</u>	<u>(358)</u>	<u>(202)</u>
Total assets less current liabilities		32,130	30,784	24,222
Creditors: amounts falling due after more than one year	15	(142)	(115)	(77)
Provisions for liabilities and charges	17	(5,078)	(4,481)	(4,528)
		<u>26,910</u>	<u>26,188</u>	<u>19,617</u>
Capital and reserves				
Called up share capital	18	1	1	1
Share premium account	19	1,405	1,405	1,405
Capital redemption	19	—	—	—
Profit and loss account	19	25,504	24,782	18,211
Shareholders' funds – equity	20	<u>26,910</u>	<u>26,188</u>	<u>19,617</u>

Consolidated cash flow statements

		<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Net cash (outflow)/inflow from operating activities	25	(441)	1,331	2,487
Returns on investments and servicing of finance				
Interest received		1,216	1,095	770
Interest paid		<u>(400)</u>	<u>(384)</u>	<u>(154)</u>
Net cash inflow from returns on investments and servicing of finance		816	711	616
Taxation paid		(4,010)	(932)	(1,227)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	10	(399)	(337)	(316)
Purchase of intangible fixed assets	9	—	(86)	—
Sale of tangible fixed assets		19	32	7
Sale of fixed asset investment		<u>—</u>	<u>2,500</u>	<u>—</u>
Net cash (outflow)/inflow from capital expenditure		(380)	2,109	(309)
Acquisitions and disposals				
Purchase of subsidiary undertakings	21	(34)	—	(732)
Repayment of loan on behalf of vendor recovered by way of dividend	21	—	—	(289)
Sale of business operation		<u>2,000</u>	<u>—</u>	<u>—</u>
Net cash inflow/(outflow) from acquisitions and disposals		<u>1,966</u>	<u>—</u>	<u>(1,021)</u>
Cash (outflow)/inflow before management of liquid resources and financing		(2,049)	3,219	546
Management of liquid resources				
Sale of current asset investments		<u>192</u>	<u>—</u>	<u>—</u>
Cash inflow from management of liquid resources		192	—	—
Financing				
Repayment of loans		(2,395)	(2,027)	—
Redemption of ordinary share capital	18	<u>(69)</u>	<u>—</u>	<u>(891)</u>
Cash outflow from financing		<u>(2,464)</u>	<u>(2,027)</u>	<u>(891)</u>
(Decrease)/increase in cash for the year	26,27	<u><u>(4,321)</u></u>	<u><u>1,192</u></u>	<u><u>(345)</u></u>

Notes to the consolidated financial information

1. Turnover, profit and net assets

Turnover

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Analysis by class of business:			
Translation services	15,317	17,996	22,385
Localisation services	3,923	3,554	3,901
Information services	2,813	3,158	2,867
	<u>22,053</u>	<u>24,708</u>	<u>29,153</u>
Analysis by geographical market:			
<i>By destination</i>			
United Kingdom	4,230	4,479	4,459
Rest of Europe	10,667	12,034	15,211
United States of America	5,042	5,508	6,519
Japan	2,045	2,601	2,822
Other	69	86	142
	<u>22,053</u>	<u>24,708</u>	<u>29,153</u>
<i>By origin</i>			
United Kingdom	14,859	18,363	22,021
Rest of Europe	543	524	556
United States of America	4,649	3,794	4,180
Japan	2,002	2,027	2,396
	<u>22,053</u>	<u>24,708</u>	<u>29,153</u>
Profit/(loss) before taxation			
	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Analysis by class of business:			
Translation services	2,306	1,858	3,554
Localisation services	(5,342)	(3,233)	(8,166)
Information services	495	1,195	849
	<u>(2,541)</u>	<u>(180)</u>	<u>(3,763)</u>
Analysis by geographical market:			
<i>By origin</i>			
United Kingdom	2,920	3,100	4,287
Rest of Europe	(112)	(18)	(1)
United States of America	(5,330)	(3,325)	(8,311)
Japan	(19)	63	262
	<u>(2,541)</u>	<u>(180)</u>	<u>(3,763)</u>

Net assets	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Analysis by class of business:			
Translation services	34,266	35,994	35,652
Localisation services	(8,636)	(11,898)	(18,714)
Information services	1,280	2,092	2,679
	<u>26,910</u>	<u>26,188</u>	<u>19,617</u>
Analysis by geographical market:			
<i>By origin</i>			
United Kingdom	35,649	38,246	38,273
Rest of Europe	117	99	220
United States of America	(8,932)	(12,260)	(19,138)
Japan	76	103	262
	<u>26,910</u>	<u>26,188</u>	<u>19,617</u>

2. Operating loss

This is arrived at after charging/(crediting):

	<i>Year ended</i> 31 March 2001 £'000	<i>Year ended</i> 31 March 2002 £'000	<i>Year ended</i> 31 March 2003 £'000
Depreciation	429	423	377
Impairment of goodwill – relating to RWS Group LLC*	2,007	—	5,760
Amortisation of goodwill – relating to RWS Group LLC*	542	508	481
Amortisation of goodwill – relating to rest of the group	476	508	518
Hire of plant and machinery – operating leases	80	113	117
Hire of other assets – operating leases	1,035	1,219	1,218
Auditors' remuneration			
audit services	102	104	89
non-audit services	37	68	68
Exchange differences	(164)	(80)	168
Provisions against diminution in value of investments	58	205	—
Loss on disposal of fixed asset	7	—	12
Profit on disposal of current assets	<u>(385)</u>	<u>—</u>	<u>—</u>

*including intermediate holding companies Brooklet Limited and Watertone Limited

3. Employees

The average number of employees during the year, including executive directors, was:

	<i>Year ended</i> 31 March 2001 Number	<i>Year ended</i> 31 March 2002 Number	<i>Year ended</i> 31 March 2003 Number
Production	311	312	310
Administrative	81	94	90
	<u>392</u>	<u>406</u>	<u>400</u>

Staff costs for all employees, including executive directors, consist of:

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Wages and salaries	11,766	11,827	11,943
Social security costs	787	1,170	1,209
Pension costs	74	170	191
	<u>12,627</u>	<u>13,167</u>	<u>13,343</u>

There were pension contributions of £12,069 outstanding at 31 March 2003.

4. Directors' remuneration

	<i>Basic salary (including bonus) £'000</i>	<i>Benefits in kind £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
Year ended 31 March 2001				
A S Brode	150	12	18	180
M A McCarthy	76	—	1	77
T Jones	7	—	—	7
	<u>233</u>	<u>12</u>	<u>19</u>	<u>264</u>
Year ended 31 March 2002				
A S Brode	165	13	21	199
M A McCarthy	101	—	3	104
	<u>266</u>	<u>13</u>	<u>24</u>	<u>303</u>
Year ended 31 March 2003				
A S Brode	220	1	22	243
M A McCarthy	112	—	3	115
	<u>332</u>	<u>1</u>	<u>25</u>	<u>358</u>

Benefits in kind include car and private health care benefits.

5. Interest payable and similar charges

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Interest on bank loans and overdrafts	265	369	153
Interest on other loans	135	15	16
	<u>400</u>	<u>384</u>	<u>169</u>

6. Taxation on loss from ordinary activities

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Analysis of tax charge:			
Corporation tax	949	1,141	898
Overprovision in prior years	(27)	(37)	(28)
Overseas taxation	—	30	122
Total current tax charge	<u>922</u>	<u>1,134</u>	<u>992</u>
Deferred taxation	—	(644)	—
	<u><u>922</u></u>	<u><u>490</u></u>	<u><u>992</u></u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Loss on ordinary activities before tax	<u>(2,541)</u>	<u>(180)</u>	<u>(3,763)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(762)	(54)	(1,129)
Effect of:			
Expenses not deductible	177	25	(27)
Provision for loss on investment	—	61	—
Goodwill amortisation and impairment loss not deductible	—	289	2,028
Capital allowances in excess of depreciation	(28)	14	17
Utilised overseas losses	—	—	(3)
Unrelieved overseas losses	1,602	819	—
Overseas taxation	—	30	122
Differences in tax rates	(17)	(1)	(2)
Underprovision in current year	(24)	(4)	—
Overprovision in prior year	(27)	(37)	(28)
Other movements	1	(8)	14
	<u><u>922</u></u>	<u><u>1,134</u></u>	<u><u>992</u></u>

7. Dividends

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Ordinary dividends	—	—	500
Interim of £12.94 per share	<u>—</u>	<u>—</u>	<u>500</u>

8. Losses per share

Losses per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the losses after tax are as follows:

	<i>Year ended 31 March 2001 Number</i>	<i>Year ended 31 March 2002 Number</i>	<i>Year ended 31 March 2003 Number</i>
Weighted average number of equity shares	<u>40,564</u>	<u>40,425</u>	<u>40,275</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Losses after tax	<u>(3,463)</u>	<u>(670)</u>	<u>(5,255)</u>

9. Intangible assets

	<i>Goodwill £'000</i>
Cost	
As at 1 April 2000	19,077
Additions	212
Exchange adjustment	<u>1,191</u>
As at 31 March 2001	20,480
Additions	<u>86</u>
As at 31 March 2002	20,566
Additions	683
Exchange adjustment	<u>(1,107)</u>
As at 31 March 2003	<u>20,142</u>
Amortisation	
As at 1 April 2000	3,537
Provided for the year	1,018
Provided for impairment	2,007
Exchange adjustment	<u>117</u>
As at 31 March 2001	6,679
Provided for the year	1,016
Provided for impairment	<u>44</u>
As at 31 March 2002	7,739
Provided for the year	999
Provided for impairment	5,760
Exchange adjustment	<u>(535)</u>
As at 31 March 2003	<u>13,963</u>
Net book value	
As at 31 March 2000	<u>15,540</u>
As at 31 March 2001	<u>13,801</u>
As at 31 March 2002	<u>12,827</u>
As at 31 March 2003	<u>6,179</u>

The net book value of goodwill arising on consolidation and the net book value of other goodwill is as follows:

	<i>Goodwill on consolidation</i> £'000	<i>Other goodwill</i> £'000
As at 31 March 2000	15,540	—
As at 31 March 2001	13,626	175
As at 31 March 2002	12,602	225
As at 31 March 2003	<u>6,075</u>	<u>104</u>

10. Tangible assets

	<i>Leasehold improvements</i> £'000	<i>Motor vehicles</i> £'000	<i>Fixtures and equipment</i> £'000	<i>Total</i> £'000
Cost				
As at 1 April 2000	485	136	2,855	3,476
Additions	25	20	354	399
Reclassifications	98	—	(98)	—
Disposals	(87)	(41)	(80)	(208)
Exchange adjustment	—	2	58	60
As at 31 March 2001	<u>521</u>	<u>117</u>	<u>3,089</u>	<u>3,727</u>
Additions	54	1	282	337
Reclassifications	(81)	—	81	—
Disposals	—	(60)	(12)	(72)
Elimination of fully depreciated assets	(135)	—	(1,893)	(2,028)
Exchange adjustment	—	—	(2)	(2)
As at 31 March 2002	<u>359</u>	<u>58</u>	<u>1,545</u>	<u>1,962</u>
Additions	35	—	281	316
Subsidiary undertaking acquired	—	—	303	303
Disposals	—	(26)	(44)	(70)
Elimination of fully depreciated assets	—	—	(317)	(317)
Exchange adjustment	(2)	—	(59)	(61)
As at 31 March 2003	<u>392</u>	<u>32</u>	<u>1,709</u>	<u>2,133</u>
Depreciation				
As at 1 April 2000	287	34	2,190	2,511
Provided for the year	34	27	368	429
Reclassifications	22	—	(22)	—
Disposals	(87)	(26)	(69)	(182)
Exchange adjustment	3	1	30	34
As at 31 March 2001	<u>259</u>	<u>36</u>	<u>2,497</u>	<u>2,792</u>
Provided for the year	49	28	346	423
Reclassifications	(55)	—	55	—
Disposals	—	(35)	(4)	(39)
Elimination of fully depreciated assets	(135)	—	(1,893)	(2,028)
Exchange adjustment	—	—	(1)	(1)
As at 31 March 2002	<u>118</u>	<u>29</u>	<u>1,000</u>	<u>1,147</u>
Provided for the year	46	14	317	377
Subsidiary undertaking acquired	—	—	272	272
Disposals	—	(23)	(28)	(51)
Elimination of fully depreciated assets	—	—	(317)	(317)
Exchange adjustment	—	—	(40)	(40)
As at 31 March 2003	<u>164</u>	<u>20</u>	<u>1,204</u>	<u>1,388</u>

	<i>Leasehold improvements</i> £'000	<i>Motor Vehicles</i> £'000	<i>Fixtures and equipment</i> £'000	<i>Total</i> £'000
Net book value				
As at 31 March 2000	198	102	665	965
As at 31 March 2001	262	81	592	935
As at 31 March 2002	241	29	545	815
As at 31 March 2003	228	12	505	745

11. Fixed asset investments

	<i>Loan notes</i> £'000	<i>Listed investments</i> £'000	<i>Total</i> £'000
Cost			
As at 1 April 2000	20,000	—	20,000
Additions	—	263	263
As at 31 March 2001	20,000	263	20,263
Transfer to current assets	—	(263)	(263)
Disposals	(2,500)	—	(2,500)
As at 31 March 2002 and 31 March 2003	17,500	—	17,500
Provision			
As at 1 April 2000	—	—	—
Provision for the year	—	58	58
As at 31 March 2001	—	58	58
Transfer to current assets	—	(58)	(58)
As at 31 March 2002 and 31 March 2003	—	—	—
Net book value			
As at 31 March 2000	20,000	—	20,000
As at 31 March 2001	20,000	205	20,205
As at 31 March 2002	17,500	—	17,500
As at 31 March 2003	17,500	—	17,500

The loan notes are repayable in full on 25 January 2005. Interest is received on 30 June and 31 December of each year in arrears at 0.25 per cent below six month LIBOR at the start of the period. On request the loan notes may be redeemed at par on 30 June or 31 December of each year.

As at 31 March 2001 the market value of the other listed investments held by the group was £205,000.

