Huveaux
Annual Report & Accounts 2005

About Huveaux

Huveaux was formed in 2001 with the objective of building a substantial, high-quality B2B publishing and media group through a combination of organic and acquisition-led growth.

It is focused on the timely creation and delivery, through all media, of essential and intelligent information that enables our customers to know more and perform better.

Contents

Huveaux is a public limited company registered in England No. 04267888. Its Ordinary shares are listed on the Alternative Investment Market (AIM) (ticker HVX.L)

Huveaux PLC is the parent company of the Huveaux Group of companies. Unless otherwise stated, the text in this Annual Report does not distinguish between the activities and operations of the parent company and those of its subsidiary undertakings.

This is the Annual Report of Huveaux PLC for the 12 month period ended 31 December 2005 and complies with UK legislation and regulations. It is also available on the Company's website: **www.huveauxplc.com**

2005 Financial, Operating and Strategic Highlights

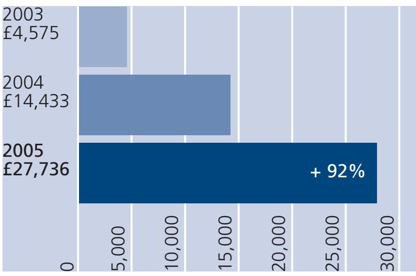
The highlights below set out the underlying business performance of the Group.
The statutory results show the financial results after exceptional items.

- Turnover **up 92%** to £27.7 million
- Profit (before tax and exceptional items) **up 74%** to £4.3 million*
- Earnings per share (before exceptional items) **up 24%***
- Dividend **up 10%**
- **Digital media** now accounts for **28% of annualised turnover**
- **Transforming acquisitions** of Epic and JBB Santé **successfully integrated**
- Three **strong divisions** each **with market leadership**
- Board and management **teams strengthened**
- **Platform for future growth** in place
- **Outlook is good**

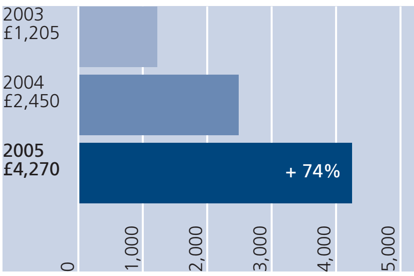
Summary Results	**2005 £'000**	2004 £'000
Turnover	**27,736**	14,433
Profit before taxation and exceptional items*	**4,270**	2,450
Profit before taxation	**2,136**	2,128
Earnings per share before exceptional items* (basic)	**2.72p**	2.19p
Earnings per share (basic)	**1.45p**	1.94p
Dividend per share	**1.10p**	1.00p

*Exceptional items amounted to £2,134,000 (2004: £322,000), relating to the cost of planned restructuring following acquisitions made during the year.

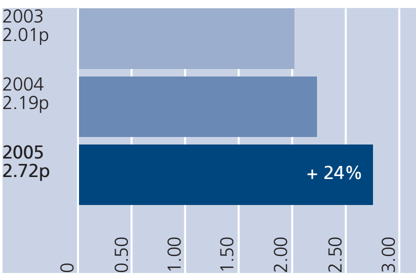
Turnover (£'000)



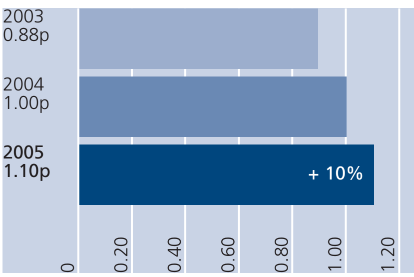
Profit before taxation (£'000)
(before exceptional items)



Basic earnings per share (pence)
(before exceptional items)



Dividend per share (pence)



Huveaux at a Glance

We have built and acquired a quality portfolio of market-leading brands, products and services across each of our selected growth markets. We serve the private and public sectors through a combination of delivery media, including print (magazines, directories, newsletters and books), online digital (websites, monitoring, e-learning and databases), seminars, conferences and events. We provide indispensable information, reference materials and tools which our customers need to carry out their work every day in the Political, Learning and Healthcare arenas.

Our aim is to provide customers with what they need, when and in the form they need it. To this end, we combine our resources, skills, expertise and reputations to ensure that we are at the forefront of development and service and so better able to understand, react to and exploit the opportunities created by fast-changing technologies and increasing customer demands.

The Group currently employs some 450 people and operates in the UK, France and Belgium through the following three divisions:

Political

This market leader in the UK and EU political B2B publishing sector serves both the political and public affairs communities of the UK and EU. It delivers information in the form of magazines, websites, monitoring and reference books as well as organising events, awards and recruitment for market participants. It offers comprehensive and quality content which influences, informs and educates, providing essential information to all those interested in government, policy-making and the decision-making process.

Learning

A leading provider of resources to learning communities in the UK, including e-learning solutions for the public and private sector and specialist publications for primary and secondary schools and the professional training market. The division also runs seminars and events for the political, public affairs and training markets. This mixed portfolio delivers top-quality blended training solutions to customers.

Healthcare

One of the leading providers of specialist B2B publications for the medical sector in France and which boasts the market-leading magazine titles for continuing medical education in that market. It also offers a range of magazines, specialist publications and a leading website and online information service for French doctors and healthcare professionals. No other media owner offers such a comprehensive and high-quality information portfolio in the French healthcare market.

Our Strategy

Huveaux is pursuing a strategy of profitable growth through a combination of organic growth and carefully targeted acquisitions. Our objective is to become a substantial, high-quality B2B publishing and media group delivering essential and intelligent information through all media across our selected growth markets. Our progress to date and strong performance in 2005 demonstrate that we are on course to achieve our stated objective.

As Huveaux enters the next exciting stage in its development, we have consolidated our operations into three market-facing divisions and strengthened our management teams at all levels. From this scaleable platform, we are better placed to improve the strength of the individual businesses, provide localised expertise and deliver increased operating efficiencies.

The Strength of Our Market-Leading Brands

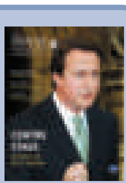
The importance of own 'brand' intellectual property in business cannot be over-emphasised and Huveaux has created and acquired a portfolio of strong, market-leading brands since its inception. The Company has engaged in a management programme to protect and develop the core brand assets and products of its operations and to enhance and fully exploit the business opportunities they represent.

Huveaux sets high-value on brand management and has established a central marketing and development function to ensure that its individual businesses receive quality support and expertise to help expand their activities. In each of our three divisions, established brands have been able to grow their market share by trading on the strength of their existing reputation.

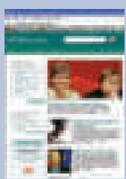
This record of success is an important ingredient in Huveaux's organic growth strategy. The Company's future acquisitions will also benefit from the Group's recognition of and commitment to brand management.

Below are some examples of our market-leading brands:

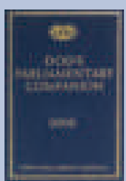
Political



The House Magazine has occupied a special place in the Palaces of Westminster for 30 years. It is unique in being edited and read by Members of both Houses and consequently it commands huge respect and loyalty within Parliament. The strength of this core brand has provided many business extension opportunities, including the *Westminster Explained and Briefing* training and seminar models.

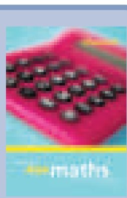


ePolitix.com is the primary online digital resource for politicians and those interested in understanding UK and EU policy initiatives. Increased website service offerings have led to increased usage and helped establish this important brand in the political environment. It has also enabled the development of a range of other opportunities, most notably in the key areas of political monitoring and information bulletins.

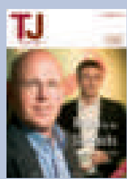


Dod's Parliamentary Companion is one of the oldest publications in the Huveaux portfolio dating back to 1832. It is still regarded as the most authoritative source for data and information on MPs, Peers and those working in Parliament with the online version also offering real-time updates on changes within the political world. As the 175th anniversary of this famous publication approaches, the strength of this core brand continues to provide further opportunities for associated activities.

Learning



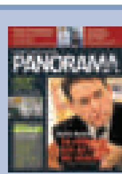
Lonsdale has enjoyed significant success since launch due to its publishing of focused and accessible exam and test revision guides for primary and secondary school pupils, predominantly at GCSE level. Most guides are accompanied by work books, allowing pupils to practice their skills and knowledge before having to sit their actual examinations or tests. The *Lonsdale* brand is highly regarded within the school environment and opportunities for further expansion are already underway.



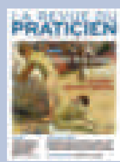
TJ, formerly *Training Journal*, has established itself over 40 years as the leading training publication for professionals working in learning and development. A relaunch in 2005, following extensive readership research, has brought a greater focus on case studies and practical worked examples. As a result, the *TJ* brand has been able to further develop its 'Master Classes' programme and introduce a Best Practice Awards and conference.

Epic is synonymous with the e-learning industry having helped to shape it during two decades of creating engaging, award-winning e-learning, blended learning and knowledge solutions. It has consistently forged long-standing relationships which have helped to transform some of the UK's best known private and public sector organisations. From this bedrock of e-learning knowledge and experience, Epic is well-positioned to serve as a true partner in learning.

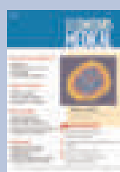
Healthcare



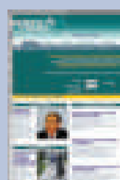
Panorama du Médecin is a weekly news magazine for all doctors and healthcare professionals in France. It has enjoyed increased brand strength since its relaunch in 2005 and the extension of its content offerings to cover public health, health politics and economics and medical news.



La Revue du Praticien has been regarded as the leading reference publication for Continuing Medical Education (CME) in France for more than 50 years. It issues two bi-monthly publications, namely the *monography* (an all-in-one medical reference magazine) and *Médecine Générale* (the CME magazine for general practitioners).



Le Concours Médical has, since 1879, been a leading magazine in the professional life of everyday medical practice in France. Its focus is primarily on medical and drug related news, legislative changes, CME and the evaluation and business improvement of medical practice.



www.egora.fr is the leading online medical news, data and information source for the medical sector in France. It also provides e-bulletins tailored to specific industry and healthcare professionals' needs.