Subsidiary undertakings

The following were subsidiary undertakings at 31 March 2003 and all have been included in the consolidated financial information:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
RWS Group plc	England	100%	Holding company
RWS Translations Limited	England	100%	Technical and legal translations
RWS Information Limited	England	100%	Patent and technical information searches
Lawyers' and Merchants' Translation Bureau Inc	USA	100%	Technical and legal translations
Askus Translation Services Limited	Eire	100%	Technical and legal translations
RWS Group GmbH	Germany	100%	Technical and legal translations
Watertone Limited	England	100%	Holding company
RWS Group LLC	USA	100%	Language localisation
KK RWS Group	Japan	100%	Technical and legal translations
Plastics Translations Limited*	England	100%	Holding company
RWS (Overseas) Limited	England	100%	Holding company
Brooklet Limited*	England	100%	Holding company
Edgeworth King & Co. Limited	England	100%	Dormant
Ad-Ex (Translations) Limited	England	100%	Technical and legal translations
European Law Translations Limited	England	100%	Dormant
Translation & Language Consultants (International) Limited	England	100%	Dormant
Chemical Translations Limited	England	100%	Dormant
Trademark Searches Limited	England	100%	Dormant
ACJV Limited	England	100%	Dormant

*held directly. All other subsidiaries are held indirectly.

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

12. Work in progress

	<i>As at 31 March 2001</i>	<i>As at 31 March 2002</i>	<i>As at 31 March 2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Translations, searches and localisations	<u>235</u>	<u>723</u>	<u>741</u>

13. Debtors

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Trade debtors	4,149	3,990	4,232
Prepayments and accrued income	361	489	542
Other debtors	120	6	65
	<u>4,630</u>	<u>4,485</u>	<u>4,839</u>

All amounts fall due for payment within one year.

14. Current asset investments

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Cost of listed investments transferred from fixed asset investments	—	263	—
Impairment transferred from fixed asset investments	—	(58)	—
Provision for the year	—	(205)	—
Net book value at the end of the year	<u>—</u>	<u>—</u>	<u>—</u>
Market value	<u>—</u>	<u>123</u>	<u>59</u>

15. Creditors

Amounts falling due within one year

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Bank overdrafts (secured)	4,851	905	2,599
Bank loan (secured)	2,056	—	—
Trade creditors	795	1,594	1,605
Other creditors	1,166	889	512
Tax and social security creditor	298	388	552
Proposed dividend	—	—	500
Corporation tax	916	1,117	882
Accruals and deferred income	893	1,218	1,026
	<u>10,975</u>	<u>6,111</u>	<u>7,676</u>

The bank overdrafts are secured by a floating charge over certain of the group's assets.

The bank loans are secured by a fixed and floating charge over certain of the group's assets.

Amounts falling due after more than one year

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Other creditors	142	115	77
	<u>142</u>	<u>115</u>	<u>77</u>

Financial liabilities are due:

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Loans			
– in one year or less	<u>2,056</u>	<u>—</u>	<u>—</u>
	<u>2,056</u>	<u>—</u>	<u>—</u>

On 1 March 2001, the group acquired the business of Hogg Silver & Co, and the directors estimated that the total deferred consideration, which is contingent on future revenues, would amount to £178,000.

Other creditors above shows the amounts that fall due for payment after more than one year, at the year ends.

16. Financial instruments

The group's financial instruments comprise borrowings, forward exchange contracts, cash and various items such as trade debtors and trade creditors etc. that arise directly from its operations. Working capital requirements are met out of floating rate overdrafts and retained profits. It is not group policy to trade in financial instruments.

Liquidity risk

The interest rate profile of the group is shown below:

	<i>Floating</i> <i>rate</i> <i>borrowings</i> £'000	<i>Fixed rate</i> <i>borrowings</i> £'000
As at 31 March 2001		
Sterling	4,851	1,200
US dollar	—	856
	<u>4,851</u>	<u>2,056</u>
As at 31 March 2002		
Sterling	<u>905</u>	<u>—</u>
As at 31 March 2003		
Sterling	144	—
US Dollar	<u>2,455</u>	<u>—</u>

Borrowings in 2001 comprise a £1,200,000 loan and a US\$1,215,600 loan. The loans were due for repayment within one year.

Interest was charged on the sterling loan and US Dollar loan at 1.7125% above LIBOR.

Foreign currency risk

The group had one significant overseas subsidiary in the United States (RWS Group LLC) whose revenues and expenses are denominated entirely in US Dollars. The US Dollar loan represented a partial hedge against the investment in this subsidiary. It was repaid in the year ended 31 March 2002.

The group also has an exposure to fluctuations in euro. The group's policy is to minimise currency exposure through forward exchange contracts.

Unrecognised gains on hedges at the 31 March 2003 were £52,749. These contracts expire within a period of twelve months or less.

17. Provision for liabilities and charges

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Deferred taxation (see below)	5,078	4,434	4,434
Other provisions (see below)	—	47	94
	<u>5,078</u>	<u>4,481</u>	<u>4,528</u>
Deferred taxation			
At beginning of year	5,078	5,078	4,434
Credit to the profit and loss account	—	(644)	—
At end of year	<u>5,078</u>	<u>4,434</u>	<u>4,434</u>
Deferred tax on gain on disposal of fixed asset	<u>5,078</u>	<u>4,434</u>	<u>4,434</u>
Other provisions			
At beginning of year	—	—	47
Charge to the profit and loss account	—	47	47
At end of year	<u>—</u>	<u>47</u>	<u>94</u>

Other provisions include amounts payable to certain employees, previously vendors of a business acquired by the group in 2000, on the achievement of revenue growth over a specific period.

18. Share capital

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Authorised			
91,000 ordinary shares of £0.01 each	1	1	1
9,000 'A' ordinary shares of £0.01 each	—	—	—
	<u>1</u>	<u>1</u>	<u>1</u>
Allotted, called up and fully paid			
29,625 (2001 – 31,425; 2002 – 31,425) ordinary shares of £0.01 each	1	1	1
9,000 'A' ordinary shares of £0.01 each	—	—	—
	<u>1</u>	<u>1</u>	<u>1</u>

The ordinary and 'A' ordinary shares rank *pari passu* in respect of all rights.

On 12 February 2001 the Company purchased for cancellation 159 ordinary £0.01 shares for an aggregate consideration of £68,972. Movement on the capital redemption reserve was as follows:

	£
At 1 April 2000	20
Repurchase of own shares	<u>2</u>
At 31 March 2001	<u>22</u>

On 24 February 2003, the Company purchased for cancellation 1,800 ordinary £0.01 shares for an aggregate consideration of £891,361. Movement on the capital redemption reserve was as follows:

	£
At 1 April 2002	22
Repurchase of own shares	<u>18</u>
At 31 March 2003	<u><u>40</u></u>

19. Reserves

	<i>Share premium account</i>	<i>Capital redemption</i>	<i>Profit and loss account</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
At 1 April 2000	1,405	—	28,297	29,702
Repurchase of own shares	—	—	(69)	(69)
Unrealised exchange loss	—	—	739	739
Loss for the year	—	—	(3,463)	(3,463)
As at 31 March 2001	<u>1,405</u>	<u>—</u>	<u>25,504</u>	<u>26,909</u>
Unrealised exchange loss	—	—	(52)	(52)
Loss for the year	—	—	(670)	(670)
As at 31 March 2002	<u>1,405</u>	<u>—</u>	<u>24,782</u>	<u>26,187</u>
Repurchase of own shares	—	—	(891)	(891)
Unrealised exchange loss	—	—	(425)	(425)
Dividend	—	—	(500)	(500)
Loss for the year	—	—	(4,755)	(4,755)
As at 31 March 2003	<u><u>1,405</u></u>	<u><u>—</u></u>	<u><u>18,211</u></u>	<u><u>19,616</u></u>

20. Reconciliation of movements in shareholders' funds

	<i>As at 31 March 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
At the beginning of the year	29,703	26,910	26,188
Repurchase of own shares	(69)	—	(891)
Loss for the year	(3,463)	(670)	(4,755)
Dividend	—	—	(500)
Unrealised exchange loss	739	(52)	(425)
At the end of the year	<u><u>26,910</u></u>	<u><u>26,188</u></u>	<u><u>19,617</u></u>

21. Acquisitions

On 14 November 2002, the group acquired Ad-Ex (Translations) Limited for a cash consideration of £698,320.

In calculating the goodwill arising on consolidation as at 31 March 2003, the fair values represented the book values of the net assets acquired.

	£'000
Fixed assets	
Tangible fixed assets	31
Intangible assets	8
	<u>39</u>
Current assets	
Debtors	380
Total assets	419
Liabilities	
Creditors	(81)
Net assets acquired	338
Goodwill	683
Purchase consideration	<u><u>1,021</u></u>
Satisfied by:	
Cash	698
Repayment of loan on behalf of vendor recovered by way of dividend	289
Cost of acquisition	34
	<u><u>1,021</u></u>

22. Pensions

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

23. Commitments

Annual commitment under operating leases

The following are the annual commitments under non-cancellable operating leases:

	<i>As at</i> 31 March 2001		<i>As at</i> 31 March 2002		<i>As at</i> 31 March 2003	
	<i>Land and buildings</i> £'000	<i>Other buildings</i> £'000	<i>Land and buildings</i> £'000	<i>Other buildings</i> £'000	<i>Land and buildings</i> £'000	<i>Other</i> £'000
Operating leases which expire:						
Within one year	40	—	—	—	172	6
In two to five years	443	87	703	113	488	146
Over five years	552	51	552	—	494	—
	<u>1,035</u>	<u>138</u>	<u>1,255</u>	<u>113</u>	<u>1,154</u>	<u>152</u>

	<i>As at</i> 31 March 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Forward foreign exchange contracts	—	—	4,602
Capital commitments			
Contracted for but not provided	—	113	15

24. Related party transactions

Other than as disclosed in note 28, there were no related party transactions.

25. Reconciliation of operating loss to net cash flow from operating activities

	<i>Year ended</i> 31 March 2001 £'000	<i>Year ended</i> 31 March 2002 £'000	<i>Year ended</i> 31 March 2003 £'000
Operating loss	(3,410)	(781)	(4,360)
Amortisation and impairment of intangible assets	3,025	1,060	6,759
Depreciation	429	423	377
Increase in work in progress	(47)	(488)	(18)
(Increase)/decrease in debtors	(60)	35	30
Increase/(decrease) in creditors	106	910	(528)
Exchange (gains)/losses	(164)	(80)	168
Loss on sale of tangible fixed assets	7	—	12
Profit on sale of current asset investment	(385)	—	—
Write down of fixed/current asset investment	58	205	—
Other provisions	—	47	47
Net cash (outflow)/inflow from operating activities	<u>(441)</u>	<u>1,331</u>	<u>2,487</u>

26. Reconciliation of net cash flow to movement in net debt

	<i>Year ended</i> 31 March 2001 £'000	<i>Year ended</i> 31 March 2002 £'000	<i>Year ended</i> 31 March 2003 £'000
(Decrease)/increase in cash in the year	(4,321)	1,192	(345)
Cash outflow from decrease in debt financing	2,395	2,027	—
Change in net debt resulting from cash flows	(1,926)	3,219	(345)
Exchange differences on foreign currency loan	(197)	29	—
Movement in net debt in the year	(2,123)	3,248	(345)
Net debt at the beginning of the year	<u>(1,485)</u>	<u>(3,608)</u>	<u>(360)</u>
Net debt at the end of the year (note 27)	<u>(3,608)</u>	<u>(360)</u>	<u>(705)</u>

27. Analysis of net debt

	<i>At start of the year £'000</i>	<i>Cash flow £'000</i>	<i>Non-cash changes £'000</i>	<i>Exchange movement £'000</i>	<i>At the end of the year £'000</i>
Year ended 31 March 2001					
Cash in hand, at bank	2,972	327	—	—	3,299
Overdrafts	(203)	(4,648)	—	—	(4,851)
Cash	<u>2,769</u>	<u>(4,321)</u>	<u>—</u>	<u>—</u>	<u>(1,552)</u>
Debt due after one year	(1,942)	—	1,942	—	—
Debt due within one year	(2,312)	2,395	(1,942)	(197)	(2,056)
Total	<u>(1,485)</u>	<u>(1,926)</u>	<u>—</u>	<u>(197)</u>	<u>(3,608)</u>
Year ended 31 March 2002					
Cash in hand, at bank	3,299	(2,754)	—	—	545
Overdrafts	(4,851)	3,946	—	—	(905)
Cash	<u>(1,552)</u>	<u>1,192</u>	<u>—</u>	<u>—</u>	<u>(360)</u>
Debt due after one year	—	—	—	—	—
Debt due within one year	(2,056)	2,027	—	29	—
Total	<u>(3,608)</u>	<u>3,219</u>	<u>—</u>	<u>29</u>	<u>(360)</u>
Year ended 31 March 2003					
Cash in hand, at bank	545	1,349	—	—	1,894
Overdrafts	(905)	(1,694)	—	—	(2,599)
Cash	<u>(360)</u>	<u>(345)</u>	<u>—</u>	<u>—</u>	<u>(705)</u>
Debt due after one year	—	—	—	—	—
Debt due within one year	—	—	—	—	—
Total	<u>(360)</u>	<u>(345)</u>	<u>—</u>	<u>—</u>	<u>(705)</u>

28. Post balance sheet events

On 25 July 2003, the directors transferred KK RWS Group from RWS Group LLC to RWS (Overseas) Limited.

On 6 October 2003, conditional upon and with effect from completion of the Acquisition Agreement, Bybrook declared an ordinary dividend of £10 million (£258.90 per share).

On 7 October 2003, Watertone Limited and its ultimate subsidiaries Brooklet Limited and RWS Group LLC (the "RWS LLC group") was sold for £500 to the shareholders of the Company (other than 3i Group plc).