Chairman's Statement

"The year 2005 saw a further major transformation of Huveaux in line with our stated objective of building a substantial, high-quality B2B publishing and media group through organic and acquisition-led growth."

2005 Overview

The year 2005 saw a further major transformation of Huveaux in line with our stated objective of building a substantial, high-quality B2B publishing and media group through organic and acquisition-led growth. For the third consecutive year, we again doubled our size after completing the two major acquisitions of Epic and JBB Santé, thereby creating a more balanced business with a broader spread of revenues and profits.

We are also pleased to announce another set of record results. Sales grew 92% to £27.7 million; pre-tax profits (before exceptional items) grew 74% to £4.3 million and earnings per share (before exceptional items) grew 24% to 2.72 pence. Excluding acquisitions, organic sales growth was 12.5%. Profit before tax (but after exceptional items) was £2.1 million, the same as last year.

In line with our progressive dividend policy, the Board is recommending a final dividend of 1.1 pence per share for 2005, an increase of 10% on the prior year.

Our growth and broader range of operations have been achieved while maintaining a strong balance sheet, including the introduction of a modest level of debt to optimise shareholder returns. At the year-end, we had net debt of £7.6 million and shareholders' funds of £44.0 million.

Strategic Progress

The strength of our performance and achievements in 2005 clearly demonstrate that we are delivering on our stated objective. We now have three business divisions, each of which is a market leader in a growing sector:

Political Division

We are the market leader in the UK and EU political B2B sector and have achieved organic revenue growth in excess of 15% in each of the past two years. We see continued growth opportunities as we further develop our services and offerings in the political sector.

Learning Division

We are the UK market leader in e-learning and there are indications that this market will see good growth reflecting the significant government support for e-learning and the increasing trend for training and learning to include an e-learning element. Overall, our Learning Division achieved like-for-like sales growth of 6% in 2005 which we intend to build upon in 2006.

Healthcare Division

We are the market leader in magazines for Continuing Medical Education (CME) in France which is becoming mandatory in 2006. In addition, we have a market-leading medical website in France. In 2005, we achieved 23% like-for-like organic sales growth but we expect our much larger business to settle down to more modest growth in 2006.

Digital Media

A very important aspect to our business is the growing demand in all our markets for high-quality information and services to be available and delivered through online digital media. Currently, digital media represents some 28% of the Group's annualised revenues. We will continue to invest more resources into this important area in 2006 as well as exploit the necessary skills and experience available to us through the acquisition of Epic. We expect online digital revenues to grow in the future as more and more of our customers recognise its benefits.

Progress on Acquisitions

Epic Group plc

Our recommended offer for the strategic acquisition of Epic, the UK's market leader in bespoke e-learning solutions, was declared unconditional on 22 August 2005.

The planned integration and restructuring programme, which included a complete change in the Board of Epic, has been successfully completed, achieving a cost saving of £0.3 million per annum. The new management team has bedded in well, and the year finished with a good performance in the final quarter of 2005, including an outstanding month for orders in November.

The move into e-learning products and the establishment of joint venture initiatives within the Group is already underway. Most notable are the ventures involving *Lonsdale's* revision guides and JBB Santé's medical publications.

Les Editions Jean-Baptiste Baillière Santé

On 5 October 2005, Huveaux completed the acquisition of JBB Santé, the market leader in magazine publications for CME in France.

The integration of JBB Santé with our existing French healthcare publishing business, ATP-Egora, has been successfully completed along with the planned cost reduction and restructuring programmes. The result has been a cost saving of €1.0 million per annum, the targeted relaunch of certain key titles and a strong performance in the final quarter of 2005.

The outlook in 2006 for the Healthcare Division in France is positive particularly given the more competitive cost base and the more dynamic management team now in place. The anticipated increase in revenues arising from the introduction of compulsory CME, which will require doctors to subscribe to professional magazines such as those published by JBB Santé, will begin once the detailed requirements have been finalised by the French Government. These are expected in the second half of 2006.

Board, Management and People

During the course of last year, we continued the strengthening of our Board and senior management to reflect the enlarged and broader operations of the Group.

Gerry Murray, who has made a significant contribution to Huveaux since joining in May 2004, was promoted to the newly-created post of Group Chief Executive in November 2005. This appointment will also enable myself to dedicate more time to the overall strategy and direction of the Group's future activities.

Dan O'Brien was appointed to the Board as Finance Director and Michael Arnaouti appointed as Company Secretary and Director of Corporate Services on 1 January 2006. Both have a wealth of international experience in acquisitions, large PLC management and good corporate governance practice.

We have also continued to strengthen the operational management of all three of our operating divisions.

David Horne and Jean-Marie Simon stepped down from the Board effective from 31 December 2005 and 6 March 2006 respectively. The Board would like to thank each of them for their hard work and dedication to the business during the past three years. We wish them both well in their future careers.

The Board would also like to thank our management and staff for their hard work and dedication in 2005 and for their achievements in contributing to the continuing success of Huveaux.

2006 Outlook

It is still early in the year, but the results for January and February are encouraging.

We have a sound, well-balanced platform of businesses with market-leading positions. This, together with the planned development and introduction of a number of key products and initiatives in each of our three divisions, gives us confidence that we can continue to build on our strong performance and deliver sound organic growth in 2006 and beyond.

We have a powerful management team and a strong balance sheet and these will assist us in pursuing our strategy of making further targeted acquisitions.

John P de Blocq van Kuffeler
Executive Chairman

6 March 2006

Board of Directors

A Member of the Audit Committee
N Member of the Nomination Committee
R Member of the Remuneration Committee

Executive Directors

1. John P de Blocq van Kuffeler (57)[N]
Chairman
Chairman of Huveaux PLC since its foundation in 2001, John is the original founder. He is also non-executive Chairman of Provident Financial plc. Prior to taking up these appointments, John was Chief Executive of Provident Financial plc and Brown Shipley Holdings plc. He is an Advisory Board member of the Princes Trust and was formerly a Council member of the CBI.

2. Gerry Murray (52)
Chief Executive Officer
Gerry started his publishing career as a journalist before becoming a senior publisher at Emap Plc in the 1980's from where he created its stable of business magazines. He was appointed Chief Executive of Emap Business Publishing in 1987 and served as a main board director of Emap Plc between 1987 and 1991. More recently, he joined Huveaux in May 2004 and was appointed to the Board as its UK Chief Executive in November of that year. He was promoted to the new post of Group Chief Executive in November 2005.

3. Dan O'Brien (38)
Group Finance Director
Qualifying as a chartered accountant with Deloitte & Touche in 1991, Dan had previously held senior financial positions with Hanson PLC and COLT Telecom before taking up the position of Director of Finance at Eidos plc in 2003. He was appointed to the Board of Huveaux on 1 January 2006.

Non-Executive Directors

4. Christina G Benn (66)[A N R]
Christina was formerly Head of Personnel and Training at Benn Brothers PLC and Chief Executive of Timothy Benn Publishing Limited and Dalesman Publishing Company Limited. She joined the Huveaux Board in 2001.

5. Timothy J Benn (69)[A N R]
Timothy was formerly Chairman of Benn Brothers PLC, Timothy Benn Publishing Limited and Dalesman Publishing Company Limited. He took up his Huveaux Board position in 2001.

6. John L Clarke (57)[A N R]
Following a successful career at KPMG, John became a partner at Moores Rowland before founding Clarke & Co, chartered accountants, in 1990. He is Chairman of Cranzon Systems Limited and The Addington Society of tax specialists. John became a Huveaux Board member upon foundation in 2001.

7. Kevin L Hand (54)[A N R]
Kevin is Chairman of Hachette Filipacchi UK Limited, the UK publisher of consumer magazines, including ELLE. Prior to that, he was Chief Executive of Emap Plc, having joined them in 1983. During this tenure, he was responsible for establishing Emap's French business and leading their newly created Consumer Magazine Division. He was appointed to the Huveaux Board in 2004.

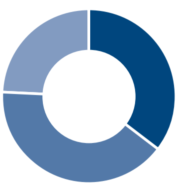
Chief Executive's Review

"2005 was a year for delivering on our promises and we have done so. We doubled our overall revenue base and increased like-for-like revenues and profits in each of our three operating divisions."

2005 Operational Highlights

- Doubled revenue base of the Group from £14.4 million to £27.7 million
- Delivered double digit organic growth from existing operations
- Achieved 24% EPS growth while creating a highly scaleable business platform
- Created a market-focused group and divisional management structure aligned to our customer relationships
- Integrated two major acquisitions and delivered expected significant cost savings
- Established a Healthcare Division with the acquired market-leading medical publications business in France, JBB Santé
- Enlarged our Learning Division with the acquired UK market leader in e-learning, Epic

Revenue by Division
For the year ended 31 December 2005



Introduction

I am delighted to present the first Chief Executive's Review for Huveaux. This represents an important milestone in the development of the Group into a larger, more complex but well-defined business. We have consolidated our operations into three market-aligned divisions: Political, Learning and Healthcare, each with their own focused management teams and objectives. These divisions will be introduced and described in more detail by their respective Managing Directors later in this Report.

Huveaux now comprises a balanced and cohesive group of businesses. Revenues are more evenly spread across the three divisions and geographically we derive our income approximately as to 60% in the UK and 40% in the EU, on an annualised basis. We also have a broad portfolio of high-quality products and services across each market, including print (magazines, directories, newsletters or books), digital (websites, monitoring, e-learning, databases), seminars, conferences and events.

Market and Operational Overview

2005 was a year for delivering on our promises and we have done so. We doubled our overall revenue base and increased like-for-like revenues and profits in each of our three operating divisions. In parallel, we also successfully integrated two major strategic acquisitions and created a strengthened, market-focused management structure designed to facilitate our future expansion.

Political Division

The Political Division contributed operating profit, before exceptionals, of £1.6 million (2004: £1.3 million) on revenues of £9.7 million (2004: £6.3 million) with organic revenue growth of 18% in 2005.

The political markets were dominated by the UK general election in May 2005, which was a double-edged sword as the political markets are usually soft before and buoyant after an election. With careful attention to the new information needs of our customers following the election, we delivered an overall 19.6% improvement in like-for-like revenue from our UK political business. This included substantial profit improvement from our Data and Reference business, including *Dod's Parliamentary Companion,* and our executive search business, *Electus.*

Particularly satisfying were the establishment of the fortnightly publication *Whitehall and Westminster World* as the leading journal for senior civil servants and the continued advance of *ePolitixPlus,* our political monitoring business. Both of these are relatively new areas for us and offer a good opportunity for future growth.