The financial information relating to the RWS LLC group for the Relevant Period is set out below:

RWS LLC group consolidated profit and loss accounts

	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000
Turnover	3,923	3,554	3,901
Cost of sales	<u>3,241</u>	<u>2,563</u>	<u>2,794</u>
Gross profit	682	991	1,107
Administrative expenses	<u>(5,982)</u>	<u>(4,180)</u>	<u>(9,316)</u>
Operating loss	(5,300)	(3,189)	(8,209)
Interest receivable	—	—	—
Interest payable and similar charges	<u>(660)</u>	<u>(540)</u>	<u>(677)</u>
Loss on ordinary activities before taxation	(5,960)	(3,729)	(8,886)
Tax on loss from ordinary activities	<u>213</u>	<u>149</u>	<u>196</u>
Loss on ordinary activities after taxation and retained for the year	<u><u>(5,747)</u></u>	<u><u>(3,580)</u></u>	<u><u>(8,690)</u></u>

RWS LLC group consolidated balance sheets

	As at 31 March 2001 £'000	As at 31 March 2002 £'000	As at 31 March 2003 £'000
Fixed assets	7,234	6,813	—
Intangible assets	273	230	98
Tangible assets	<u>7,507</u>	<u>7,043</u>	<u>98</u>
Current assets	100	159	39
Working in progress	1,297	762	591
Debtors	12	21	86
Cash at bank and in hand	<u>1,409</u>	<u>942</u>	<u>716</u>
Creditors: amounts falling due within one year	<u>(4,171)</u>	<u>(1,425)</u>	<u>(891)</u>
Net current liabilities	(2,762)	(483)	(175)
Total assets less current liabilities	4,745	6,560	(77)
Creditors: amounts falling due after more than one year	<u>(9,971)</u>	<u>(15,426)</u>	<u>(17,968)</u>
	<u><u>(5,226)</u></u>	<u><u>(8,866)</u></u>	<u><u>(18,045)</u></u>
Capital and reserves	3,200	1	1
Called up share capital	—	3,168	3,168
Capital redemption reserve	<u>(8,426)</u>	<u>(12,035)</u>	<u>(21,214)</u>
Profit and loss account	<u>(5,226)</u>	<u>(8,866)</u>	<u>(18,045)</u>
Shareholders' deficit – equity	<u><u>(5,226)</u></u>	<u><u>(8,866)</u></u>	<u><u>(18,045)</u></u>

RWS LLC group consolidated cash flow statements

	<i>Year ended 31 March 2001 £'000</i>	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Net cash outflow from operating activities	(2,000)	(2,045)	(1,726)
Returns on investments and servicing of finance	—	—	—
Interest received	<u>(660)</u>	<u>(540)</u>	<u>(677)</u>
Interest paid			
Net cash outflow from returns on investments and servicing of finance	(660)	(540)	(677)
Taxation paid	<u>214</u>	<u>149</u>	<u>196</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(163)	(135)	(27)
Sale of tangible fixed assets	—	6	—
Purchase of intangible fixed assets	<u>—</u>	<u>(86)</u>	<u>—</u>
Net cash outflow from capital expenditure	(163)	(215)	(27)
Cash outflow before management of liquid resources and financing	<u>(2,609)</u>	<u>(2,651)</u>	<u>(2,234)</u>
Financing			
Repayment of bank loans	(1,224)	(1,053)	—
Issue of ordinary shares	735	—	—
Acquisition of subsidiary shares	—	(32)	—
Group funding	<u>3,104</u>	<u>3,818</u>	<u>2,298</u>
Increase in cash for the year	<u><u>6</u></u>	<u><u>82</u></u>	<u><u>64</u></u>

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART VI

Unaudited pro forma statement of consolidated net assets for the Enlarged Group

The following unaudited pro forma statement of consolidated net assets of the Enlarged Group following the Proposals has been prepared for illustrative purposes only to provide information about the impact of the Proposals on the Group and because of its nature may not give a true reflection of the financial position of the Enlarged Group. It has been prepared on the basis that the Proposals were undertaken as at 28 February 2003 and on the basis set out in the notes:

	Group At 28 February 2003 (note 1) £'000	Adjustments			Pro forma net assets of the Enlarged Group £'000	
		Bybrook (note 2) £'000	RWS LLC (note 3) £'000	Disposal Transaction (note 4) £'000		Transaction (note 5) £'000
Fixed assets						
Intangible assets	—	6,179	—	—	33,673 ^(a)	39,852
Tangible assets	—	745	(98)	—	—	647
Investments	—	17,500	—	—	—	17,500
	—	24,424	(98)	—	33,673	57,999
Current assets						
Work in progress	—	741	(39)	—	—	702
Debtors	—	4,839	(591)	291	—	4,539
Cash at bank and in hand	3	1,894	(86)	—	(1,450) ^(b)	361
	3	7,474	(716)	291	(1,450)	5,602
Creditors: amounts falling due within one year						
	(58)	(7,676)	891	(208)	(10,000) ^(c)	(17,051)
Net current assets	(55)	(202)	175	83	(11,450)	(11,449)
Creditors: amounts falling due within one year						
Provisions for liabilities and charges	—	(77)	17,968	(17,968)	—	(77)
	—	(4,528)	—	—	—	(4,528)
Net (liabilities)/assets	<u>(55)</u>	<u>19,617</u>	<u>18,045</u>	<u>(17,885)</u>	<u>22,223</u>	<u>41,945</u>

Notes

The pro forma statement of net assets has been prepared on the following bases:

1. The net assets of the Group at 28 February 2003 have been extracted from the Accountants' Report set out in Part IV of this document.
2. The consolidated net assets of Bybrook at 31 March 2003 have been extracted from the Accountants' Report set out in Part V of this document.
3. The net assets of RWS LLC at 31 March 2003 have been extracted from note 28 (post balance sheet events) of the Accountants' Report set out in Part V of this document.
4. The reversal of consolidation adjustments in Bybrook following the disposal of RWS LLC reflecting:
 - the elimination of intra-group debtor balances of £2.255 million in RWS LLC to the Bybrook Group which had been eliminated on consolidation, less £1.964 million which relates to the estimated profit that will arise on the disposal of RWS Japan within RWS LLC, following the reorganisation of Bybrook prior to the Proposals; and
 - the elimination of intra-group creditor balances of £0.208 million (due within one year) and £17.968 million (due after one year), in RWS LLC to the Bybrook Group, both of which had been eliminated on consolidation.
5. The unaudited pro forma consolidated statement of net assets at 28 February 2003 gives effect to the Acquisition as follows:

	£'000
Consideration for the Acquisition being 37,320,064 New Ordinary Shares at the Placing Price	42,000
Consolidated net assets of Bybrook (sum of notes 2, 3 and 4)	(19,777)
Elimination of historical goodwill on consolidation not previously set off against reserves	6,075
Pre-completion dividend to be paid to the Vendors	10,000
Estimated transaction costs (net of any applicable VAT)	1,450
	39,748
Goodwill on consolidation	39,748

The pro forma adjustments to reflect the Acquisition can be summarised as follows:

Pro forma adjustments	£'000
(a) <i>Intangible assets</i>	
Elimination of historical Bybrook goodwill not previously set off against reserves	(6,075)
Goodwill on consolidation	39,748
	33,673
(b) <i>Cash at bank and in hand</i>	
Estimated transaction costs (net of any applicable VAT)	(1,450)
(c) <i>Creditors: amounts falling due within one year</i>	
Pre-completion dividend to be paid to the Vendors	10,000
	10,000

6. No adjustments have been made to reflect the trading results of Group since the balance sheet date, the profit/loss on the disposal of RWS LLC or any fair value adjustments to the book value of the net assets of the Bybrook Group.

PART VII

Additional information

1. Responsibility

- (a) The Existing Directors, whose names, business addresses and functions are set out on page 4, accept responsibility for the information contained in this document (other than that relating to Bybrook, the Proposed Directors and members of the Concert Party, and their respective immediate families, related trusts and connected persons). To the best of the knowledge and belief of the Existing Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Proposed Directors, whose names, business addresses and functions are set out on page 4, accept responsibility for the information contained in this document relating to Bybrook, the Proposed Directors and members of the Concert Party, and their respective immediate families, related trusts and connected persons. To the best of the knowledge and belief of the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- (a) On 16 December 1994 the Company was incorporated in England and Wales under the Act as a private company limited by shares with the name Internet Direct Limited and with registered number 3002645. On 11 April 2000 the Company re-registered as a public limited company with the name Internet Direct plc and on 13 August 2001 the name of the Company was changed to Health Media Group plc.
- (b) Following the Acquisition, Bybrook will become a wholly-owned subsidiary of the Company.
- (c) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (d) The Company's registered office, which is also its principal place of business, is 25 Upper Brook Street, Mayfair, London W1K 7QD.
- (e) The liability of the members of the Company is limited to amounts, if any, unpaid on the shares issued to them.

3. Share Capital

- (a) The current authorised share capital of the Company is £10,000,000 divided into 40,000,000 Ordinary Shares of which 23,104,748 have been issued and are fully paid up. Immediately following Admission the authorised share capital of the Company will be £10,753,082.25 divided into 100,000,000 Ordinary Shares of 5p each and 5,753,082,252 Deferred Shares of which 37,782,158 Ordinary Shares and 5,753,082,252 Deferred Shares will be issued and fully paid up (ignoring fractions that may arise pursuant to the Capital Restructuring).
- (b) As at 9 October 2003 (being the latest practicable date prior to the publication of this document) the only options and warrants to subscribe for Ordinary Shares were those granted to Westpool Investment Trust plc and those granted, conditional on Admission, to certain employees of the Enlarged Group, Adrian Bradshaw, Peter Mountford and Collins Stewart. The options to be granted to Adrian Bradshaw and Peter Mountford are also conditional on the Resolutions being passed. Details of these options are set out in paragraphs 7 and 8 of this Part VII.
- (c) Upon the passing of the Resolutions set out in the notice of EGM and such Resolutions becoming unconditional:
 - (i) the authorised share capital of the Company will be increased from £10,000,000 to £10,753,082.25 divided into 100,000,000 Ordinary Shares of 5p each and 5,753,082,252 Deferred Shares;
 - (ii) the directors will be authorised until 9 November 2008, in place of the existing authorities, to allot relevant securities for the purposes of Section 80 of the Act:
 - (a) up to an aggregate nominal amount of £1,866,003.20 in connection with the allotment and issue of the New Ordinary Shares;

- (b) up to an aggregate nominal amount of £226,692.70 in connection with the grant of the Options; and
 - (c) otherwise than pursuant to paragraphs (c)(ii)(a) and (b) above, £629,702.60;
- (iii) the directors will be authorised and empowered pursuant to Section 95 of the Act, in place of the existing power, to allot equity securities until the date 15 months after the passing of the Resolution or, if earlier, the conclusion of the annual general meeting of the Company to be held in 2004, as if Section 89(1) of the Act did not apply to the allotment of any such securities, provided that such power is limited to allotments to be made:
- (a) pursuant to the authority referred to in paragraph (c)(ii)(a) and (b) above;
 - (b) in connection with a rights issue, open offer or other pre-emptive offers in favour of holders of Ordinary Shares; and
 - (c) otherwise than in connection with paragraphs (iii) (a) and (b) above, £94,455.35.
- (d) The provisions of Sections 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash other than by way of allotment to employees under any employees' share scheme as defined in Section 743 of the Act) apply to the authorised but unissued ordinary share capital of the Company to the extent not disapplied as described in paragraph 3(c)(iii) above. This disapplication will give the directors limited flexibility to issue shares for cash following Admission. Subject to certain limited exceptions, unless the approval of shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing holders of Ordinary Shares on a pro rata basis. No such issue is presently in contemplation.
- (e) Shortly before Admission, subject to the passing of the Resolutions, the Placing Shares and Vendor Shares will be allotted and will, on Admission, be issued pursuant to a resolution of the Board or a duly authorised committee thereof.
- (f) The Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Existing Ordinary Shares are in registered form and uncertificated form. The Directors will apply for the New Ordinary Shares to be admitted to CREST. Definitive Share certificates will be issued in respect of the New Ordinary Shares and are expected to be despatched by first class post by no later than 18 November 2003. There will be no temporary or renounceable documents of title. None of the New Ordinary Shares is being marketed or being made available to the public otherwise than pursuant to the Placing.
- (g) Save for a total of 220,000 Ordinary Shares issued in February 2002 to the Company's Employee Share Ownership Trust, no share capital of the Company has been issued fully or partly paid up for cash or otherwise within the two years preceding the date of this document.
- (h) Save for the options and warrants referred to in paragraphs 7 and 8 of this Part VII of this document, no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- (i) Save for the issue of the Vendor Shares and the Placing Shares pursuant to the Acquisition Agreement and any new Ordinary Shares to be issued pursuant to the options and warrants referred to in paragraphs 7 and 8 of this Part VII, there is no present intention to issue either, fully or partly paid up for cash or otherwise any of the authorised but unissued share capital of the Company.
- (j) Adrian Bradshaw, Andrew Brode, James Golfar, Gavin Kaye and Peter Mountford have agreed to the cancellation of their existing options and warrants over Ordinary Shares which means that other than the Options and the warrants issued to Westpool Investment Trust plc all the options and warrants issued by the Company prior to today have either lapsed or been waived.

4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, which is available for inspection at the address specified in paragraph 16 of this Part VII.

The Articles include provisions to the following effect:

(a) *Voting*

At a general meeting of the Company, subject to any rights or restrictions attaching to any shares, on a show of hands every shareholder present in person, or in the case of a corporation present by a duly authorised representative, has one vote. On a poll every shareholder has one vote for every share of which he is the holder. No shareholder may attend or vote at a general meeting in respect of any share held by him, or exercise any other right in respect of such share, unless all calls payable by him to the Company in respect of such share have been paid.

(b) *Dividends*

Subject to the Articles and the rights attached to any shares, all dividends are to be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares during the period in respect of which the dividend is paid or otherwise in accordance with the terms concerning entitlement to dividends on which such shares were issued. All unclaimed dividends may be made use of by the Board for the benefit of the Company until claimed. Any dividend unclaimed after a period of twelve years shall revert to the Company.

(c) *Return of capital*

On a winding up of the Company any surplus assets will be divided between shareholders according to the respective amounts paid up or credited as paid up in respect of the nominal amount of the shares held by them, subject to any rights attaching to any shares. The liquidator may divide the assets of the Company among the shareholders, set the value he deems fair on any property of the Company and determine how the division is to be carried out between shareholders or classes of shareholders, subject to any sanction then required by law. The liquidator may not distribute to a shareholder without his consent an asset to which there is attached a liability or potential liability for the owner.

None of the shares are redeemable by the Company, although in certain circumstances the Company may be permitted to purchase its shares in accordance with the Act.

(d) *Share transfers*

The Board may refuse to register a transfer of a certificated share which is in respect of a partly paid share, is in favour of more than four transferees, is not duly stamped (if required) or is not delivered for registration with the appropriate evidence of the transferor's title to the Company's registered office or such other place as the Board may decide.

The Board is required to register a transfer of an uncertificated share (a share in CREST) in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements of the London Stock Exchange) to register any such transfer which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations.

If the Board refuses to register a share transfer, it must send notice of the refusal to the transferee within two months following the delivery of the transfer to the Company. No fee is chargeable by the Company for the registration of a share transfer. The registration of share transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may decide (subject, where applicable, to the consent of the operator of the CREST system, CRESTCo Limited).