The continued drive to improve and develop our Brussels-based EU political business, resulted in a strong performance in 2005. *Parliament Magazine,* which is dedicated to political affairs in the European Parliament and Commission, has now firmly established itself as essential reading within the Brussels political community. We have recently launched an EU political monitoring service in Brussels, modelled on our successful UK *ePolitixPlus* service. We believe that the increasingly sophisticated Brussels political market offers further significant opportunity for growth in the medium-term.

Learning Division

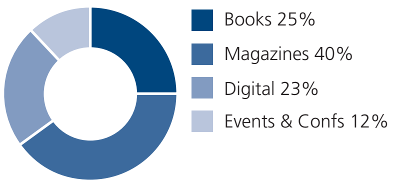
The Learning Division contributed operating profit, before exceptionals, of £2.5 million (2004: £1.8 million) on revenues of £11.2 million (2004: £7.0 million) with organic revenue growth of 6%.

Our Political Knowledge business – providing seminars, conferences and training in the political and government sector – was, as expected, hindered by the UK election but still delivered a 12% improvement in like-for-like revenue. We also continued to see excellent progress in enrolment for our *Certificate for Public Service Delivery* for which we expect to see record intake numbers in 2006.

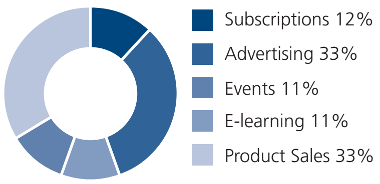
In spite of reported static school budgets in 2005, our *Lonsdale* school revision guides business grew substantially, delivering a 23% improvement in operating profit with another year of new title launches and revenue growth. Due to the significant curriculum changes being introduced in 2006 in Sciences at Key Stage 4, there are both challenges and potential increased market share opportunities available to us. Our development

Chief Executive's Review (continued)

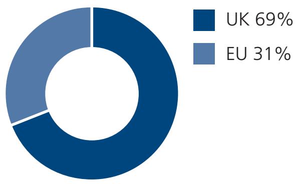
Revenue by Product Type
For the year ended 31 December 2005



Revenue by Source
For the year ended 31 December 2005



Revenue by Geography
For the year ended 31 December 2005



programme for the new curricula is well advanced and we are confident in our ability to deliver the new revision guides in line with our high-quality market reputation.

As indicated last year, *Training Journal* is now being produced in London alongside our other magazines and was relaunched during the year. The remaining Fenman business has been downsized, with new management adopting a business model aligned to market conditions and e-commerce opportunities. Although it is only a small part of our business, its progress will continue to be carefully monitored.

Epic, which became part of Huveaux in late August 2005, has already become a crucial part of the Learning Division. It had an outstanding month for orders in November and it exceeded our expectations for both revenues and profits in 2005. The business and strategic objectives for Epic are discussed further under 'Acquisitions and Integration Strategy' below.

Healthcare Division
Our newly established Healthcare Division comprises JBB Santé, which became part of Huveaux in early October 2005 (see below), and ATP-Egora, both based in Paris. It also includes, for the time being, our small French-based political business. The combined revenues of these businesses in 2005 (for the periods owned) were £6.8 million (2004: £1.1 million) and operating profits, before exceptionals, were £1.4 million (2004: £0.2 million). Like-for-like revenue growth in 2005 was 37% for the smaller business ATP-Egora.

While the Healthcare advertising market in France remained flat during 2005, more innovative web-based offerings from ATP-Egora together with completion of the planned €1.0 million cost saving programme at JBB Santé before the year-end, helped to produce a significant profit contribution. Our strategy in this business is to establish a number of new revenue sources in addition to advertising, particularly in the area of Continuing Medical Education (CME).

Healthcare is the second largest media market in France. The acquisition of JBB Santé has given us a substantial presence in that market and its merger with ATP-Egora gives us the opportunity to modernise, reinvigorate and further enhance the profitability of the Division. That programme is well underway.

Acquisitions and Integration Strategy
During the year, Huveaux completed two strategic acquisitions:

Epic
Epic is the leading e-learning provider in the UK. It has a blue chip client base both in the public and private sectors and is renowned for its innovative learning solutions. However, it has historically restricted itself to sourcing revenue solely from the bespoke market with no recurring revenue stream and very little retained intellectual property value. From the outset, it has been our intention to extend Epic's skill set and experience and expand its revenue base by altering the business model and building a portfolio of owned IP which can deliver an additional and recurring revenue stream over the longer term.

Our strategy for Epic has always been to:

- Create a Huveaux-owned product portfolio combining Epic's innovative e-learning techniques with our existing learning content. These products will be sold based on an annual user licence model. Our first chosen areas are Leadership, Compliance and Human Resources Legislation;
- Further develop the existing bespoke business model to increase the element of learning consulting and to combine, where opportunities exist, with our other learning offerings to give customers new and improved blended learning solutions;
- Develop further Epic's powerful learning consultancy capability;
- Invest in the high-quality web development capability at Epic which has been underexploited to date; and
- Develop, through internal joint ventures, electronic versions of our existing product where they offer customers an extra benefit.

In Epic, we have acquired a high quality, highly-skilled business and workforce and we will leverage that strength to add value across a wider range of online services. The skill base there will also be crucial to us beyond e-learning in the development of all our online digital media products in the future. Epic has given us a new digital capability, confidence and ambition which we now intend to exploit across the entire Huveaux Group.

JBB Santé
With the acquisition of JBB Santé, we have established a substantial foothold in the second largest B2B media market in France. It publishes the leading weekly magazine for GPs as well as several other magazines focusing on clinical knowledge and the operation of medical practice.

Our planned strategy for JBB Santé from the outset has been very clear:

- Replace the existing senior management with our own management team;
- Achieve €1.0 million annualised costs savings through a targeted restructuring programme;
- Integrate the business with our existing healthcare operation, ATP-Egora;
- Improve and relaunch all major titles; and
- Develop new sources of revenue, principally through new initiatives in CME and including a joint venture with Epic.

All of these measures have already been completed with the joint venture now underway. We are intent on reducing the proportion of total revenue that comes from advertising. New revenue streams from subscription sales and medical learning initiatives will become more important going forward.

Conservative Leader David Cameron launches the 2005 ePolitix 'Charity Champions Awards.' These highly regarded awards recognise the hard work undertaken by politicians on behalf of voluntary causes.

The BBC's Andrew Marr accepts his award for Political Journalist of the Year at the 2005 Public Affairs News Awards. The awards are voted for by professionals in the public affairs industry.

Prime Minister Tony Blair speaking in Downing Street congratulates Dods and The Parliamentary Press Gallery on the student writing competition 'Write Now'. "I hope that this competition goes from strength to strength and encourages more young people to take an active interest in both local and national political issues."

Digital Media

Since the initial acquisition of Vacher Dod in 2002, with its *dodonline* subscription website, Huveaux has continued to identify and grow its digital capacity. The importance of online business offerings and the capability to design, build and supply digital services has been a key driver in Huveaux's historic and future growth plans. Digital revenues already account for 28% of the Group's annualised turnover.

Our objective is to provide customers in all our markets with the high-quality content and services they require at the time and in the formats they require, whether through print, digital, seminars, classroom activity, events or a combination of any of these delivery formats. We have seen increasing demand for online digital offerings and we expect this to continue.

The acquisition of Parliamentary Communications in mid-2004 brought the prime UK political news and information website *ePolitix* into the Huveaux portfolio. This site is highly regarded for its political news and information and houses almost 400 MP websites with the number increasing monthly since the May 2005 election. The political monitoring service *ePolitixPlus* offers online bulletins tailored to specific industries and client needs. *ePolitixPlus* delivered revenue growth in excess of 29% in 2005.

At ATP-Egora, we also have in place a market-leading website for healthcare professionals in France and which provides e-bulletins for customers on profiled topics of interest. This business grew 37% in 2005.

The acquisition of Epic, which has increased Huveaux's digital revenues from £2.2 million to more than £11.0 million on an annualised basis, represents a further important step in cementing our online digital capabilities and ambitions. Within the Huveaux Group, the opportunity now exists to build on this invaluable experience and develop a wider range of digital offerings to the business communities we serve. It also provides the platform to further develop our existing content and knowledge resource through new methods of internet and electronic delivery. From this, we expect to create new profitable and customer-led revenue streams for the Group.

This year will see a further strengthening of Huveaux's digital capability and offerings as the Company grows its capacity and all divisions develop their own market-facing initiatives in this important strategic area. Huveaux will embrace a programme of internal development designed to offer our customers an online digital facility when and where they require it and across all markets and geographies.

Management Focus

With the increased size and breadth of the Group's operations, we have established a management structure which supports both current and future growth. Increased responsibility has been passed down the management chain, overseen by the experienced Huveaux Board. We have been enthusiastic to undertake this as we have been fortunate enough to inherit local management talent with the recently acquired businesses who are committed to our growth strategy. We have also successfully attracted additional sector management with relevant expertise to help strengthen our relatively young teams and deepen our resources.

The Executive Management Committee has recently been introduced and is chaired by myself. It also comprises the Finance Director, each Divisional Managing Director, the central Heads of Finance and Marketing & Development and the Company Secretary. Its primary objective is to review and monitor the actual operating and financial performance of the Group against Board approved business plans and budgets.

Our philosophy is to have short chains of command combined with tight financial control, enabling us to give local management teams the maximum tactical flexibility required to achieve their agreed objectives.

Each division is now headed by a Divisional Managing Director supported by a management team comprising the leaders of each individual business within that division. These teams are responsible for running the day-to-day operations of Huveaux.

We have also instigated formal management development programmes across the Group targeted at nurturing future management. One of our core Company values is to ensure our management team has a first-hand understanding of the needs of our customers.

Our People

This year's achievements and significant progress could not have been made without the enthusiasm, hard-work and commitment of all our staff.

With our two acquisitions this year, Epic and JBB Santé, we have been pleased to welcome new staff in both the UK and France. I am delighted with the way they have responded to the challenge and opportunities presented by change and by becoming part of the Huveaux Group.

We have a wealth of talent and experience at all levels across the Group and I would like to thank all staff for their contributions in 2005. I look forward to leading another year of exciting growth and development across our businesses and am confident that our management will lead the teams to deliver another good performance in line with our growth objectives.

Gerry Murray
Chief Executive Officer

Executive Management Committee

Huveaux's Executive Management Committee is chaired by Gerry Murray, CEO, and meets on a regular basis. Its primary objective is to review and monitor the actual operating and financial performance of the Group against the Board approved business plans and budgets.

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2

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1 From left to right:

Michael Arnaouti
Company Secretary
and Director of Corporate Services

Gerry Murray
Chief Executive Officer

Robin Hutchinson
Group Marketing & Development Director

2 From left to right:

Dan O'Brien
Group Finance Director

Simon Thompson
UK Finance Director

3 From left to right:

Alain Trebucq
Managing Director, Healthcare Division

Michael Hepburn
Managing Director, Political Division

Matt Gokhool
Managing Director, Learning Division

Financial Review

"The Group's results for the year to 31 December 2005 showed continued substantial growth and improvement from the existing businesses and from each of the two major acquisitions completed during the year, namely, Epic and JBB Santé."

Summary
The Group's results for the year to 31 December 2005 showed continued substantial growth and improvement from the existing businesses and from each of the two major acquisitions completed during the year, namely, Epic and JBB Santé. Turnover for the year was up 92% to £27.7 million (2004: £14.4 million) and pre-tax profits before exceptionals were up 74% to £4.3 million (2004: £2.5 million). The Group's balance sheet remains strong with net debt of £7.6 million at the year-end including, for the first time, bank debt of £10.3 million.

Turnover and Operating Results
Turnover for the year increased by 92% to £27.7 million of which acquisitions made during the year contributed £7.6 million. The turnover from the ongoing businesses grew by 12.5% in 2005 on a like-for-like basis, with acquisitions in the prior year contributing a further £3.8 million to the overall revenue increase.

Profit before tax was £2.1 million (2004: £2.1 million) and before exceptional items was £4.3 million (2004: £2.5 million).

Exceptional Items
The exceptional items totalling £2.1 million relate primarily to the planned restructuring of the operations at both Epic and JBB Santé, which commenced immediately following completion of their respective acquisitions. Costs associated with the restructuring of the Board composition also form part of the exceptional items.

An exceptional interest charge of £0.2 million was incurred during the year. This related to the £8.5 million bridging loan facility with Bank of Scotland which was established to part finance the acquisition consideration for Epic. The loan was repaid, and the facility cancelled, immediately following completion.

Taxation
The utilisation of tax losses, together with the increase in the proportion of the Group's profits which are generated in France, has led to an increase in the overall rate of effective tax to 20.3% (2004: 16.3%). While the Group continues to seek to optimise its tax position going forward, it is expected that the blended tax rate will increase further.

Earnings per Share
The adjusted EPS (pre-exceptional items) was 2.72 pence (2004: 2.19 pence), representing a 24% increase. Basic EPS was 1.45 pence (2004: 1.94 pence).

Dividends
Based on the Group's continuing strong financial performance and in line with the Company's stated progressive dividend policy, the Board is proposing a final dividend for the year of 1.1 pence per share, up 10% on last year's final dividend. Subject to shareholders approval at the forthcoming Annual General Meeting, this dividend will be paid on 31 May 2006 to shareholders registered on 28 April 2006.

Liquidity and Capital Resources
During the year, Huveaux entered into a €15.0 million (£10.3 million) seven-year term loan with Bank of Scotland. This loan was used to finance the acquisition consideration of JBB Santé together with the associated integration costs, initial working capital requirements and transaction fees.

Interest payable during the year on the term loan was £0.1 million. Interest receivable was £0.1 million, which is consistent with the prior year.

During the period, the business generated cash equal to 100% of its operating profit. This, less certain acquisition and restructuring costs, resulted in Group cash generated of £1.2 million (2004: £0.7 million). At the year-end, the Group had £2.7 million (2004: £3.1 million) of cash balances and net debt of £7.6 million.

Derivatives and Other Instruments
In 2005, Huveaux's financial instruments comprised bank loans, cash deposits and other items such as normal trade debtors and creditors. The main purpose of these financial instruments is to finance the Group's day-to-day operations. The Company held no derivative instruments during the year.

In February 2006, the Company entered into certain derivative transactions in order to manage the financial risk exposures arising from the Group's activities such as interest rate, liquidity and foreign currency risks. The Group's policy is that no speculative trading in derivatives is permitted. The Board regularly reviews and agrees policies for managing these risks and the current situation is as follows:

Liquidity Risk
The Group has in place a £1.0 million working capital facility with Bank of Scotland for the purpose of providing contingency funds in the event of any significant delay in converting working capital into cash.

Foreign Currency Risk
The Group now derives a significant proportion of revenue from its operations in France. The investment in these operations is naturally hedged by the €15.0 million seven-year term loan. In February 2006, the Group entered into a forward exchange contract to partially hedge the exposure on translating the resulting profits and cash flows from its French operations into sterling.

Interest Rate Risk
The outstanding €15.0 million seven-year term loan attracts interest payable in Euros and is calculated with reference to the prevailing Euribor interest rate. In order to limit any forward exposure to changes in the Euribor rate, the Group has entered into an interest rate cap for the term of the loan.

Adoption of International Financial Reporting Standards
Huveaux is required to comply with International Financial Reporting Standards ('IFRS') with effect from 1 January 2007. We are currently undertaking a review programme in relation to the requirement of IFRS and their likely impact on the Group's financial position. It is expected that this review will be completed during the first half of 2006. Consequently, we propose to update shareholders further as part of the Company's 2006 interim results announcement.

Dan O'Brien
Group Finance Director

Review of Operations

Political Division

To find out more visit:
www.dodparlicom.co.uk
www.dodonline.co.uk
www.epolitix.co.uk

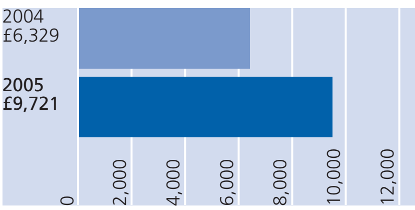
Michael Hepburn
Managing Director, Political Division

Comment:

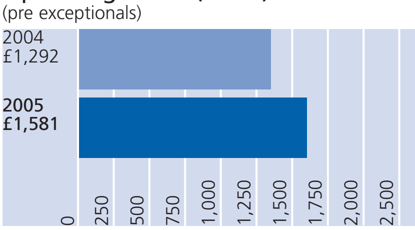
Our management team has established a wealth of experience and expertise in our products and services which has helped to make Dods the industry leader.

The Political Division will continue to thrive in our key markets of Whitehall, Westminster and Brussels because we have the people, the products and the knowledge to provide the most useful information and communication tools for the policy-making community.

Turnover (£'000)



Operating Profit (£'000)
(pre exceptionals)



Introduction

The Huveaux Political Division, which trades under the highly respected Dods brand name, is the leading political information, public affairs and policy communication specialist in the UK and EU. It comprises a wide range of market-leading magazines, websites, databases, reference books and events. The unique relationship we have with the UK Parliament means that our products are customer-critical for those working in the political arena.

Our magazines offer comprehensive and quality editorial content which influences, informs and educates, resulting in an essential read for those interested in government, policy and the decision-making process. Our online services in particular provide a vital resource for the policy-making community. Up to the minute political news and data is supported by regular briefings and digests ensuring timely, accurate and intelligent information on the political issues of the day.

In 2005, the highlight of the year for the political markets was the UK general election in May. Traditionally, this has created a challenging environment for trading with a quiet period preceding the election followed by a revenue lift opportunity immediately afterwards. By developing a new range of offerings for our customer base, we were able to avoid the pre-election dip and produce a very substantial increase in profits. A key contributor to this came from the performance of the Data & Reference business, in particular the 2006 edition of the industry renowned *Dods Parliamentary Companion*.

As we develop and broaden our markets, we were particularly heartened with the performance in 2005 of our fortnightly publication for the senior Civil Service, *Whitehall and Westminster World*. This has rapidly established itself as the sector's leading journal and has featured in-depth interviews with the key players and influencers within the Civil Service. As a result, the publication saw an increase in revenue of 19%. We intend to grow the brand potential of this publication during 2006 with a series of associated offerings.

Our political recruitment business, *Electus*, also performed strongly in the year with a rise in turnover of 68%. Importantly, *Electus* has been involved in placing some of the most senior public affairs professionals in the industry. Its specialist knowledge and approach makes it the first choice for public and private sector organisations looking to recruit senior communication professionals. We believe that the recruitment market will continue to be buoyant in 2006 and *Electus* is ideally placed for further growth.

The *Dods* portfolio provides the widest range of information to those working in and around the political communities. A key area of growth has been in our political monitoring service, *ePolitixPlus*, which has benefited from technological advancements which have enabled us to improve the end service to our clients. The need to keep abreast of proposed and new legislation and potential developments in policy make our political monitoring a must-have for those working in the public affairs environment. We expect to continue the development and expansion of our monitoring service throughout 2006.

Overall, the Political Division saw a profits increase year-on-year of 22% with improvements in our well-established publications such as *The House Magazine*. In addition, Dods grew its event and awards business with the third year of the *ePolitix Charity Champions Awards* and the inaugural *Public Affairs News Awards*.

2006 will see further developments across the Political Division to ensure that we leverage the maximum potential value from the strength of all our brands, products and services.

Profiling and facilitating the debate

Microsoft regularly works with Dods publications to help articulate its vision and message to Parliament and the government. In late 2005, Microsoft joined with the Parliamentary Monitor's publication, 'Blue Skies,' to host a keynote debate for an invited audience on the 'Future of Learning,' featuring Bill Rammell MP (Minister for Higher Education and Lifelong Learning), Barry Sheerman MP (Chair of the Education and Skills Committee) and Chief Executives and Directors from Partnerships for Schools, The Design Council and Microsoft.