If the Company gives a notice under Section 212 of the Act (the "Section 212 Notice") in relation to any shares to their holder or to another person appearing to be interested in such shares and the recipient fails to give the Company the information required within 14 days after the date of the notice, such holder is not entitled (unless the Board otherwise decides) to attend a general meeting or exercise any other right in respect of any such share in relation to a general meeting or a poll. Where such shares represent at least 0.25 per cent. in nominal value of the issued shares or (if applicable) the issued shares of their class, the Company may withhold any dividend on such shares without interest being payable on the dividend, the holder will not be entitled to elect to receive shares instead of such dividend and the Board may refuse to register the transfer of any such shares unless:

- (i) the holder is not himself in default in supplying the information required by the Section 212 Notice and proves to the satisfaction of the Board that no person in default of supplying such information is interested in any of the shares which are the subject of a transfer; or
- (ii) the transfer is made pursuant to acceptance of a takeover offer (as defined in Section 428 of the Act) for the Company or in relation to any of its shares or in consequence of a sale made through the London Stock Exchange or is shown to the Board's satisfaction to be made in consequence of

a sale in good faith of the whole of the beneficial interest in the shares to a person who is unconnected with the holder and with any other person appearing to be interested in the shares.

In respect of any Default Shares (as defined in the Articles) which are in uncertificated form the Board may require their holder to change them from uncertificated form into certificated form within a period specified in a written notice given to such holder and then to hold such default shares in certificated form for so long as the default subsists. Additionally, the Board may appoint any other person to take steps in the name of such holder as may be required to change such shares from uncertificated form into certificated form.

(e) *Changes in class rights*

If the Company's share capital is divided into shares of different classes, any rights attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares or class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the class.

(f) *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the Act, to create and issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party. However, the Board must restrict the borrowings of the Company and must exercise all voting or other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (in respect of subsidiary undertakings, to the extent possible by such exercise) that the aggregate principal amount outstanding in respect of monies borrowed by the Group does not at any time, without the previous sanction of an ordinary resolution, exceed the higher of (a) a sum equal to five times the Company's share capital and the Group's consolidated reserves (after all adjustments which are necessary in the opinion of the Board) and (b) ten million pounds sterling (£10,000,000).

5. **Disclosure of Interests**

(a) *Holdings in Ordinary Shares and Bybrook Shares*

(i) The interests of the Existing Directors and the New Directors in the issued share capital of the Company as at close of business on 9 October 2003 (being the latest practicable date before the publication of this document), in the share capital of the Company which have been, or which (i) will be required to be, notified to the Company pursuant to Section 324 or 328 of the Act or which are or (ii) will be required to be entered into the register maintained under Section 325 of the Act or (iii) are interests of a connected person (within the meaning of section 346 of the Act), which would if such person were an Existing Director or a New Director, be required to be disclosed under (i) or (ii) above and the existence of which is known or would with reasonable diligence be ascertained by an Existing Director or a New Director, are as follows:

	<i>At Present</i>			<i>Immediately following Admission</i>			
	<i>Number of Ordinary Shares</i>	<i>Percentage of the existing Health Media Group issued share capital</i>	<i>Options/Warrants over Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of the Enlarged Share Capital</i>	<i>Options/Warrants over Ordinary Shares</i>	<i>Percentage of the Enlarged Share Capital</i>
Shareholder							
Existing Directors							
Andrew Brode	150,000	0.6%	Nil	18,590,812 ¹	49.2	Nil	Nil
Nicholas Fisher	3,560,593 ²	15.4%	Nil	71,211	0.2	Nil	Nil
Gavin Kaye	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Peter Mountford	166,250	0.7%	Nil	3,325	0.01	944,553	2.5
New Directors							
John Ivey	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Elisabeth Lucas	Nil	Nil	Nil	Nil	Nil	604,514	1.6
Michael McCarthy	Nil	Nil	Nil	Nil	Nil	302,257	0.8

Notes:

- 18,587,812 shares are to be held by RBC Trustees, a trust managed by them of which Andrew Brode is the sole beneficiary through a life interest settlement.
- 1,412,000 shares are registered in the name of Centre Trustees (CI) Limited, a company incorporated under the laws of Jersey, and Nicholas Fisher has declared an interest in such shares.

- (ii) In addition to the interests of the Existing Directors and the New Directors referred to in paragraph 5(a)(i) above, the Company has been notified or has otherwise been made aware of the following interests in 3 per cent. or more of the issued ordinary share capital of the Company as at 9 October 2003, (being the latest practicable date prior to the issue of this document). Following Admission the Company expects to be made aware of the following interests in 3 per cent. or more of the issued share capital of the Company:

	<i>At Present</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary shares</i>	<i>Percentage of the existing Health Media Group share capital</i>	<i>Number of Ordinary shares</i>	<i>Percentage of the Enlarged Share Capital</i>
<i>Shareholder</i>				
D A Fitzpatrick	6,690,803	29.0%	133,816	0.35
Dr A Kirby	2,661,503	11.5%	53,230	0.14
Pershing Keen Nominess	849,327	3.7%	16,986	0.04
Westpool Investment Trust plc	2,264,759	9.8%	45,295	0.12

- (iii) As at the close of business on 9 October 2003 (being the latest practicable date before the issue of this document) apart from the Options set out in paragraphs 7 and 8 of Part VII of this document no Existing Director and no New Director has any option over shares in the share capital of the Company.

- (iv) As at the close of business on 9 October 2003 (being the latest practicable date before the issue of this document) the interests of the Existing Directors and their immediate families, related trusts and connected persons (within the meaning of section 346 of the Act), all of which are beneficial, in Bybrook Shares, were as follows:

<i>Name of Existing Director</i>	<i>Number of Bybrook Shares</i>
Andrew Brode*	27,000

* Andrew Brode is the sole beneficiary, through a life interest settlement, of a trust managed by RBC Trustees

- (v) As at the close of business on 9 October 2003 (being the latest practicable date before the issue of this document) the interests of the directors of Bybrook (namely Andrew Brode and Michael McCarthy) (the "Bybrook Directors") and their immediate families, related trusts and connected persons (within the meaning of section 346 of the Act), all of which are beneficial, in the issued share capital of the Company, were as follows:

<i>Name of Bybrook Director</i>	<i>Number of Ordinary Shares</i>
Andrew Brode	150,000

- (vi) Undertakings to vote in favour of resolutions to enable the Acquisition to become unconditional and be completed have been given by the persons shown below in respect of all of the Ordinary Shares owned or controlled by them (except where otherwise indicated) amounting to 12,912,899 Ordinary Shares.

<i>Existing Directors</i>	<i>Number of Ordinary Shares</i>
<i>Name</i>	
Nicholas Fisher ¹	3,560,593

Notes:

- 1,412,000 shares are registered in the name of Centre Trustees (CI) Limited, a company incorporated under the laws of Jersey, and Nicholas Fisher has declared an interest in such shares.

Other Health Media Group Shareholders

<i>Name</i>	<i>Number of Ordinary Shares</i>
D A Fitzpatrick	6,690,803
A Kirby	2,661,503

- (vii) As at close of business on 9 October 2003 (being the latest practicable date before the issue of this document) the voting interests of the members of the Concert Party and their immediate families and related trusts in the Ordinary Shares at that date are set out below. The table also shows the percentage beneficial interest in the share capital of the Company of each such member and their families and related trusts after Admission (and after, therefore, the Placing) and also on the basis that members of the Concert Party exercise in full any options in respect of, securities convertible into or rights to subscribe for Ordinary Shares and Shareholders (other than members of the Concert Party, their immediate families and related trusts) do not.

	<i>At Present</i>			<i>Immediately following Admission</i>			
	<i>Number of existing Shares</i>	<i>Percentage of the existing Health Media Group issued share capital</i>	<i>Options/Warrants over existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of the Enlarged Share Capital</i>	<i>Options/Warrants over Ordinary Shares</i>	<i>Percentage of the Enlarged Share Capital</i>
<i>Concert Party Member</i>							
Andrew Brode	150,000	0.6%	Nil	3,000	0.01	Nil	Nil
RBC Trustees (Guernsey) Limited	Nil	Nil	Nil	18,587,812	49.20	Nil	Nil
Total	150,000	0.6%	Nil	18,590,812	49.21	Nil	Nil

- (viii) As at 9 October 2003 (being the latest practicable date prior to the issue of this document) Arbuthnot had a beneficial interest in 16,528 Ordinary Shares which are registered in the name of Old Mutual Securities Limited.

(b) *Dealings in Ordinary Shares and Bybrook Shares*

- (i) None of the Existing Directors or their immediate families, related trusts and connected persons (within the meaning of section 346 of the Act) have dealt for value in Bybrook Shares or Ordinary Shares during the disclosure period.
- (ii) None of the New Directors or their immediate families, related trusts and connected persons (within the meaning of section 346 of the Act) have dealt for value in Ordinary Shares during the disclosure period.
- (iii) None of the members of the Concert Party or their families and related trusts have dealt for value in the Ordinary Shares during the disclosure period.

(c) *General*

- (i) Save as disclosed in this paragraph 5:
- (aa) neither the Concert Party nor any member thereof (nor any of the immediate families or related trusts of such members) owns any relevant securities (as defined below);
- (bb) no New Director or Existing Director nor any of their respective immediate families, related trusts or connected persons (within the meaning of section 346 of the Act) is interested (as defined in Parts VI and X of the Act), directly or indirectly, in relevant securities;
- (cc) no person who has irrevocably committed to enter into the Acquisition Agreement owns or controls any relevant securities;
- (dd) neither the Company nor Bybrook owns any relevant securities;
- (ee) no subsidiary of the Company, nor any pension fund of the Company or of any of its subsidiaries, nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, nor any bank, stockbroker, financial or other professional adviser (excluding exempt market makers) to the Company or to any subsidiary of the Company or to any associated company of the Company (including any persons controlling, controlled by, or under the same control as any such bank, stockbroker, financial or other professional adviser), holds, owns or controls or is interested, directly or indirectly in any relevant securities;

- (ff) neither the Concert Party (nor any member thereof) nor any person acting in concert with the Concert Party, nor the Company nor any associate of the Company has any arrangement (including any indemnity or option arrangement), agreement or understanding (formal or informal) of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;
 - (gg) no person mentioned in sub-paragraphs 5(a)(i) to (vii) above has dealt for value in relevant securities during the disclosure period; and
 - (hh) there is no agreement, arrangement or understanding that exists between the Concert Party and any third party whereby Ordinary Shares currently held by or to be acquired by the Concert Party pursuant to the Acquisition Agreement will be transferred to any other party.
- (ii) For the purpose of this paragraph 5:
- (aa) “relevant securities” are:
 - (A) Ordinary Shares;
 - (B) securities convertible into Ordinary Shares, rights to subscribe for Ordinary Shares, options (including traded options) in respect of Ordinary Shares and derivatives referenced to Ordinary Shares;
 - (C) Bybrook Shares;
 - (D) securities which carry substantially the same rights as Bybrook Shares; and/or
 - (E) securities convertible into Bybrook shares (or securities with substantially the same rights), rights to subscribe for Bybrook shares, options (including traded options) in respect of Bybrook shares and derivatives referenced to Bybrook shares.
 - (bb) references to an “associate” of a company (whether in relation to Bybrook, the Concert Party or the Company) are to:
 - (A) the company’s parent, its subsidiaries and fellow subsidiaries and their associated companies, and companies of which such companies are associated companies;
 - (B) banks, financial and other professional advisers (including stockbrokers) to the company or a company covered in (A) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
 - (C) the directors (together with their close relatives and related trusts) of the company or a company covered in (A) above;
 - (D) the pension funds of the company or a company covered in (A) above; and
 - (E) any investment companies, unit trusts or other persons whose investments as associate (as otherwise defined in this paragraph 5(c)(ii)(bb)) manages on a discretionary basis in respect of the relevant investment accounts.
 - (cc) references to a “bank” do not apply to a bank whose sole relationship with Bybrook, the Concert Party or the Company or a company covered in this sub-paragraph 5(c)(ii)(bb) is the provision of normal commercial banking services;
 - (dd) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control; and
 - (ee) “disclosure period” means the period commencing on 10 October 2002 and ending on 9 October 2003, the last practicable date before the issue of this document.
- (iii) Save as otherwise disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party and any of the directors or recent directors, shareholders or recent shareholders of the Company, which has any connection with or dependence on, or which is conditional on the outcome of, the Proposals.
- (iv) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Vendor Shares acquired pursuant to the Proposals by RBC Trustees will be transferred to any other person.

- (v) Other than in respect of the Acquisition, the Placing and the demerger of RWS LLC (as more particularly described in paragraph 8 below) and as set out in this paragraph 5, no Existing Director or New Director has or has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group or would be significant to the business of the Enlarged Group and which was effected by any member of the Enlarged Group during the current or previous financial year and remains, in any respect, outstanding or unperformed.
 - (vi) No loans are outstanding by any member of the Enlarged Group to any of the Existing Directors, the New Directors or connected person, nor has any guarantee been provided by any member of the Enlarged Group for the benefit of any Existing Director, New Director or connected person.
6. Existing Directors' and New Directors' Service Agreements and Letters of Appointment and Directorships
- (a) Set out below are details of the existing services and consultancy agreements of the Existing Directors with the Company:
 - (i) the services of Nick Fisher are made available pursuant to the terms of a letter of appointment dated 18 July 2001 as Deputy Chairman and as a non-executive director of the Company. Mr Fisher's appointment continues unless and until determined by either party giving to the other not less than 3 months' notice in writing of determination. Mr Fisher's annual remuneration was £15,000 but following the sale of the business of the Group to Shareelite Limited on 16 August 2002 no fees have been paid to Mr Fisher. Conditional on Admission Mr Fisher has agreed to resign as a director of the Company and will receive a sum of £25,000 in respect of (a) unpaid director's fees, (b) damages for termination of his contract without notice and (c) a consultancy fee on account of his work in relation to the Proposals;
 - (ii) the services of Gavin Kaye as a director and secretary of companies in the Group are made available pursuant to the terms of a letter dated 16 August 2002 between the Company, Mr Kaye and Shareelite Limited without payment, by the Group. By a letter dated 8 October 2003 the Company agreed to pay Mr Kaye a fee of £25,000, conditional on Admission, in respect of the work being carried out by Mr Kaye in relation to the Proposals. Conditional on Admission Mr Kaye has agreed to resign as a director of the Company and to waive all claims against the Company other than the said fee of £25,000;
 - (iii) the services of Andrew Brode are made available pursuant to the terms of a letter of appointment dated 18 July 2001 as Chairman and as a non-executive director of the Company. Mr Brode's appointment continues unless and until determined by either party giving to the other not less than three months' notice in writing of determination. His annual remuneration was £18,000. Following the sale of the business of the Group to Shareelite Limited on 16 August 2002 no fees have been paid to Mr Brode. In Mr Brode's new service agreement (see paragraph 6(b)(i) below) Mr Brode, conditionally on Admission, agrees to waive his claim for fees for the period from the sale of the Group's business to Admission; and
 - (iv) the services of Peter Mountford are made available pursuant to the terms of a letter of appointment dated 18 July 2001 as a non-executive director of the Company. Mr Mountford's appointment will continue unless and until determined by either party giving to the other not less than three months' notice in writing of determination. His annual remuneration was £15,000. Following the sale of the business of the Group to Shareelite Limited on 16 August 2002 no fees have been paid to Mr Mountford. In Mr Mountford's new letter of engagement (see paragraph 6(b)(iv) below) Mr Mountford, conditionally on Admission, agrees to waive his claim for fees for the period from the sale of the Group's business to Admission.

On Admission, Mr Fisher and Mr Kaye will each resign as a director, Mr Brode's and Mr Mountford's current agreements will terminate and will be replaced by the agreements referred to below, and the New Directors will be appointed as additional directors on the terms set out below.

- (b) Set out below are details of the new service agreements and letters of appointment of Andrew Brode, Peter Mountford and the New Directors, in each case with the Company, each of which is conditional upon Admission:
 - (i) On 10 October 2003 Andrew Brode entered into a service agreement with the Company conditional on Admission pursuant to which he agreed to act as chairman and director of the Company at a salary of £200,000 per annum. The service agreement provides for the employment to continue unless and until determined by either party giving to the other not less than six months' notice in writing. There is a provision in the service agreement for payment in

lieu of notice and a garden leave provision effective for the duration of any notice period. Under the terms of the service agreement, Mr. Brode is entitled to holiday leave of 35 working days per annum, private medical care, death in service insurance of four times salary, car allowance and pension contributions of 12 per cent. of his annual gross salary. The service agreement contains: (i) a non-compete restriction; (ii) a non-solicitation restriction in respect of senior employees, translators and clients; (iii) a non-employment restriction in respect of senior employees and translators; (iv) a non-deal restriction in respect of any client; and (v) a restriction against interfering with trade relations between the Company and its suppliers. All restrictions are effective for a period of six months from the termination date. The service agreement contains a confidentiality provision which protects the business of the Company and of its clients.

- (ii) Remuneration for Elisabeth Lucas and Mike McCarthy comprises: a base or "plinth" salary (which is increased each year in accordance with the RPI); plus, a specified percentage of sales (excluding the sales of RWS Group subsidiary undertakings in Japan and Germany) as defined for each director; plus a specified percentage of the RWS Group's profits (as defined and excluding Japan and Germany). A guaranteed minimum is payable during a particular year based on 95 per cent. of the remuneration earned in the immediately preceding financial year. The difference between the remuneration for a particular financial year and amount paid as guaranteed minimum in that year is paid as a bonus at the end of that year. In addition to this remuneration Ms. Lucas and Mr. McCarthy receive; a car allowance, personal medical care, death in service insurance of twice total earnings in the twelve months preceding death, pension contributions of 3 per cent. of the guaranteed minimum payable in the year, and, a holiday entitlement of 25 working days per annum:
 - (a) On 10 October 2003 Elisabeth Lucas entered into a service agreement with the Company conditional on Admission pursuant to which she agreed to act as chief executive officer of the RWS Translation division and a director of the Company. The service agreement provides for the employment to continue when and until determined by either party giving to the other not less than six months' notice in writing. There is a provision in the service agreement for payment in lieu of notice and a garden leave provision effective for the duration of any notice period. The terms of her service agreement include similar restrictions and confidentiality provisions as set out for Mr. Brode above. Subject to agreement from time to time with the Company, she may work on a part time basis. Ms. Lucas currently works four days per week. The normal basis of remuneration is as described in paragraph 6(b)(ii) above but in the event she works part time then her remuneration shall be pro-rated accordingly. For 2003/2004 her guaranteed minimum payment in respect of her four day week, by mutual agreement, has been capped at £150,000. Her plinth for that year is £67,770. Her bonus is calculated according to paragraph 6(b)(ii) above but a bonus in any given year is calculated as her total entitlement for the financial year immediately prior to the preceding financial year less her total entitlement for the preceding year.
 - (b) On 10 October 2003 Michael McCarthy entered into a service agreement with the Company conditional on Admission pursuant to which he agreed to act as group finance director and a director of the Company. The service agreement provides for the employment to continue when and until determined by either party giving to the other not less than six months' notice in writing. There is a provision in the service agreement for payment in lieu of notice and a garden leave provision effective for the duration of any notice period. The terms of his service agreement include similar restrictions and confidentiality provisions as set out for Andrew Brode above except that there is no non-solicitation or non-deal provision in respect of clients. The normal basis of remuneration is as described in paragraph 6(b)(ii) above. For 2003/2004 his guaranteed minimum payment is £99,619 and his plinth is £41,000. Mr McCarthy works on a full time basis.
- (iii) John Ivey has entered into a letter of appointment dated 10 October 2003 conditional on Admission reflecting the terms of his engagement as a non-executive director of the Company. The letter provides for the appointment to continue unless and until either party gives not less than 30 days notice in writing. Pursuant to this agreement he will receive an annual fee of £25,000.
- (iv) Peter Mountford has entered into a letter of appointment dated 10 October 2003 conditional on Admission reflecting the terms of his engagement as a non-executive director of the Company. The letter provides for the appointment to continue unless and until either party gives not less than 30 days notice in writing. Pursuant to this agreement he will receive an annual fee of £25,000. In addition, conditionally on the passing of the Resolutions and on Admission, Peter Mountford will hold an option over Ordinary Shares (see paragraph 8 below).

- (c) Save as disclosed in this paragraph 6 there are no existing or proposed service or consultancy agreements between any Existing Director, New Director and any member of the Enlarged Group.
- (d) Save as referred to in this paragraph 6, no service or consultancy agreements between any Existing Director, New Director and any member of the Enlarged Group have been entered into or amended within 6 months prior to the publication of this document.
- (e) The Existing Directors and the New Directors currently hold, and in the previous five years have held, the following directorships and are or were partners of the following partnerships:

Existing Directors

<i>Name</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Andrew Brode	ACJV Limited Ad-Ex (Translations) Limited Axco Insurance Information Services Limited Brooklet Limited Business Hotline Publications Limited Bybrook Limited Chemical Translations Limited Edgeworth King & Co. Limited European Law Translations Limited Health Media Group plc Pang Medical Communication Limited ⁷ Plastics Translations Limited RWS Group plc RWS Group LLC RWS Information Limited RWS (Overseas) Limited Sport First Plc Trademark Searches Limited Vitesse Media plc Watertone Limited Askus Translations Services Limited Lawyers' & Merchants' Translations Bureau, Inc RWS Group GmbH KK RWS Group	Andromeda Oxford Limited Andromeda Holdings Limited Autono-med Limited Business Link London (the City, Hackney and Islington) Limited Eclipse Group Limited Elb Translation Services Limited (Dissolved) Focus Central London Limited (in liquidation) ¹ Focus Quality Services Limited (in liquidation) ¹ Mail Users Association Limited Management Tomorrow Limited Mantra (London) Limited (Dissolved) M. H. Randall & Partners Limited (Dissolved) Pang Isis Limited (Dissolved) Pang Medics Limited (Dissolved) Prescom Publications Limited (in liquidation) ² Rage plc (in administration) ³ Shaw & Sons (Holdings Limited) Translations & Language Consultants (International) Limited Gate House Courses and Conferences Limited Industrial Relations Services (Training) Limited
Nick Fisher	AFBK Limited Alfred Franks & Bartlett Public Limited Company Arbiter Entertainment Limited Brite Sparks Limited Copywrite Designs Limited Database Advertising Plc Design Image Limited First Class Limited Gift Decorations (2000) Limited Gift Design Limited Gift Wrap Limited Health Media Group plc I.G. Employee Share Trustee Limited International Greetings PLC Pang Management Limited	Arkley Hall Management Company Limited CFD Investments Limited Intelligent Motoring Limited Noblegrange Limited (Dissolved) Pang Health Limited (in liquidation)

<i>Name</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Nick Fisher <i>(continued)</i>	Option Finance Limited Option Telecom plc Scandinavian Design Limited Scoop Designs Limited	
Gavin Kaye	Alga Associates (a partnership) Autono-med Limited Butterfly Group Limited Butterfly Investments (UK) Limited Drylining Depot Limited Games Central Limited GMK Consulting Limited Health Media Group plc Internet Direct Limited Pang Management Limited Pang Medical Communication Limited ⁷ Staffing Ventures plc TGM Solutions Limited Union 4U Limited Union 221 Limited	Blissful Harmony Limited Butterfly Textiles Limited <i>(in liquidation)</i> ⁴ Buildspan Holdings Limited Casebray Limited (<i>Dissolved</i>) Jerome Group plc Kersen Trimmings Limited <i>(in liquidation)</i> ⁵ Longpause Limited (<i>Dissolved</i>) Pang Isis Limited (<i>Dissolved</i>) Pang Education Limited (<i>Dissolved</i>) Pang Health Limited (<i>in liquidation</i>) ⁶ Pang Media Limited (<i>Dissolved</i>) Pang Medics Limited (<i>Dissolved</i>) Pang Technology Limited (<i>Dissolved</i>) Principal Commerce Limited Prize Peach Limited Property Connections plc (<i>Dissolved</i>) ⁸ Shareelite Limited (<i>in administration</i>) ⁹ Solinia Limited Swaymist Limited (<i>Dissolved</i>) Taperealm Limited (<i>Dissolved</i>) T F Associates Limited Union Group Limited V M Thomas Limited Worthington Buttons Limited Worthington Group plc Worthington Holdings Limited
Peter Mountford	Bradmount Corporate Finance Limited Bradmount Investments Limited Bradmount Holdings Limited Crystalware Limited GW Pharma Limited GW Pharmaceuticals plc Investment in Technology Limited Reef Live Limited The Industry Limited TSS & P Limited	Atlantic Global plc Comprehensive Business Services plc ¹⁰ Honeycombe Leisure plc HTB Holdings Limited Layton Blackham Group Limited Leybold Didactic UK Limited <i>(Dissolved)</i> Palmer Limited
<i>New Directors</i>		
Elisabeth Lucas	ACJV Limited Ad-Ex (Translations) Limited Anglotraduction S.A.R.L. Chemical Translations Limited European Law Translations Limited Plastics Translations Limited RWS Group PLC RWS Information Limited RWS (Overseas) Limited RWS Translations Limited Trademark Searches Limited Askus Translations Services Limited Lawyers' & Merchants' Translations Bureau, Inc RWS Group GmbH KK RWS Group	ELB Translation Services Limited <i>(Dissolved)</i> M.H. Randall & Partners Limited <i>(Dissolved)</i> Mantra (London) Limited (<i>Dissolved</i>) Translation & Language Consultants (International) Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Michael McCarthy	ACJV Limited Ad-Ex (Translations) Limited Askus Translations Services Limited Brooklet Limited Bybrook Limited Chemical Translations Limited Edgeworth King & Co. Limited European Law Translations Limited Lawyers' & Merchants' Translations Bureau, Inc KK RWS Group Plastics Translations Limited RWS Group PLC RWS Group GmbH RWS Information Limited RWS Group LLC RWS (Overseas) Limited RWS Translations Limited Trademark Searches Limited Watertone Limited	RAC Insurance Limited Translation & Language Consultants (International) Limited
John Ivey	Davis (BIM) Limited Davis Cleanwell Limited Davis Finance plc Davis Nominees Limited Derwent Valley Holdings Public Limited Company Elliott Group Limited Fence-Hire (U.K.) Limited Fryer Workwear Limited Grandcastle Limited Hindcastle Limited HSS Hire Service Group plc Laundrycraft Limited Midland Laundry Group Holdings Limited Midland Laundry Group Limited Modeluxe Linge Services S.A. Moorgate Investment Trust plc ¹¹ Nicholsons Limited Normberg Limited Society Linen Limited Sophus Berendsen A.S. Spring Grove Services Group Limited Spring Grove Services Limited Sunlight Service Group (Shop Investments) Limited Sunlight Textile Services Limited Supreme Properties Limited The Davis Service Group plc The Sunlight Service Group Limited	North Gate Bloodstock Limited (dissolved)

- 1 Andrew Brode was appointed to the board of Focus Central London Limited and its subsidiary Focus Quality Services Limited in March 1997. He remained a director until November 2001. The businesses were placed into members' voluntary liquidation in August 2001. There was no deficiency as regards creditors of either company.
- 2 Andrew Brode was appointed to the board of directors of Prescom Publications Limited as a non-executive director on 20 May 1994. He represented 3i plc. On 16 March 2000, following trading difficulties, the company went into a creditors' voluntary liquidation. 3i plc is the largest creditor. The deficiency as regards creditors was £442,402.
- 3 Andrew Brode was appointed to the board of directors of Rage plc as a non-executive director on 21 November 1994. On 15 January 2003 the Company went into administrative receivership. The deficiency as regards creditors was £6.12 million.
- 4 Gavin Kaye was appointed to the board of directors of Butterfly Textiles Limited as a non-executive director on 25 January 2000. On 7 November 2002, the Company went into a creditors' voluntary liquidation. The deficiency as regards creditors was £223,115.
- 5 Gavin Kaye was appointed to the board of directors of Kersen Trimmings Limited as a non-executive director on 1 August 2001. On 30 July 2002, the Company went into a creditors' voluntary liquidation. The deficiency as regards creditors was £267,383.
- 6 Gavin Kaye was appointed to the board of directors of Pang Health Limited, a subsidiary of the Company, as an executive director on 6 March 2000. On 12 September 2002, the Company went into a creditors' voluntary liquidation. The deficiency as regards creditors was approximately £1.88 million.
- 7 Pang Medical Communication Limited is a subsidiary of Pang Health Limited which is in liquidation.
- 8 Gavin Kaye was appointed to the board of directors of Property Connections plc (a start-up) as a non-executive director on 15 August 1997. On 23 July 1999, following trading difficulties, the company went into a creditors' voluntary liquidation. The deficiency as regards creditors was £775,820.
- 9 Gavin Kaye was appointed to the board of directors of Shareelite Limited as an executive director on 2 December 2002. As from 7 August 2003 the company has been in administration. Gavin Kaye resigned his position on 30 June 2003. The deficiency as regards creditors is not yet determined and at this stage it is not possible to give an estimate.
- 10 Peter Mountford was appointed to the board of directors of Comprehensive Business Services plc on 13 April 1999 as a non-executive director. The company went into a members' voluntary liquidation on 23 October 2002. Peter Mountford resigned his position on 25 September 2002. There was no deficiency as regards creditors.
- 11 John Ivey was appointed to the board of directors of Moorgate Investment Trust plc on 8 February 1993 as a non-executive director. The company went into a members' voluntary liquidation on 23 September 1999. There was no deficiency as regards creditors.