David Burrows (above), Director of Education and Voluntary Markets at Microsoft, who spoke at the event: "We are delighted to both sponsor and contribute to this important debate. Dods put the focus on a vital topic with high profile speakers and informed contributions from the audience. The Blue Skies magazine allowed for a more in-depth review of the issues. Overall, this was a highly valuable opportunity."

Review of Operations (continued)

Learning Division

To find out more visit:
www.lonsdalesrg.co.uk
www.fenman.co.uk
www.epic.co.uk

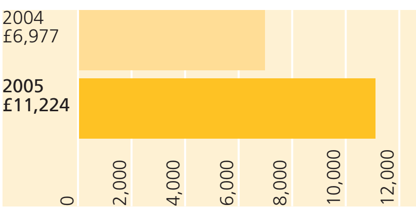
Matt Gokhool
Managing Director, Learning Division

Comment:

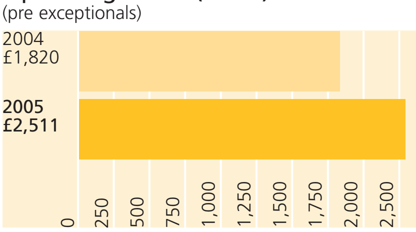
Our purpose is to assist our customers whilst they face the challenges of a competitive global environment.

We provide innovative learning and development solutions focused on knowledge building and retention, skills improvement and perception enhancement.

Turnover (£'000)



Operating Profit (£'000)
(pre exceptionals)



Introduction

Huveaux's Learning Division, originally comprising the businesses of Lonsdale, Fenman and Political Knowledge, expanded substantially in 2005 with the acquisition and successful integration of Epic Group plc.

Lonsdale is a specialist publisher of revision guides and workbooks for primary and secondary schools, predominantly at GCSE level, in England and Wales. *Lonsdale's* business grew significantly and delivered a 23% improvement in operating profit for 2005. The opportunity for further growth in 2006 exists with the introduction of a new curriculum for Key Stage 4 Sciences which we are working towards and are on track to deliver.

Fenman has enjoyed a reputation for producing high-quality, professional training resources and materials. The introduction of a new management team and the restructuring of the business in 2005 has led to a more balanced cost structure and a more flexible approach to supplying training solutions.

Training Journal was relaunched during the year as *TJ* – the publication for learning and development. The production of the publication was also moved to sit alongside Huveaux's other publications in London and which move has delivered associated costs savings. *TJ* is the market-leading industry title.

2006 will see the launch of a new website providing an international online resource for trainers and those working in learning and development. This new e-commerce site will provide a showcase for training products and allow users to shape the resource to their own particular work environment and needs.

Westminster Explained offers high-quality training and development seminars to the public and private sector. The associated *Certificate in Public Sector Delivery* offers top of the range professional training programmes for people working in the civil service and the public sector. Allied to these is *Westminster Briefing* which offers political and policy specialists the rare opportunity to hear about proposed government legislation and initiatives direct from key parliamentary figures.

The Political Knowledge business dealt robustly with the issues an election year brings and showed good growth. Particularly pleasing was the increased uptake for the *Certificate in Public Sector Delivery.* Despite the difficulties posed by the election, this area of business showed a 12% increase in operating profits. 2006 is expected to be strong with the launch of two new Certificate programmes aimed at managers and lower grade Civil Servants.

The acquisition of Epic, the UK market leader in e-learning, blended learning and knowledge solutions, broadens substantially the expertise and knowledge of the Learning Division and contributes significantly to the mission of the division – *'learning at the heart of business success.'* Epic has won numerous awards for highly innovative work in the application of online technologies to learning.

A new senior management team structure has delivered strong results and is providing experienced leadership for the company which is already demonstrating the benefit of being part of an enlarged professional learning business. The opportunity to use Epic's award-winning creativity and leading technology applications across the entire Huveaux Group provides further options to sustain high return organic growth.

Epic itself will strengthen its operational base by developing a broader business model that makes best use of the company's owned IP and skills. This will be realised through the strategy highlighted in the CEO's Review in this Report. It is from this strong foundation that the Learning Division is confident of expanding its business and influence within the world of learning and education.

Improving performance through partnership in learning

As with all schools, Epsom and Ewell High School in Surrey, England is dedicated to the teaching and development of students and offers a varied curriculum for all to achieve. It has a highly regarded Physical Education (PE) department which is currently applying to become a Specialist Sports College having already achieved the Football Association Charter Mark. Lonsdale publishes focused work books and exam and test revision guides for primary and secondary school students, predominantly at GCSE level.

Joanne MacDonald (above), Head of PE at Epsom and Ewell High School: "Not only do we use Lonsdale's Physical Education revision guides as a revision guide, we also use them as an integral part of every lesson. The simple layout, structure and easy to follow diagrams aid both the teachers and students to interpret the specification. The use of colour also helps to make it more interesting. We try to encourage all students to use the Lonsdale revision guide over any other, not only because of the high-quality content and layout, but also because it is exceptionally good value for money."

Review of Operations (continued)

Healthcare Division

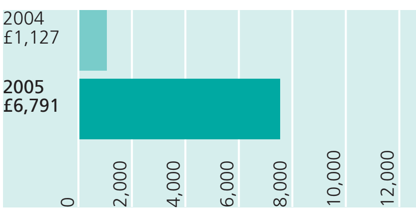
To find out more visit:
www.egora.fr
www.webcardio.com

Alain Trebucq
Managing Director, Healthcare Division

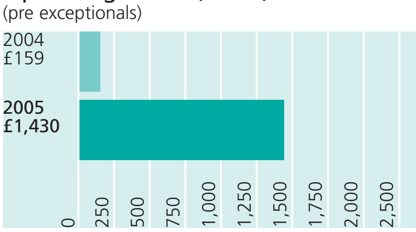
Comment:

Merging ATP-Egora and JBB Santé is a very exciting challenge. We can now offer the complete range of major medical magazines, electronic publishing, events and contract publishing – and all this at a time when French healthcare professionals are having to meet their new obligations, mainly continuous medical education and evaluation of practice.

Turnover (£'000)



Operating Profit (£'000)
(pre exceptionals)



Introduction
During 2005, Huveaux realised its strategic ambition to build its Healthcare Division. Following the purchase of ATP-Egora in 2004, Huveaux acquired Les Editions Jean-Baptiste Baillière Santé in October 2005. By doing so, Huveaux created the second largest medical publishing company in the French market and the leader in Continuing Medical Education (CME).

The Healthcare Division now publishes *Panorama du Médecin,* a weekly focus on public health and medical news, targeted at all doctors but available also to other healthcare professionals, *La Revue du Praticien,* the most famous French CME magazine for doctors, and *Le Concours Medical,* a medical bi-monthly focused on everyday practice such as legal information, business improvement ideas, CME and evaluation of medical practice performance.

In addition, the Division publishes *Les Archives des Maladies du Coeur et des Vaisseaux,* a monthly magazine from the French Heart Society, and four magazines on medical networks: *Réseaux Cancer, Réseaux Diabete, Réseaux Hepatites, Réseaux Respiratoire.*

Journées Nationales de Médecine Générale supports the publishing and continuing professional development role of the Division by organising medical events.

In line with Huveaux's digital ambitions, the Healthcare Division also operates the leading medical website in France, www.egora.fr, a well respected and highly regarded information, data and news service. The Division has seen strong growth, in particular from ATP-Egora, which saw its revenue increase 37% from €1.5 million in 2004 to €2.0 million in 2005, principally arising from the high-growth in new media activity (i.e. internet and contract publishing).

JBB Santé, on a like-for-like-basis, has seen total revenue increase by 3.6% from €18.9 million in 2004 to €19.6 million in 2005. However, in line with Huveaux's added-value strategy, we have streamlined and replaced the former management with our own experienced team.

To complete the integration of the Healthcare Division, ATP-Egora and JBB Santé will be physically merged into one single operating unit by the end of the first quarter 2006. The Division will also continue to realise significant savings from earlier management actions and, in line with our post-acquisition strategy, we will be undertaking a full review of current product offerings and services to identify further growth opportunities.

With the development of our online presence and the opportunity to offer continuing professional development, Huveaux's expertise in e-learning will bring continued growth through our new media presence. This opportunity realises the potential for Huveaux to fully exploit Group expertise and knowledge to the advantage of our individual businesses.

With industry-leading magazine titles, electronic publishing, events and contract publishing, the Healthcare Division now has the strongest offerings in the French healthcare market.

Helping doctors and healthcare professionals offer more to their patients

Roche is one of the world's leading healthcare company's whose products and services help to prevent, diagnose and treat diseases, thus enhancing people's health and quality of life. Their global offerings, for the likes of HIV and Hepatitis C, extend beyond drugs and treatment into related medical information for doctors and self-help adherence programmes for patients. In support of this strategy, Huveaux works alongside Roche through its market-leading medical publications (such as La Revue Praticien) and website, www.egora.fr, to ensure the delivery of the latest drug-related news and continuing medical education to doctors and healthcare professionals.

Monelle Muntlak (above), Head of Virology at Roche Pharmaceutical, France: "HIV infection and Hepatitis are medical fields where knowledge is changing and progressing all the time so physicians need to have easy access to the best medical articles and commentary. This is one of the reasons why we work with Huveaux's publications, magazines and website – they all deliver high-quality medical information and services."

Digital Media

Introduction

The capacity to deliver information online and the ability to design, build and supply digital services has been a key driver in Huveaux's growth strategy from the outset. Digital revenues have grown significantly over the past couple of years and now account for 28% of the Group's annualised turnover. This is set to accelerate further in 2006.

Huveaux's digital strategy is based on a process of continuous integration. To date, the focus has been on:

- Using online delivery to provide readers and customers with up-to-date information on time-sensitive issues;
- Strengthening relationships with readers and building online communities by providing access to archived material and tailored information channels through our portals; and
- Acquiring companies where digitally-based services and solutions are a major revenue generator.

In the immediate future, our digital strategy will be broadened to include:

- Maximising the digital potential of all our publishing, learning and consulting activities;
- Exploring new markets for our existing digital offerings; and
- Identifying further potential opportunities for increased efficiencies through online Continuing Medical Education (CME) and for revenue growth through e-commerce.

Political Division

The initial acquisition of Vacher Dods in 2002 included *dodonline*, the internet-based political biography site. The site provides key content to the Houses of Parliament websites as well as being a vital information portal in its own right.