- (f) Save as set out in the above paragraph, none of the Existing Directors or the New Directors has:
- (i) any unspent convictions in relation to indictable offences;
 - (ii) ever had a bankruptcy order made against him or entered into an individual voluntary arrangement or had a receiver appointed to any of his assets;
 - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
 - (iv) been a partner of a partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement or had a receiver appointed to any partnership asset whilst he was a partner of that partnership at the time or within 12 months after he ceased to be a partner of that partnership; or
 - (v) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7. RWS Share Option Scheme

Five directors of RWS Group hold options to subscribe for new RWS Group ordinary shares pursuant to the RWS Share Option Scheme (“the Old Options”) as is shown in the table below.

The Old Options were subject to vesting criteria which will all be satisfied on the completion of the Acquisition. Therefore, the Old Options will become exercisable following completion of the Acquisition and will remain exercisable for a period of seven business days. The Old Options will then lapse.

The five directors have agreed not to exercise the Old Options because such an exercise would result in the acquisition of shares in what will be a wholly owned subsidiary of the Company. It is therefore proposed to make to the five individuals holding the Old Options (“the Option holders”) an offer to roll over the Old Options.

In exchange for the Option holders agreeing to surrender their Old Options, they will be granted unapproved options to subscribe for new Ordinary Shares in the Company (“the New Options”). The number of shares subject to each New Option and the exercise price of a New Option will be set according to the following principles:

- (a) the aggregate number of new Ordinary Shares issuable pursuant to the exercise of the New Options will represent 6 per cent. of the Enlarged Share Capital. This will reflect the fact that the value of RWS Group (excluding RWS Japan and surplus cash) is less than the value of the Enlarged Group immediately following the Acquisition; and
- (b) the exercise price for a New Option shall be set such that the inherent value of the Old Options (the difference between the market value of the shares under option and the total exercise price) shall be equal to the inherent value of the New Options on their date of grant and will represent an exercise price which is an 80 per cent. discount to the Placing Price.

The actual number of shares to be granted under each New Option and the exercise price will be determined according to the above principles on the date of the acquisition of Bybrook.

<i>Name</i>	<i>Proportion of RWS Group ordinary share capital under Old Options</i>	<i>Proportion of Enlarged Share Capital under New Options</i>
S Anthony	1.5%	1.2%
S J Lodge	2.0%	1.6%
E A Lucas	2.0%	1.6%
M A McCarthy	1.0%	0.8%
R K Ottway	1.0%	0.8%
Total	<u>7.5%</u>	<u>6.0%</u>

Terms of the New Options

The New Options will be granted with substantially the same terms and conditions as the Old Options. Therefore:

- (a) The New Options will be rights to subscribe for new Ordinary Shares that will be allotted or transferred to the Option holder if and when a New Option is exercised.
- (b) The New Options will not be transferable.
- (c) The New Options will not be exercisable for 12 months from the date of grant of the New Options ("the Date of Grant"). 25 per cent. of the New Options shall vest and become exercisable 12 months from the Date of Grant. The remainder of the New Options shall vest and become exercisable 2 years from the Date of Grant.
- (d) After having vested, New Options shall normally be exercisable until ten years from the date of grant of the Old Options (i.e. until 12 December 2011).
- (e) However, if the Company is wound up, or the Option holder is declared bankrupt, the New Options will lapse. If the Option holder ceases to be employed within the Enlarged Group (subject to the discretion of the remuneration committee of the board of directors of the Company), the New Options will lapse within six months of such cessation.
- (f) In the event of any capitalisation issue, rights issue, sub-division, consolidation or reduction of capital or other variation in the Company's share capital, the number of shares subject to any New Option, and the purchase price payable on exercise of the New Option may be adjusted by the Committee in such a way as the auditors of the Company certify to be fair and reasonable.
- (g) The Remuneration Committee of the board of directors of the Company may amend or waive any of the Rules by resolution but any amendments other than minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Scheme or for the Company or members of the Enlarged Group must obtain prior approval of the shareholders of the Company in general meeting.

These terms will govern New Options only. No additional share options will be granted under these terms except for the New Options referred to above.

8. Material Contracts

Save for the agreements set out below, no contracts which are or may be considered material, have been entered into by members of the Enlarged Group otherwise than in the ordinary course of business during the two years immediately preceding the date of this document:

(a) *The Company*

- (i) Sale agreement between (1) Pang Health Limited and (2) Shareelite Limited.

By an agreement dated 6 August 2002 between Pang Health Limited (formerly HMG Worldwide Limited and prior to that Health Media Limited), a wholly owned subsidiary of the Company, and Shareelite Limited the goodwill and assets of Pang Health Limited which included the business of information, technology and medical education providers carried on under the names "HMG Worldwide Limited", "Health Media Limited" and "Health Media Group" were sold by Pang Health Limited to Shareelite Limited for £125,000. As part of the terms of the sale, the secured bank overdraft of the Group was taken over by Shareelite Limited.

- (ii) Irrevocable agreement relating to acceptance of the Offers and entry into by the Company of the Acquisition Agreement.

On 10 October 2003 the Vendors made the Offers to sell the entire issued share capital of Bybrook on the terms of the Acquisition Agreement. The consideration for the Acquisition will be satisfied by the allotment of the New Ordinary Shares. On 10 October 2003, the Company entered into the Irrevocable Agreement under which it has undertaken to accept the Offers and execute the Acquisition Agreement if the Resolutions are passed.

The Acquisition Agreement will be conditional upon, *inter alia*, the approval of the Resolutions, the receipt by Collins Stewart of the Waiver and Admission taking place. The Acquisition Agreement will contain limited warranties from the Vendors.

The Vendors will sell their shares in Bybrook with all rights attaching to them other than the right to a dividend of £10 million (being £258.90 per share) declared, conditional upon and with effect from completion of the Acquisition Agreement, on 6 October 2003 and will not be paid until after Admission.

An indemnity will be given in the Acquisition Agreement by the Vendors, pro rata to their shareholdings in Bybrook, to the Company in respect of the tax liability on a deferred capital gain which will arise on the redemption of certain loan notes issued to Bybrook by Reed Elsevier as described in Part III of this document, and to the extent that such gain is not mitigated by latent tax losses in the Enlarged Group.

- (iii) Placing agreement between (1) the Company, (2) Bybrook, (3) the Existing Directors and New Directors, (4) Arbuthnot and (5) Collins Stewart.

On 10 October 2003 the Company entered into the Placing Agreement with Collins Stewart pursuant to which Collins Stewart has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. The Placing Agreement is conditional *inter alia* on the entire issued and to be issued share capital of the Company being admitted to AIM by no later than 11 November 2003 (or such other date as may be agreed between the parties not being later than 10 December 2003).

Under the terms of the Placing Agreement, the New Directors have agreed, save in limited circumstances noted below, not to dispose of any holdings of, or interests in, Ordinary Shares for a period of 24 months following Admission without the prior written consent of Collins Stewart. Elisabeth Lucas and Michael McCarthy will cease to be bound by this lock-in restriction on ceasing to be and not remaining an employee of any member of the Enlarged Group.

Furthermore, each of the New Directors has agreed that for a period of 30 months after Admission and for so long as they remain a director of the Company, he or she will not make any disposals of his or her Ordinary Shares without first seeking to sell them through the Company's broker.

Certain disposals are permitted under the terms of the lock-in agreement including (i) the disposal of up to 25 per cent. of the New Director's interests in Ordinary Shares on or after the first anniversary of Admission provided that any such disposal is first sought to be made through the Company's broker; (ii) the acceptance of a general offer (or an agreement or undertaking to accept such an offer) for the share capital of the Company made in accordance with the City Code, or the execution of an irrevocable undertaking to accept such an offer; (iii) a disposal pursuant to any intervening court order for the purposes of section 425 of the Act; (iv) a transfer to a trustee to create a new settlement or a beneficiary under a trust provided in each case the transferee agrees to adhere to the lock-in agreement; (v) a disposal on death; and (vi) a sale or disposal of shares to an offeror pursuant to an offer under the City Code.

In consideration of its services in connection with Admission under the Placing, the Company will pay Collins Stewart a corporate finance fee of £740,000. In addition, Collins Stewart has been granted an option pursuant to the agreement described in paragraph 8(v) below.

The Placing Agreement contains warranties given by the Company, Bybrook, the Existing Directors and the New Directors as to the accuracy of the information contained in this document and other matters relating to the Company, Bybrook and their businesses. In addition, the Company, Bybrook, the Existing Directors and the New Directors have given an indemnity to Collins Stewart in respect of certain matters. Collins Stewart is entitled to terminate the Placing Agreement prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or if an event of *force majeure* arises.

- (iv) Nominated adviser agreement between (1) the Company, (2) the Proposed Directors and (3) Collins Stewart

On 10 October 2003, the Company entered into a nominated advisor and broker agreement with the Proposed Directors and Collins Stewart pursuant to which the Company, conditional on Admission, has appointed Collins Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Collins Stewart a fee of £35,000 plus VAT per annum for the services. The agreement contains certain warranties and undertakings given by the Company and the Proposed Directors in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement is subject to 30 days' written notice by either party.

- (v) Option agreement between (1) the Company and (2) Collins Stewart

On 10 October 2003, the Company entered into an option agreement with Collins Stewart pursuant to which, conditional on Admission, the Company granted Collins Stewart an option to subscribe for 377,821 new Ordinary Shares at the Placing Price (representing 1 per cent. of the Enlarged Share Capital) exercisable for a five year period commencing three months after Admission.

- (vi) Option agreement between (1) the Company and (2) Adrian Bradshaw

On 10 October 2003, the Company entered into an option agreement with Adrian Bradshaw pursuant to which, conditional on Admission and the approval of Shareholders, the Company granted Adrian Bradshaw an option to subscribe for 944,553 new Ordinary Shares at the Placing Price (representing 2.5 per cent. of the Enlarged Share Capital) exercisable at any time on or before the fifth anniversary of Admission. Mr Bradshaw has agreed that any Ordinary Shares allotted to him pursuant to the exercise of the option will be subject to lock-in arrangements. Details of these lock-in arrangements are set out in paragraph 8(a)(x) below.

- (vii) Option agreement between (1) the Company and (2) Peter Mountford

On 10 October 2003, the Company entered into an option agreement with Peter Mountford pursuant to which, conditional on Admission and the approval of Shareholders, the Company granted Peter Mountford an option to subscribe for 944,553 new Ordinary Shares at the Placing Price (representing 2.5 per cent. of the Enlarged Share Capital) exercisable at any time on or before the fifth anniversary of Admission. Mr Mountford has agreed, under the terms of the Placing Agreement, that any Ordinary Shares allotted to him pursuant to the exercise of the option will be subject to lock-in arrangements. Details of these lock-in arrangements are set out in paragraph 8(a)(iii) above.

- (viii) Warrant instrument between (1) the Company and (2) Westpool Investment Trust plc

Pursuant to a warrant instrument dated 18 July 2001 the Company granted Westpool Investment Trust plc ("Westpool"), a subsidiary of London Merchant Securities plc, warrants to subscribe for 1,200,000 Ordinary Shares of 25p each (the "Westpool Warrants").

The terms on which the Westpool Warrants were granted are as follows:

- (i) *Exercise Price*

The exercise price for the Westpool Warrants was 78.5p per Ordinary Share of 25p.

- (ii) *Exercise and Lapse of Westpool Warrants*

Subject to the restrictions on dealing in securities contained in the AIM Rules, the Westpool Warrants are exercisable until 14 August 2005.

- (iii) *Variations in Share Capital*

On certain variations of the issued share capital of the Company, the number of existing Westpool Warrants will be adjusted so as to maintain the cost of exercising the Westpool Warrants. The Company's auditors will calculate the appropriate adjustment which will then be submitted to the directors of the Company who shall despatch a certificate to the warrant holder with particulars of the adjustment. If any question shall arise with regard to the nature or extent of any adjustment the matter shall be referred to an independent expert.

Following completion of the Proposals, it is expected that the Westpool Warrants will comprise warrants to subscribe for 24,000 Ordinary Shares of 5p each at an exercise price of £39.25 per Ordinary Share of 5p.

- (ix) Agreement between (1) RBC Trustees, (2) the Company and (3) Collins Stewart

On 10 October 2003, RBC Trustees entered into a lock-in agreement with the Company and Collins Stewart pursuant to which it agreed, save in limited circumstances noted below, that it would not without the prior written consent of Collins Stewart dispose of any Ordinary Shares, for a period of 24 months following Admission.

Furthermore, RBC Trustees has agreed that for a period of 30 months after Admission, it will not make any disposals of its Ordinary Shares without first seeking to sell them through the Company's broker.

Certain disposals are permitted under the terms of the lock-in agreement including (i) the disposal of up to 25 per cent. of its interests in Ordinary Shares on or after the first anniversary of Admission provided that any such disposal is first sought to be made through the Company's broker; (ii) the acceptance of a general offer (or an agreement or undertaking to accept such an offer) for the share capital of the

Company made in accordance with the City Code, or the execution of an irrevocable undertaking to accept such an offer; (iii) a disposal pursuant to any intervening court order for the purposes of section 425 of the Act; (iv) a transfer to a trustee to create a new settlement or a beneficiary under a trust provided in each case the transferee agrees to adhere to the lock-in agreement; (v) a disposal on death; and (vi) a sale or disposal of shares to an offeror pursuant to an offer made under the City Code;

- (x) Agreement between (1) Adrian Bradshaw, (2) the Company and (3) Collins Stewart

On 10 October 2003, Adrian Bradshaw entered into a lock-in agreement with the Company and Collins Stewart pursuant to which he agreed, save in limited circumstances noted below, that he would not without the prior written consent of Collins Stewart dispose of any Ordinary Shares (arising from the exercise of his option summarised at paragraph 8(a)(vi) above) for a period of 24 months following Admission. Furthermore, he has agreed that for a period of 30 months after Admission he will not make any disposals of Ordinary Shares without first seeking to sell them through the Company's broker.

Certain disposals are permitted under the terms of the lock-in agreement in the same terms as those as detailed under paragraph 8(a)(ix) above.