In 2004, Huveaux acquired Parliamentary Communications. This included *ePolitix,* the prime political news and information website which also provides daily contact between the work of Parliament and those who wish to understand and influence policy issues. The site is highly valued for its up-to-date political news and information and boasts almost 400 MPs among its online community as well as over 10,000 subscribers.

ePolitix has strengthened and deepened its relationship with this community by also offering online bulletins tailored to specific industry and client needs. This initiative saw a 29% growth in revenue in 2005; overall, the addition of *ePolitix* has grown the value of Huveaux's online presence sixfold.

Learning Division

The acquisition of Epic in August 2005 has increased Huveaux's digital capacity onto another dimension and increased the Group's digital revenue from £2.2 million to more than £11.0 million on an annualised basis.

Epic is the UK's leading provider of bespoke e-learning solutions across both the public and private sectors. Major clients include the Department of Work and Pensions, the Ministry of Defence, Royal Bank of Scotland and O_2. Epic is a core part of Huveaux's Learning Division, which also includes Fenman, the leading producer of training materials for professionals, and Lonsdale, the leading publisher of revision guides and workbooks for primary and secondary schools. The three companies are currently working together to leverage their combined strengths and skills to develop digital versions of their most successful products and to make full use of their combined sales and marketing channels.

Healthcare Division

With the purchase of ATP-Egora in 2004, Huveaux took ownership of www.egora.fr, the market leader and highly respected information, data and news site for the medical sector. High growth in new media activity was largely responsible for a 23% rise in the Healthcare Division's 2005 like-for-like revenue. The possibility of an Epic/JBB Santé joint venture delivering online CME to the French medical market is currently being explored.

The Future

Our digital strategy is characterised by an information model that offers the customer an integrated desktop and effortlessly switchable online package consisting of:

- Added-value information;
- Commercial intelligence, specified by the user;
- Industry sector news, including first class journalism, free at the point of delivery and enhanced by search related advertising; and
- E-learning content: formal and informal, available 24/7 and totally effective.

Together, these elements reflect our core and simple mission: the timely creation and delivery of high-quality, essential and intelligent information that enables our customers to know more and perform better.

Online information delivered 24/7, any place, anywhere

O_2 takes compliance training very seriously on the basis that it increases their status as a socially responsible company, demonstrates their commitment to good corporate governance practice and ultimately increases and sustains their business performance. Project Impress comprised the creation of a suite of five new online e-learning programmes and an ethical trivia game in support of O_2's induction and on-going training process. Epic partnered with O_2 to help improve upon the existing compliance training by providing a better experience and enhancing retention and application of learning objectives amongst O_2's employees.

Jonathan Gaw (above), Compliance, Knowledge and Training Manager at O_2: "Working on the biggest and most advanced e-learning project to date for O_2 brought with it many challenges (including interacting with three suppliers), but Epic's experience, openness, depth of resources and project management ability enabled us to deliver a complex project to the highest standards. I would single out Epic's excellent Instructional Design team which really brought to life our sometimes dry legal subjects whilst communicating the messages effectively."

Directors' Report

The directors present their Report on the affairs of the Group together with the audited financial statements for the year to 31 December 2005.

Principal Activities and Business Review

The Group's principal activity is the creation, development and distribution of information to business and professional markets through a combination of publications, conferences and events, online and electronic products, training courses and other media. A review of the Group's performance during the year and its position at the year end, including commentary on its financial performance, likely future developments and prospects, is set out on pages 4 to 18 and should be read in conjunction with this Report. Principal subsidiaries are listed in note 16 to the accounts on page 41.

Results and Dividends

The Group's financial results for the year are shown in the Consolidated Profit and Loss Account on page 24. The directors recommend a final dividend of 1.1 pence per Ordinary share (2004: 1.0 pence) which, if approved by shareholders at the forthcoming Annual General Meeting (see below), will be paid on 31 May 2006 to shareholders on the register at the close of business on 28 April 2006.

Major Transactions

On 21 July 2005, the Company announced a conditional offer to acquire from a private equity fund, the entire issued share capital and debt of COPEF S.A. which comprised the business of Les Editions Jean-Baptiste Baillière Santé, ('JBB Santé'), the leading publisher of continuing medical education magazines in France. The total consideration paid of £7.9 million (€11.5 million) comprised £0.2 million cash and debt transfer of £7.7 million. The acquisition was completed on 5 October 2005 with the consideration financed, together with integration costs, initial working capital requirements and transaction fees, through a €15.0 million (£10.3 million) seven-year term loan from Bank of Scotland. JBB Santé has been fully integrated with the existing medical business in France (namely, ATP-Egora) and together they operate as the Group's newly formed Healthcare Division.

On 28 July 2005, the Company announced a recommended conditional offer to acquire the entire issued and to be issued share capital of Epic Group plc, the UK's leading provider of e-learning products. The offer made for each Epic Ordinary share was 1.33 new Huveaux Ordinary shares plus 35.0 pence in cash and included a mix and match facility. The offer was declared wholly unconditional on 22 August and completed in all respects following the attainment of a 90% controlling interest on 25 August and the subsequent compulsory acquisition of the residual minority interest. The net consideration paid of £11.6 million was satisfied as to £8.3 million in cash, funded by an £8.5 million bridging loan facility from Bank of Scotland (which was repaid in full immediately following completion), and £3.3 million in the form of 32,562,911 new Huveaux Ordinary shares, issued and credited as fully paid. Epic has been integrated with and now forms part of the Group's enlarged Learning Division.

During the year, the Company settled the residual deferred consideration of £1.5 million arising from the acquisition of Lonsdale in 2003 in the form of £1.1 million in cash and £400,000 in the form of 1,142,855 new Huveaux Ordinary shares, issued and credited as fully paid.

Post Balance Sheet Event

On 9 February 2006, the Company sold the trade of the mailing business of JBB Santé for a cash price of £148,000.

Share Capital

At the Annual General Meeting held on 12 April 2005, shareholders granted the Company limited authority to purchase its own shares, subject to certain specified conditions. No such purchase was made during the year and a resolution seeking to renew this authority is proposed at the Annual General Meeting.

At the Extraordinary General Meeting held on 7 September 2005, shareholders approved an increase in the authorised share capital of the Company from £17.5 million to £20.0 million. Further details of this and the increase in the issued share capital of the Company during the year (arising from the acquisition of Epic and the part deferred consideration paid for Lonsdale as above) are given in note 22 to the accounts on page 43.

Substantial Shareholdings

As at 6 March 2006, the Company had been notified of the following interests in 3% or more of its issued share capital:

AXA Investment Managers UK Limited	16.8%
HBOS plc	5.6%
Scottish Widows Investment Partnership	4.2%
Foreign & Colonial Asset Management Limited	4.2%
Aberdeen Asset Managers Limited	3.9%
Jupiter Asset Management Limited	3.7%
Singer & Friedlander Investment Management	3.5%
Schroder Investment Management Limited	3.3%

Share Listing

The Company's Ordinary shares are listed on the Alternative Investment Market (AIM), which is regulated by the London Stock Exchange.

Directors

The names and brief biographical details of the current directors are given on page 6. All directors held office throughout the year and up to the date of this Report with the exception of Dan O'Brien, who was appointed to the Board on 1 January 2006, and David Horne and Jean-Marie Simon, who resigned from the Board on 31 December 2005 and 6 March 2006 respectively.

Retirement and Rotation of Directors

Pursuant to the Company's Articles of Association, John van Kuffeler will retire by rotation at the Company's Annual General Meeting and, being eligible, offers himself for re-election. Dan O'Brien will retire at this year's Annual General Meeting (having been appointed since the last AGM) and, being eligible, offers himself for election. The service contract arrangements between the Company and Messrs van Kuffeler and O'Brien provide for termination by either party on 12 months and six months notice respectively.

The service contracts and letters of appointment for all directors, together with the statutory Register of Directors' Interests, are available for inspection by shareholders at the Company's registered office during normal business hours.

Directors' Interests

Details of the directors' interests (including those of their immediate families and any connected persons) in the share capital of the Company at the beginning and end of the year are set out below. Save as disclosed, no contracts or arrangements were entered into during the year or subsisted at the year-end in which a director had, directly or indirectly, a material interest which was significant in relation to the Group's business.

	Interest in Ordinary shares[1]		Interest in Options over Ordinary shares[2]		
	At 01/01/05	At 31/12/05	At 01/01/05	Granted	At 31/12/05
John P de Blocq van Kuffeler	2,444,036	2,459,036	367,000	300,000	667,000
David B Horne	217,000	267,000	398,142	–	367,000
Gerry Murray	100	94,189	925,925	174,075	1,100,000
Jean-Marie G Simon	–	–	305,000	–	305,000
Christina G Benn	1,471,861	1,471,861	–	–	–
Timothy J Benn	1,471,861	1,471,861	–	–	–
John L Clarke	215,180	215,180	–	–	–

Notes:

1 There have been no changes in the directors' beneficial or non-beneficial interests between the year-end and 6 March 2006, the date on which this Report has been signed. Save as disclosed, none of the directors had any interest in the securities of the Company or any subsidiary.

2 All options relate to awards made under the Huveaux (Unapproved) Executive Share Option Scheme except for 31,142 options lapsed by David Horne during the year under the Huveaux Savings-Related Share Option Scheme. Further details of the Company's share option schemes, including all outstanding options at the year-end, the various option exercise prices and the EPS performance condition attaching to the pre-exercise of all Executive Share Options, are set out in note 22 to the accounts on page 43.

Employee Involvement

Huveaux aims to attract, retain and motivate the highest calibre of employee by encouraging and rewarding high performance, both on an individual and team contribution basis, through competitive remuneration and incentive arrangements. Considerable efforts are made to provide employees with a continuing opportunity to develop their full potential and advance to positions of greater responsibility by gaining the relevant skills and experience required to deliver upon both the Group's business objectives and the individual's own personal objectives.

The Group is committed to providing equality of opportunity to all existing and prospective employees without lawful or unfair discrimination. In addition, it is supportive of the employment and advancement of disabled persons.

All operations within the Group actively encourage employee involvement and communication, both through regular employee briefings and by direct access to managers and directors at all levels.