- (b) *Bybrook*

- (i) Agreements between Bybrook and each of Raphael Baron, RBC Trustees, David Owens and Andreas Siegmund

Bybrook entered into an agreement with each of its shareholders (other than 3i Group plc) all dated 7 October 2003 in respect of the sale of the entire issued share capital of Brooklet Limited (the holding company of, *inter alia*, RWS LLC) pro rata to their holdings in Bybrook. The consideration was an aggregate sum of £500 in cash representing the nominal value of the shares in Brooklet Limited. Bybrook gave limited warranties as to title and capacity only. The agreements are governed by English law.

- (ii) Agreement between (1) Watertone Limited and (2) RWS (Overseas) Limited in respect of the transfer of RWS Japan

On 25 July 2003, Watertone Limited (an indirect wholly owned subsidiary of Bybrook) entered into an agreement with RWS (Overseas) Limited for the sale and purchase of all of the issued shares in RWS Japan. The consideration was the sum of US\$3.2 million. This sum was left outstanding as an intra-group debt but is repayable on demand. RWS (Overseas) Limited is entitled to assign its rights under the agreement to any associate. The agreement is governed by English law.

- (iii) Agreement between (1) Watertone Limited and (2) RWS LLC in respect of the transfer of RWS Japan

On 25 July 2003, RWS LLC entered into an agreement with Watertone Limited for the sale and purchase of all of the shares in RWS Japan. The consideration was the sum of US\$3.2 million. This sum was satisfied by the forgiveness of indebtedness totalling US\$3.2 million owed by RWS LLC to Watertone Limited. RWS LLC agreed to indemnify Watertone Limited against all claims, losses, obligations, liabilities and damages of every kind and description and for any breach of that agreement by RWS LLC. Watertone Limited was permitted to assign all of its rights, interest and obligations under the agreement to an affiliate. The agreement is governed by the laws of the State of Delaware.

- (iv) Facility Agreement between (1) Bybrook and (2) Barclays Bank plc

Pursuant to an agreement dated 7 October 2003, Barclays Bank plc have agreed to provide a bridging facility in the amount of £10 million. The agreement is subject to an arrangement fee of £35,000 and expenses including all legal and professional fees and other costs of Barclays Bank plc. The facility is subject to an interest rate of 0.75% over the base rate of Barclays Bank plc from time to time. Normal representations and warranties were given by Bybrook. The agreement also includes customary events of default including failure to pay sums due, breaches of covenant, cross-defaults with other indebtedness, material adverse change, insolvency, cessation of business and litigation. The amounts outstanding under this agreement are to be secured on an equitable charge over the loan notes described below in paragraph (viii). As additional security, under the terms of the agreement, Bybrook will deliver to Barclays Bank plc a signed irrevocable authority addressed to Reed Elsevier calling for redemption of the Notes on 31 December 2003, with payment to be remitted to a designated account held in the name of Bybrook at Barclays Bank plc. Bybrook will also provide an irrevocable authority to Barclays Bank plc to enable it to deduct the bridging facility, interest accrued thereon and associated costs from the aforementioned designated account thus repaying all amounts then due and owing to Barclays Bank plc under the agreement. The facility term expires on 10 January 2004 when it must be repaid in full. The facility is governed by English law.

- (v) Agreement between (1) RWS Translations, (2) Ian McDonald and (3) Susan McDonald

This agreement, which is dated 31 July 2003, relates to the sale of the entire issued share capital of Translation & Language Consultants (International) Limited, previously a dormant wholly owned subsidiary of RWS Translations. The consideration was £1 in cash. Neither RWS Translations, Ian McDonald nor Susan McDonald is entitled to assign or otherwise dispose of their rights under the agreement and any purported assignment is void. Ian McDonald and Susan McDonald jointly and severally undertook not to use the name, or any similar name of "Translation & Language Consultants (International) Limited" nor to permit the use of the name in connection with any translation/interpretation type business. They are required to indemnify RWS Translations in respect of claims incurred in connection with the use of the name.

- (vi) Agreement between (1) RWS Group, (2) Christina Brodnicki and (3) Johannes Beijer

On 14 November 2002, Christina Brodnicki and Johannes Beijer entered into an agreement with RWS Group for the purchase by RWS Group of the entire issued share capital of Ad-Ex. The consideration was the payment of (i) £698,320 in cash and (ii) the repayment on behalf of Wojciech Brodnicki and the Ad-Ex Unapproved Pension Scheme of two loans made by Ad-Ex (£27,711 + £261,344) totaling £289,055. The sellers gave full commercial warranties. Their liability is limited to the value of the cash consideration being £698,320 and is subject to a minimum of £5,000 in respect of each individual claim brought against them. Their liability is limited in time to two years in respect of all claims other than in respect of tax which is limited to six years. RWS Group is entitled to assign all or any of its rights to any of Bybrook or its subsidiaries. The sellers have no right of assignment. Further, the sellers entered into restrictive covenants for a period of three years. The agreement is governed by English law.

- (vii) Agreement between (1) Reed Elsevier, (2) Bybrook and (3) Andrew Brode

By an agreement dated 25 January 2000 ("Eclipse Agreement"), Bybrook agreed to sell the entire issued share capital of Eclipse to Reed Elsevier for a consideration which was satisfied in cash and by the issue of the Loan Notes (as defined in paragraph 8(b)(viii) below). Under the Eclipse Agreement, Bybrook indemnified Reed Elsevier against certain claims made against Eclipse in respect of the pension schemes operated by Eclipse. This indemnity specifically covered any claims arising from a dispute with the National Union of Journalists Eclipse Chapter relating to a reduction in contributions to the Eclipse Contracted Out Retirement Benefits Scheme with effect from 6 April 1997. The indemnity is unlimited in both quantum and time. Reed Elsevier has asserted a claim in relation to this indemnity, details of which are set out in paragraph 9(b) below.

Bybrook also gave full commercial warranties to Reed Elsevier and entered into a tax deed. However any claim under the warranties other than those relating to taxation is now time-barred. The period for making claims under the tax warranties and the tax deed expires on 31 March 2006. Bybrook's liability under the warranties in the Eclipse Agreement and the tax deed is limited to the total amount of the consideration paid and no claim may be brought until the value of the claim, or the aggregate value of claims, exceeds £300,000. Subject to that minimum claim threshold, the amount of an individual claim must also exceed £10,000. The Eclipse Agreement also contains restrictive covenants and undertakings on the part of Bybrook in respect of confidentiality.

- (viii) Reed Elsevier Loan Notes dated 25 January 2000 ("Loan Notes")

Pursuant to the sale of Eclipse by Bybrook in January 2000 referred to above, £20,000,000 of Loan Notes were issued by Reed Elsevier to Bybrook. £2,500,000 was redeemed on 30 June 2001. The principal sum of £17,500,000 remains outstanding. The rate of interest in respect of the Loan Notes is one quarter of one per cent. less than the rate for deposits in sterling for a period of six calendar months appearing on the Reuters Screen ISDA Page as of 11.00 a.m. on the first business day of each interest period. Each interest period is each successive period of 6 months beginning on 1 January and 1 July respectively. The Loan Notes mature on 25 January 2005 but can be redeemed early on 30 June or 31 December each year. However, they will become immediately repayable in the event of a winding up of Reed Elsevier or if any other insolvency event takes place. The holder of the Loan Notes is permitted to transfer or charge them in whole but not in part. Any such transfer must be executed by a company under its common seal and such company is deemed to be the registered holder until the transferee is named in the register of the holders of the Loan Notes. The Loan Notes are governed by English law.

9. Litigation

(a) *The Company*

There are no legal or arbitration proceedings active, pending or threatened (so far as the Existing Directors are aware) against or being brought by the Company, which have, or may have had during the twelve months preceding the date of this document, a significant effect on the financial position of the Company.

(b) *Bybrook*

Reed Elsevier asserted a claim against Bybrook on 2 October 2003. The claim arises under the Eclipse Agreement referred to in paragraph 8(b)(vii) above, under which Bybrook sold to Reed Elsevier the entire issued share capital of Eclipse. In the Eclipse Agreement, Bybrook agreed to indemnify Reed Elsevier against (*inter alia*) losses and claims arising out of a dispute between Eclipse and the National Union of Journalists Eclipse Chapter. The dispute related to a reduction in contributions to a contracted out retirement benefits scheme which Eclipse had established. The indemnity was not expressed to be subject to a maximum limit. On 4 April 2003, a claim was asserted by a number of individuals against Eclipse for breach of contract or breach of the rules of the pension scheme referred to above with regard to loss allegedly suffered as a result of reductions in contributions made to that scheme. The individuals making the claim against Eclipse do not expect the aggregate value of their claim to exceed £50,000. Even if Reed Elsevier were entitled to recover from Bybrook the entire amount of the sum claimed against Reed Elsevier, on the basis of the claimants' expectation as to the value of their claim against Reed Elsevier, Bybrook does not expect to incur any liability which would have a significant effect on the financial position of Bybrook.

Notwithstanding the above claim, there are no legal or arbitration proceedings active, pending or threatened, (so far as the Proposed Directors are aware) against or being brought by any company in the Bybrook Group which have or may have during the twelve months preceding the date of this document a significant effect on the financial position of the Bybrook Group.

10. Details of the Enlarged Group

The Enlarged Group will comprise the Company as the holding company of the group, together with the following subsidiaries:

(a) *Companies originating from the Bybrook Group*

<i>Name of company</i>	<i>Company Registered Number</i>	<i>Principal activity</i>	<i>Proportion of shares held by the Company</i>	<i>Issued Share Capital</i>
ACJV Limited	0827107	Dormant	100%	£1,000
Ad-Ex (Translations) Limited	1149111	Dormant	100%	£50,000
Anglotraduction Sarl	Incorporated in France	Translation services	100%	€10,000
Askus Translation Services Limited	Incorporated in Eire	Dormant	100%	€5,850
Bybrook Limited	2467243	Holding company	100%	£386.25
Chemical Translations Limited	1169555	Dormant	100%	£100
Edgeworth King & Co Limited	1182472	Dormant	100%	£925
European Law Translations Limited	1450459	Dormant	100%	£2
KK RWS Group	Incorporated in Japan	Translation services	100%	Y10,000,000
Lawyers' & Merchants' Translations Bureau Inc.	Incorporated in the U.S.A	Translation services	100%	200 shares of common stock*
Plastics Translations Limited	1170008	Commercial company	100%	£201
RWS (Overseas) Limited	1014383	Commercial company	100%	£10,000

<i>Name of company</i>	<i>Company Registered Number</i>	<i>Principal activity</i>	<i>Proportion of shares held by the Company</i>	<i>Issued Share Capital</i>
RWS Group GmbH	Incorporated in Germany	Translation services	100%	DM50,000
RWS Group plc	1575193	Commercial company	100%	£54,744
RWS Information Limited	1032254	Patent services	100%	£10,000
RWS Translations Limited	1080416	Translation services	100%	£200
Trademark Searches Limited	0886719	Dormant	100%	£100

* of no par value

(b) *Companies originating from the Health Media Group*

<i>Name of company</i>	<i>Company Registered Number</i>	<i>Principal activity</i>	<i>Proportion of shares held by the Company</i>	<i>Issued Share Capital</i>
Internet Direct Limited	04137349	Dormant	100%	£1
Pang Health Limited (in liquidation)	03466043	In liquidation	100%	£62,642.92
Pang Management Limited	04102009	Dormant	100%	£1,324,363.05
Pang Medical Communication Limited	03709741	Proposal to strike off	100%	£75,000

* Pang Medical Communication Limited is a subsidiary of Pang Health Limited which is in liquidation

11. Working Capital

The Existing Directors and the New Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Enlarged Group from the time of Admission will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. Taxation

The summary below is intended only as a general guide to certain aspects of current United Kingdom tax law and the current practice of the United Kingdom Inland Revenue, as they apply to UK tax resident shareholders. It is not intended to constitute tax advice.

The summary only applies (unless otherwise expressly indicated) to individual or corporate shareholders who are the beneficial owners of their shares, who hold their shares as an investment and who are resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes. It does not apply to certain classes of shareholders, such as dealers in securities, charities or persons with special tax status.

Shareholders who are in any doubt about their tax position or who are subject to tax in a jurisdiction other than United Kingdom should consult their own professional adviser.

12.1 Dividends

No tax will be withheld from dividend payments made by the Company.

Individual shareholders who are resident for tax purposes in the United Kingdom will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the dividend received and the tax credit (the "gross dividend"). The tax credit is equal to one-ninth of the net dividend which equates to 10 per cent. of the gross dividend.

Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. In the case of such individual Shareholders who are not liable to income tax at the higher rate, the tax credit will discharge their tax liability in respect of the dividend and there will be no further tax to pay. United Kingdom resident individual Shareholders who are liable to income tax at the higher rate will be subject to income tax at a rate of 32.5 per cent. of the gross dividend. The 10 per cent. tax credit will be set against this liability. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend.

Most categories of United Kingdom resident shareholders will not be able to claim any repayment from the Inland Revenue in respect of the tax credit.

United Kingdom corporate shareholders resident for tax purposes in the United Kingdom will not generally be subject to United Kingdom corporation tax in respect of dividends paid by the Company.

Shareholders who are not resident for tax purposes in the United Kingdom may be entitled to reclaim a small part of the tax credit depending upon the existence and terms of any double taxation convention between the United Kingdom and the country in which they are resident. Shareholders who are not resident for tax purposes in the United Kingdom should consult their own professional advisers to ascertain their tax liabilities on dividends received and whether they are entitled to reclaim any part of the tax credit.

12.2 *Taxation of chargeable gains*

Individual holders of Ordinary Shares who are resident or ordinarily resident for tax purposes in the United Kingdom will be liable to United Kingdom capital gains tax on any chargeable gain realised on the disposal of their Ordinary Shares, subject to any allowances, reliefs or exemptions that may be available to them. United Kingdom resident corporate holders of Ordinary Shares will be liable to corporation tax on chargeable gains in respect of gains realised on the disposal of their holdings of Shares, subject to certain reliefs and exemptions. A shareholder not resident in the United Kingdom but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such agency, may be subject to United Kingdom taxation on chargeable gains arising from the sale of those Ordinary Shares.

For individual shareholders taper relief (calculated by reference to the period of ownership) may be available to reduce the capital gains tax on disposal together with indexation allowance in respect of periods up to 6 April 1998. Shareholders within the charge to UK corporation tax are not entitled to taper relief but are entitled to indexation allowance for periods of ownership. For the purposes of calculating the indexation allowance on a subsequent disposal of Ordinary Shares, purchase or subscription monies will be taken into account only from the time at which such corporate shareholder became liable to make, or made, payment.

12.3 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will be payable on the issue of new Ordinary Shares unless to a person to whom the depository receipts or clearances services charge applies.

A transfer of Ordinary Shares will generally be subject to ad valorem stamp duty on any instrument of transfer at the (current) rate of 0.5 per cent. of the consideration for the relevant transfer rounded up to the nearest £5.00. An unconditional agreement to transfer any Ordinary Shares will generally be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the value of the consideration. Where a charge to stamp duty reserve tax arises on an unconditional agreement to transfer Ordinary Shares and, before the expiry of six years beginning with the date of that agreement, an instrument of transfer is duly stamped, any liability to stamp duty reserve tax will be cancelled or repaid.

Stamp duty and stamp duty reserve tax are generally the liability of the transferee.

13. Market Quotations

The following table shows the closing middle market quotations for Existing Ordinary Shares as derived from the AIM Appendix to the Daily Official List on the first dealing day in each of the six months immediately preceding the date of this document and on 9 October 2003 (being the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Price (pence)</i>
1 May 2003	0.75
2 June 2003	0.75
1 July 2003 (shares suspended on 29 July 2003)	0.75
1 August 2003	0.62
1 September 2003	0.62
1 October 2003	0.62
9 October 2003	0.62

14. Consents

Collins Stewart, Arbutnot and BDO Stoy Hayward have given and have not withdrawn their written consent to the inclusion in this document of their respective reports and/or the use of their names (as appropriate) and references to them in the form and context in which they are included.

15. General

- 15.1 Other than as described in this document, there has been no material change in the trading or financial position of Health Media Group since 28 February 2003, the date to which the latest audited accounts of Health Media Group were made up. Other than as described in this document, there has been no material change in the trading or financial position of Bybrook since 31 March 2003, the date to which the latest audited accounts of Bybrook were made up.
- 15.2 It is estimated that the total expenses payable by the Company in connection with the Acquisition, Placing and Admission will amount to approximately £1.45 million (excluding value added tax).
- 15.3 For the year ended 28 February 2003 the aggregate remuneration and benefits in kind granted to the directors of the Company was £149,000. Under arrangements now in force, conditional *inter alia* on Admission, the Proposed Directors' aggregate remuneration and benefits in kind for the year ending 30 September 2004 is estimated to be £550,000.
- 15.4 The Company is making an application to CRESTCo Limited for the Ordinary Shares to be settled through CREST and to be admitted as a participating security. It is expected that the admission of the Ordinary Shares in CREST as a participating security will be effective from Admission. Holders of the Ordinary Shares who are direct or sponsored members of CRESTCo Limited will be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by CRESTCo Limited.
- 15.5 Except as detailed in this document, and save for a fee of £25,000 payable to Bradmount Investments Limited in respect of services provided to the Company, no person (other than professional advisers as referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission, which includes all the existing shareholders of the Company.

16. Documents available for Inspection

Copies of the following documents will be available for inspection at the offices of Salans, Clements House, 14-18 Gresham Street, London EC2V 7NN during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until close of business on 10 November 2003 and at the place of the EGM for at least 15 minutes prior to such meeting until its conclusion:

- (a) the memorandum and articles of association of the Company;
- (b) the reports produced by BDO Stoy Hayward set out in Parts IV to V of this document;
- (c) the audited consolidated accounts of the Company for the two financial years ended 28 February 2003;
- (d) the audited consolidated accounts of Bybrook for the two financial years ended 31 March 2003;
- (e) the material contracts referred to in paragraph 8 above together with the letter containing the Offers;
- (f) the Existing Directors' and the New Directors service agreements and letters of appointment referred to in paragraph 6 above;

- (g) the consent letters referred to in paragraph 14 above;
- (h) undertakings to vote in favour of the Resolutions as referred to in Part I of this document;
- (i) the Form of Proxy;
- (j) the AGM documents; and
- (k) this document.

Dated 10 October 2003

HEALTH MEDIA GROUP PLC

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Health Media Group plc will be held at 90 High Holborn, London WC1V 6XX at 10.05 a.m. on 10 November 2003 (or as soon thereafter as the Annual General Meeting of the Company convened for 10.00 a.m. on 10 November 2003 is concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1, 2 and 3 will be proposed as ordinary resolutions (Resolution 3 to be determined on a poll, as required by the Panel on Takeovers and Mergers) and Resolutions 4 and 5 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. To consider what steps if any should be taken in accordance with section 142 of the Companies Act 1985 to deal with the fact that the net assets of the Company are half or less of its called up share capital.
2. THAT the entry into by the Company of an agreement with RBC Trustees (Guernsey) Limited and others relating to the sale and purchase of the entire issued share capital of Bybrook Limited which is referred to in the circular issued by the Company to its shareholders on 10 October 2003 (the "Circular") (a copy of which document has been produced to the Meeting and signed for identification purposes by the Chairman of the Meeting) as the "Acquisition Agreement" be and is hereby approved inter alia for the purposes of Section 320 of the Companies Act 1985 and the directors of the Company be authorised to implement the terms thereof.
3. THAT subject to, and conditional upon, the Resolutions numbered 2 and 4 set out in the notice convening this Extraordinary General Meeting having been passed, the waiver (on the terms described in the Circular) by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers for Andrew Brode and RBC Trustees (Guernsey) Limited (the "Concert Party") to make a general offer to shareholders of the Company as a result of the allotment and issue by the Company to the Concert Party (following the Placing as described in the Circular) of 18,587,812 new ordinary shares of 5p each in the capital of the Company created by the Resolution numbered 4 set out in this notice, resulting in the Concert Party's shareholding in the Company amounting to approximately 49.2 per cent. of the enlarged share capital of the Company be and is hereby approved.

SPECIAL RESOLUTIONS

4. THAT subject to and conditional upon the admission of the New Ordinary Shares (as defined below) to the Alternative Investment Market of the London Stock Exchange plc ("Admission"):
 - (a) every ordinary share of 25p each in the capital of the Company in issue ("Existing Ordinary Shares") at the time of Admission ("Effective Time") be and is hereby converted and redesignated as one ordinary share of 0.1p each and 249 deferred shares of 0.1p each ("Deferred Shares"), such ordinary shares and Deferred Shares having attached to them the respective rights and being subject to the respective restrictions set out in the Articles of Association of the Company as amended by paragraph (i) of this Resolution;
 - (b) each holding of ordinary shares of 0.1p each arising from paragraph (a) of this Resolution be consolidated into ordinary shares of 5p each having attached to them the rights and being subject to the restrictions as set out in the Articles of Association of the Company as altered by paragraph (i) of this Resolution ("New Ordinary Shares") on the basis of every 50 ordinary shares of 0.1p each being consolidated into one New Ordinary Share and the balance of any holding be converted into Deferred Shares on the basis of one Deferred Share for every ordinary share of 0.1p each not consolidated into New Ordinary Shares;

- (c) every unissued ordinary share of 25p each in the capital of the Company as at the Effective Time be and is hereby sub-divided into five New Ordinary Shares, such New Ordinary Shares having attached to them the rights and being subject to the restrictions set out in the Articles of Association as amended by paragraph (i) of this Resolution;
- (d) the authorised share capital of the Company be increased from £10,000,000 to £10,753,082.25 by the creation of a further 15,061,645 New Ordinary Shares, such shares ranking *pari passu* in all respects with the New Ordinary Shares arising from paragraphs (a), (b) and (c) of this Resolution, including the right to receive all dividends and distributions hereafter, declared, made or paid on the ordinary share capital of the Company;
- (e) the option agreements dated 10 October 2003 and made respectively between the Company and Peter Mountford and the Company and Adrian Bradshaw relating to the grant of options over shares in the capital of the Company to Mr Mountford, a director of the Company, and to Mr. Bradshaw, a business partner of Mr. Mountford, and which are summarised in the Circular be and are hereby approved and ratified for the purposes of Section 320 of the Companies Act 1985;
- (f) for the purposes of Section 80 of the Act, and in substitution for all powers and authorities granted to the directors, the directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act):
 - (i) up to an aggregate nominal amount of £1,866,003.20 in connection with the Acquisition as defined and described in the Circular;
 - (ii) up to an aggregate nominal amount of £226,692.70 by the granting of the Options, as defined and described in the Circular; and
 - (iii) otherwise than pursuant to paragraphs (i) and (ii) up to an aggregate nominal amount of £629,702.60,

provided that this authority shall expire on 9 November 2008, unless renewed, varied or revoked by the Company in general meeting before such expiry, except that the Company may at any time before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;

- (g) in substitution for all powers previously granted to the directors, the directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority conferred by paragraph (f) above (as varied from time to time by the Company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
 - (i) the allotment of equity securities pursuant to the authority conferred by paragraphs (f)(i) and (ii) of this Resolution;
 - (ii) the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of ordinary shares in the capital of the Company on such record date(s) as the directors may determine where the equity securities are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the capital of the Company held by such holders on the record date(s) selected by the directors for such allotment, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient for the purpose of dealing with fractional entitlements, record dates, or legal or practical problems arising under or as a result of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the issue and/or holding of any securities in uncertificated form; and/or

- (iii) the allotment (otherwise than pursuant to paragraphs (i) and (ii) of this Resolution) of equity securities up to an aggregate nominal amount of £94,455.35 (representing 5 per cent. of the Enlarged Share Capital, as defined and described in the Circular),

and shall expire at the expiry of the date 15 months after the date of the passing of this Resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2004, unless reviewed or extended before such expiry, except that the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired;

- (h) the name of the Company be changed to "RWS Holdings plc";
- (i) the following amendments be and are hereby made to the Articles of Association of the Company:

- (i) in Article 1.1:

- (a) the insertion of the following new definitions after the definition of "Company".

"**Court** the High Court of Justice in England and Wales;

Deferred Shares deferred shares of 0.1p each in the capital of the Company;" and

- (b) the deletion of the existing definition of "Ordinary Shares" and the insertion in its place of the following definition:

"**Ordinary Shares** ordinary shares of 5p each in the capital of the Company;" and

- (ii) the existing Article 3 be deleted and the following new Article to be numbered 3 be inserted in its place:

"3. Share Capital

A. The authorised share capital of the Company is £10,753,082.25 divided into Ordinary Shares of 5p each and Deferred Shares of 0.1p each which resulted from the passing of the Resolutions at the Extraordinary General Meeting of the Company held on 10 November 2003.

B. The respective rights and privileges attached to the Ordinary Shares and the Deferred Shares are as follows:

- (i) **As regards income:**

- (a) The Ordinary Shares shall confer upon the holders thereof as a class the right to receive the whole of such dividends and other distributions as shall be resolved to be distributed out of the profits of the Company available for distribution the same to be distributed amongst the holders of the Ordinary Shares in proportion to the amounts paid up or credited as paid up thereon.

- (b) The Deferred Shares shall not confer on the holders thereof the right at any time to participate in the profits of the Company.

- (ii) **As regards capital:**

In the event of the winding up of the Company or other return of capital the assets of the Company available for distribution amongst the members shall be applied in the following manner and order of priority:

- (a) first, in paying to the holders of the Ordinary Shares the sum of £100,000 per Ordinary Share;

- (b) second, in paying to the holders of the Deferred Shares the amounts paid up or credited as paid up on such shares (excluding any premium paid on subscription);
- (c) third, in distributing the balance amongst the holders of the Ordinary Shares in proportion to the amounts paid up or credited as paid up (excluding any premium paid on subscription) on the Ordinary Shares held by such holders respectively.

(iii) **As regards voting:**

The Deferred Shares shall not at any time confer on the holders thereof any right to attend or vote at any General Meetings of the Company or to receive notices thereof.

(iv) **As regards certificates:**

Notwithstanding any other provision of the Articles of Association of the Company and unless specifically required by the provisions of the Act, the Company shall not be required to issue any certificates in respect of any Deferred Shares.

(v) **As regards authority of Company in relation to transfers of the Deferred Shares:**

The Company shall have irrevocable authority at any time:

- (a) to appoint a person on behalf of any and all holder(s) of Deferred Shares to enter into an agreement to transfer, and to execute a transfer of, the Deferred Shares, for no consideration, to such person (whether or not an officer of the Company and including the Company itself) as the Directors may determine without the sanction or consent of the holder(s) in question; and
- (b) pending any such transfer to retain any share certificate relating to such shares.

(vi) **As regards cancellation of Deferred Shares:**

Neither the passing by the Company of any Special Resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the Court nor the obtaining by the Company nor the making by the Court of any Order confirming any such reduction of capital nor the becoming effective of any such Order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction or consent on the part of the holders of the Deferred Shares.”; and

- (j) all of the foregoing provisions of this Resolution shall have effect notwithstanding the provisions of the Articles of Association which are hereby overridden to the extent necessary to give effect to the foregoing.

5. That, subject to and conditional upon the Resolution numbered 4 set out in the notice convening this Extraordinary General Meeting having been passed as a Special Resolution and having become unconditional, and subject to confirmation by the High Court of Justice in England and Wales:

- (a) the share capital of the Company be reduced by cancelling and extinguishing all of the Deferred Shares of 0.1p each arising pursuant to Resolution 4; and
- (b) subject to and upon the reduction of the share capital of the Company referred to in paragraph (a) becoming effective the Articles of Association of the Company as amended by Resolution 4 be altered by:

- (i) deleting Article 3B thereof;
- (ii) redesignating Article 3A as Article 3 and deleting the words “and Deferred Shares of 0.1p each” from such Article;
- (iii) deleting the definitions of “Court” and “Deferred Shares”.

Registered Office:
25 Upper Brook Street
Mayfair
London
W1K 7QD

BY ORDER OF THE BOARD
Gavin Kaye
Company Secretary

Registered number:
3002645

Dated 10 October 2003

Notes

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for your use, if desired.
2. To be valid, a form of proxy must be completed and lodged (together with the power of attorney or other authority, if any, under which it is signed or a duly certified copy of such power or authority) with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting (or any adjournment thereof). The completion and return of a form of proxy will not prevent a member who wishes to do so from attending and voting in person.
3. In the case of an individual, the form of proxy must be signed by the appointor or by his attorney duly authorised in writing. In the case of a corporation, the form of proxy must be executed under its seal or in accordance with Section 36A or 36B of the Companies Act 1985 or be under the hand of an officer, attorney or other person duly authorised to sign the same. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of a joint holding.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only holders of shares in the capital of the Company who are registered in the Register of Members at 10.05 a.m. on 8 November 2003 or 48 hours before any adjourned meeting are entitled to attend and vote at the meeting or any adjourned meeting. Changes to entries on the Register of Members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. Resolution 3 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of the City Code on Takeovers and Mergers.
6. As described in Part I of the Circular, Andrew Brode and Peter Mountford will not be voting on the Resolutions.