Employee Share Schemes

The Company has established a discretionary share incentive scheme for executive, senior management and key employees from those principal countries in which the Group operates. It has also established a UK all-employee Savings-Related Share Option Scheme (which is proposed to be extended to facilitate overseas employees as well) which encourages share ownership by providing employees with the opportunity to acquire shares in the Company at a discount to the market price through regular savings. Further details of these two share option schemes are set out in note 22 to the accounts on page 43.

Political and Charitable Donations

No charitable donations were made in the year (2004: £110). No political donations were made in the year (2004: £ nil).

Creditor Payment Policy

The Group's practice is to settle the terms of payment and credit with suppliers as part of the agreed terms and conditions of contract governing each business transaction. Payment is then made pursuant to these terms provided that the goods and services have been delivered in accordance with the agreed contract terms and conditions. The average creditor payment period for the Company during the year was 53 days (2004: 50).

Health, Safety and Environmental

The Chief Executive Officer is the director responsible to the Board for the health, safety and environmental performance of the Group. Local management has been delegated responsibility for practical day-to-day compliance with relevant legislation at operating unit level. This includes the requirement for a local policy statement, the provision of appropriate related training as well as the communication to all employees of the need to create and maintain a safe and healthy working environment.

In appreciating the importance of good environmental practice, Huveaux seeks to ensure that its operations and products cause minimum detrimental impact to the environment. The Group's objective is to comply with environmental legislation in all countries in which it operates and to promote effective environmental management throughout its businesses.

Corporate Governance

The Company is committed to establishing and maintaining:

- integrity and high ethical standards in all of its business dealings; and
- high standards of corporate governance – the process by which the Group is directed and managed, risks are identified and controlled and effective accountability assured.

In this respect, the Company has applied many of the principles outlined in the Combined Code on Corporate Governance ('the Code'). For example, there is in place a programme of communication with shareholders, a Board which comprises a majority of independent non-executive directors, a schedule of matters specifically reserved to the Board and a properly constituted Remuneration, Audit and Nomination Committee. There is also in place a system of internal control appropriate to the business, although it must be recognised that any control system can only provide reasonable and not absolute assurance against material misstatement or loss.

Given the Group's relatively small size till late, the Board has not complied with all the principles of the Code (which strictly does not apply to the Group as an AIM listed company), nor undertaken a full review of the same which it proposes to do during the course of the current year and report upon to shareholders next year. This review will

Directors' Report (continued)

extend to cover, inter alia, internal controls and the risk management framework and directors' remuneration policies, procedures and disclosures. The overall purpose of the review will be to take Huveaux to a higher level of professional management and good corporate governance practice over the next 12-18 months as the Company continues to deliver upon its growth expansion strategy.

Going Concern
The directors believe, having reviewed the Group's budget for the year to 31 December 2006 and its existing banking and loan facilities, that the Group has adequate resources available to continue its operations for the foreseeable future. Consequently, the going concern basis has been applied in preparing the financial statements for the year to 31 December 2005.

Auditors
A resolution to reappoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 27 April 2006 at the offices of Eversheds LLP, Senator House, 85 Queen Victoria Street, London EC4V 4JL. A separate circular, comprising a letter from the Chairman, Notice of Meeting, explanation of Special Business and a reply-paid Form of Proxy, accompanies this document.

By order of the Board

Michael Arnaouti
Company Secretary

6 March 2006

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are both reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for:

- keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985; and
- taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Company's website on the internet. Financial information published on the website is based on legislation in the UK governing the preparation and dissemination of accounts, which may be different from comparable legislation in other jurisdictions.

Independent Auditors Report to the Members of Huveaux PLC

We have audited the Group and parent company financial statements (the 'financial statements') of Huveaux PLC for the year-ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 22.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2005 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

6 March 2006

Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover			
Continuing operations	2	**20,065**	14,433
Acquisitions	2	**7,671**	–
		27,736	14,433
Cost of sales	3	**(15,646)**	(6,872)
Gross profit	3	**12,090**	7,561
Administrative expenses	3	**(7,826)**	(5,217)
Exceptional items	3, 4	**(1,903)**	(322)
Total administrative expenses		**(9,729)**	(5,539)
Continuing operations	2	**1,882**	2,022
Acquisitions	2	**479**	–
Total operating profit		**2,361**	2,022
Other interest receivable and similar income	8	**111**	116
Interest payable and similar charges	9	**(105)**	(10)
Exceptional items	4, 9	**(231)**	–
Interest payable and similar charges	9	**(336)**	(10)
Profit on ordinary activities before taxation	5	**2,136**	2,128
Tax on profit on ordinary activities	10	**(433)**	(345)
Profit for the financial year		**1,703**	1,783
Earnings per share – basic	12	**1.45p**	1.94p
Earnings per share – diluted	12	**1.44p**	1.92p
Adjusted basic earnings per share before exceptional items	12	**2.72p**	2.19p

The accompanying notes form an integral part of this consolidated profit and loss account.

Historical cost profit is the same as reported profit and therefore a statement of historical cost profit is not required.

Consolidated Balance Sheet
at 31 December 2005

	Note	2005 £'000	2004 As restated (see Note 1) £'000
Fixed assets			
Intangible assets	14	**51,083**	38,046
Tangible assets	15	**1,000**	800
		52,083	38,846
Current assets			
Stocks	17	**2,150**	1,329
Debtors	18	**12,666**	4,638
Cash at bank and in hand		**2,678**	3,120
		17,494	9,087
Creditors: Amounts falling due within one year	19	**(13,919)**	(7,671)
Net current assets		**3,575**	1,416
Total assets less current liabilities		**55,658**	40,262
Creditors: Amounts falling due after more than one year	20	**(10,065)**	(77)
Provision for liabilities and charges	21	**(1,552)**	–
Net assets		**44,041**	40,185
Capital and reserves			
Called-up equity share capital issued	22	**14,017**	10,646
Called-up equity share capital not issued	22	**–**	400
Share premium account	23	**26,795**	26,444
Merger reserve	23	**409**	409
Profit and loss account	23	**2,820**	2,286
Equity shareholders' funds		**44,041**	40,185

The accompanying notes form an integral part of this consolidated balance sheet.

These financial statements were approved by the Board of directors and were signed on its behalf by:

John P de Blocq van Kuffeler
Executive Chairman

Dan O'Brien
Group Finance Director

6 March 2006

Company Balance Sheet

at 31 December 2005

	Note	2005 £'000	2004 As restated (see Note 1) £'000
Fixed assets			
Intangible assets	14	**12,193**	12,193
Tangible assets	15	**371**	424
Investments	16	**38,409**	25,332
		50,973	37,949
Current assets			
Stocks	17	**492**	615
Debtors (including £9,807,000 (2004: nil) due after more than one year)	18	**11,361**	1,003
Cash at bank and in hand		**1,689**	2,534
		13,542	4,152
Creditors: Amounts falling due within one year	19	**(4,510)**	(2,747)
Net current assets		**9,032**	1,405
Total assets less current liabilities		**60,005**	39,354
Creditors: Amounts falling due after more than one year	20	**(10,183)**	(376)
Provision for liabilities and charges	21	**(144)**	–
Net assets		**49,678**	38,978
Capital and reserves			
Called-up equity share capital issued	22	**14,017**	10,646
Called-up equity share capital not issued	22	**–**	400
Share premium account	23	**26,795**	26,444
Merger reserve	23	**409**	409
Profit and loss account	23	**8,457**	1,079
Equity shareholders' funds		**49,678**	38,978

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Board of directors and were signed on its behalf by:

John P de Blocq van Kuffeler
Executive Chairman

Dan O'Brien
Group Finance Director

6 March 2006

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Cash flow statement			
Cash flow from operating activities	26	**1,173**	656
Returns on investments and servicing of finance	27	**(225)**	106
Taxation		**(385)**	(49)
Capital expenditure and financial investment	27	**(359)**	(309)
Acquisitions and disposals	27	**(9,849)**	(17,122)
Dividends paid on shares classified in shareholders' funds		**(1,076)**	(629)
Cash outflow before management of liquid resources and financing		**(10,721)**	(17,347)
Management of liquid resources		**–**	(47)
Financing	27	**10,389**	16,787
Decrease in cash in the year	28	**(332)**	(607)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		**(332)**	(607)
Cash (inflow)/outflow from (increase)/decrease in debt		**(10,323)**	240
Change in net funds resulting from cash flows		**(10,655)**	(367)
Translation differences		**(110)**	17
Movement in net debt in the year		**(10,765)**	(350)
Net funds at the start of the year		**3,120**	3,470
Net (debt)/funds at the end of the year		**(7,645)**	3,120

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	**1,703**	1,783
Currency translation differences	**(93)**	30
Total recognised gains and losses relating to the financial year	**1,610**	1,813

Reconciliation of Movements in Consolidated Shareholders' Funds
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	**1,703**	1,783
Dividends on shares classified in shareholders' funds	**(1,076)**	(629)
Retained profit for the financial year	**627**	1,154
Other recognised gains and losses relating to the year (net)	**(93)**	30
New share capital subscribed (net of issue costs)	**3,322**	16,787
Net addition to shareholders' funds	**3,856**	17,971
Opening shareholders' funds as originally stated	**39,120**	21,585
Prior year adjustment (see Note 1)	**1,065**	629
Opening shareholders' funds as restated	**40,185**	22,214
Closing shareholders' funds	**44,041**	40,185

Notes to the Financial Statements
for the year ended 31 December 2005

1 Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements, with the exception of Financial Reporting Standard 21: 'Events after the balance sheet date' (FRS21).

As a result of the Company adopting FRS21, when the Group declares dividends to shareholders after the balance sheet date, such dividends are not considered to represent a liability of the Group as at the balance sheet date. Previously, under the Statement of Standard Accounting Practice 17: 'Post balance sheet events', if the final dividend had been declared, authorised and was no longer at the Group's discretion as at the date of approval of the financial statements, the dividends were treated as an adjusting post balance sheet event and accrued in the accounts for the year to which it related.

The final dividend for the year ended 31 December 2004 of £1,065,000 has been included as a deduction from the profit and loss account for the year ended 31 December 2005. This is in addition to the £11,000 dividend paid on shares issued after 31 December 2004, but prior to 15 April 2005. The recommended final dividend for the year ended 31 December 2005, of £1,542,000, has not been accrued as a liability in the accounts for the year ended 31 December 2005, but has been disclosed as a post balance sheet event in the notes to the accounts.

The accounts for the year ended 31 December 2004 have been restated to increase the retained profit for the year and reduce the accrual for dividends by £1,065,000 respectively. The effect of this change in policy on earlier periods was to increase net assets at 1 January 2004 by £629,000.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, except in respect of intangible assets.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2005. Profits arising on trading between Group undertakings are excluded. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

As permitted by section 230(4) of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these accounts. The profit after taxation attributable to Huveaux PLC for the year and dealt with in the financial statements of the Company was £8,454,000 (2004: £930,000).

Turnover and revenue recognition
Turnover represents the amounts derived from the provision of goods and services to third party customers, net of trade discounts and VAT. Turnover in respect of subscription-based services, including online services, is recognised on a straight line basis over the period of subscription. Turnover in respect of advertising services is recognised upon publication. Turnover in respect of conferences and seminars is recognised when the event is held. Where publications are printed and distributed in more than one volume, revenue is deferred until the complete publication has been delivered.

Turnover relating to e-learning contracts is recognised on the basis of the accounting policies on long term contracts. Turnover in all other respects is recognised when the goods or services are delivered to the customer.

Intangible assets: *Group*
In accordance with Financial Reporting Standard 10: 'Goodwill and intangible assets', intangible assets arising on consolidation are capitalised. Intangible assets are amortised to nil by equal instalments over their estimated useful economic lives unless they are considered to have an indefinite useful economic life, in which case they are not amortised but subject to annual review for impairment. Each acquisition is assessed with reference to its durability, ability to sustain long-term profitability and proven ability to maintain market leadership. Based on their assessment, the directors are of the opinion that the publishing rights of the Group have indefinite useful economic lives.

Where intangible assets are treated as having an indefinite economic life, the financial statements depart from the requirement of Schedule 4 of the Companies Act 1985 to amortise intangible assets over a finite period, in order to give a true and fair view for the reasons outlined above. Capitalised publishing rights regarded as having an indefinite useful economic life amounted to £47,772,000 as at 31 December 2005 (2004: £38,046,000). If these intangible assets were to be amortised over a period of 20 years, the maximum period recommended under FRS 10, operating profit for the year ended 31 December 2005 would have decreased by £2,025,000 (2004: £1,600,000).

In accordance with Financial Reporting Standards 10 and 11: 'Impairment of fixed assets and goodwill', the carrying values of publishing rights are reviewed annually for impairment on the basis stipulated in FRS 11 and adjusted to the recoverable amount if required. No such adjustment was considered necessary as at 31 December 2005 or 2004.

Purchased goodwill (representing the excess of the fair value of the consideration paid over the fair value of the separable net assets acquired) arising on consolidation in respect of non-publishing acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased in the same acquisition are recovered, whether through depreciation or sale.

Notes to the Financial Statements (continued)

Intangible assets: *Company*
In 2002, the trade and net assets of a subsidiary undertaking were transferred to the Company at their net book value which was less than their fair value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets, including intangible assets, at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. Schedule 4 to the Companies Act 1985 required that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors considered that, as there had been no overall loss to the Company, it would have failed to give a true and fair view to charge that diminution to the Company's profit and loss account for the year ended 31 December 2002 and the amount was re-allocated to the identifiable net assets transferred, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets, including intangible assets. The Group accounts were not affected by this transfer.

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

Freehold buildings	50 years
Equipment, fixtures and fittings	5 years
Database development costs	5 years
Motor vehicles	4 years
IT systems	3 years
Leasehold improvements	Over the remaining life of the lease

Current asset investments
Current asset investments are stated at the lower of cost and market value.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling as at the balance sheet date.

Exchange differences arising from the translation of the opening net assets and the results of overseas operations are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

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

Stocks, work in progress and long-term contracts
Finished goods are stated at the lower of cost and net realisable value. Work in progress consists of internal and third party editorial and production costs prior to print, which are capitalised for new publications and substantial updates of continuing publications. Work in progress is valued at the lower of cost and net realisable value being the recoverable amount based on anticipated forward sales from the first print run.

For new publications and other new products, development costs are deferred and amortised over periods of between one and five years following the first release of the new product for sale.

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen. Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Deferred revenue and deferred marketing expenditure
As explained under 'Turnover and revenue recognition' above, revenue from subscription-based services is recognised over the period of subscription. The unrecognised element is carried within creditors as deferred revenue. Where marketing expenditure has been incurred that is directly attributable to that deferred revenue, it is carried within other debtors as deferred marketing and is recognised on the same basis as the deferred revenue.

Taxation
The charge for taxation is based on the profit for the year. Deferred tax is recognised with 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, as permitted by Financial Reporting Standard 19: 'Deferred tax'.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash at bank and in hand, deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise an investment in a listed company.

Employee share schemes

The cost of awards to employees that take the form of shares or rights over shares are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares. No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees, in accordance with exemptions provided under UITF 17.

Classification of financial instruments issued by the Group

Following the adoption of Financial Reporting Standard 25: 'Financial instruments: disclosure and presentation', financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Post retirement benefits

The Group contributes to independent defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Notes to the Financial Statements (continued)

2 Segmental information

The tables below set out information on each of the Group's industry segments and geographic areas of operation.

	Continuing operations 2005 £'000	Acquisitions 2005 £'000	Total 2005 £'000	2004 £'000
Group turnover				
Political				
United Kingdom	**8,214**	**–**	**8,214**	5,447
Continental Europe & rest of the world	**1,507**	**–**	**1,507**	882
	9,721	**–**	**9,721**	6,329
Learning				
United Kingdom	**7,952**	**2,928**	**10,880**	6,778
Continental Europe & rest of the world	**223**	**121**	**344**	199
	8,175	**3,049**	**11,224**	6,977
Healthcare				
United Kingdom	**–**	**–**	**–**	–
Continental Europe & rest of the world	**2,169**	**4,622**	**6,791**	1,127
	2,169	**4,622**	**6,791**	1,127
	20,065	**7,671**	**27,736**	14,433
Total operating profit/loss				
Political				
United Kingdom	**724**	**–**	**724**	533
Continental Europe & rest of the world	**165**	**–**	**165**	93
	889	**–**	**889**	626
Learning				
United Kingdom	**1,417**	**49**	**1,446**	1,264
Continental Europe & rest of the world	**18**	**2**	**20**	22
	1,435	**51**	**1,486**	1,286
Healthcare				
United Kingdom	**–**	**–**	**–**	–
Continental Europe & rest of the world	**(442)**	**428**	**(14)**	110
	(442)	**428**	**(14)**	110
	1,882	**479**	**2,361**	2,022

2 Segmental information (continued)

	2005 Continuing operations £'000	2005 Acquisitions £'000	2005 Total £'000	2004 As restated (see Note 1) £'000
Net assets/(liabilities)				
Political				
United Kingdom	**23,337**	**–**	**23,337**	23,776
Continental Europe	**–**	**–**	**–**	–
	23,337	**–**	**23,337**	23,776
Learning				
United Kingdom	**13,651**	**4,113**	**17,764**	13,498
Continental Europe	**–**	**–**	**–**	–
	13,651	**4,113**	**17,764**	13,498
Healthcare				
United Kingdom	**–**	**–**	**–**	–
Continental Europe	**(6,822)**	**8,767**	**1,945**	2,609
	(6,822)	**8,767**	**1,945**	2,609
Head Office				
United Kingdom	**995**	**–**	**995**	302
Continental Europe	**–**	**–**	**–**	–
	995	**–**	**995**	302
	31,161	**12,880**	**44,041**	40,185

Head Office operating costs of £1,482,000 (2004: £917,000) have been allocated to segmental operating profit on a pro rata basis. Exceptional items of £1,903,000 (2004: £322,000) were incurred in respect of the United Kingdom (£675,000) and Continental Europe & rest of the world (£1,228,000).

The results and net assets from the Group's small French political business are shown as part of the Healthcare Division to reflect the local management structure currently in operation. The turnover of this business for the year was £799,000 (2004: £722,000).

3 Profit and loss account items split between continuing operations and acquisitions

	2005 £'000	2004 £'000
Cost of sales		
Continuing operations	**11,398**	6,872
Acquisitions	**4,248**	–
Total cost of sales	**15,646**	6,872
Gross profit		
Continuing operations	**8,668**	7,561
Acquisitions	**3,422**	–
Total gross profit	**12,090**	7,561
Administrative expenses before exceptional items		
Continuing operations	**6,047**	5,217
Acquisitions	**1,779**	–
Total administrative expenses before exceptional items	**7,826**	5,217
Exceptional items – restructuring charges		
Continuing operations	**739**	322
Acquisitions	**1,164**	–
Total exceptional items – restructuring charges	**1,903**	322

Notes to the Financial Statements (continued)

4 Exceptional items

	2005 £'000	2004 £'000
Redundancy and people related costs	**1,653**	287
Relocation provisions	**135**	35
Other exceptional items	**115**	–
	1,903	322
Interest on financing	**231**	–

The exceptional items relate primarily to the restructuring of the operations at Epic and COPEF/JBB Santé following the acquisition of those businesses in 2005 (see Note 13). The increase in scale and activities across the Group also led to a review of our existing structures to ensure that they are appropriate to meet the requirements of the Group going forward.

An exceptional interest charge was incurred in relation to the £8.5 million bridge financing facility which was put in place to part finance the acquisition of Epic. This facility was repaid immediately following completion of the acquisition of Epic.

5 Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Group audit	**183**	130
Company audit	**77**	74
Depreciation of owned tangible fixed assets	**400**	238
Amortisation of goodwill	**56**	–
Hire of plant and machinery – operating leases	**54**	27
Hire of property – operating leases	**510**	239

Auditors' remuneration for non-audit services of £nil (2004: £78,000) relating to share placings and £504,000 (2004: £243,000) relating to due diligence and acquisition related work have been capitalised to the share premium account and investments respectively.

6 Directors' remuneration

	2005 £'000	2004 £'000
Directors' emoluments	**824**	340
Company contributions to money purchase pension schemes	**75**	37
Other benefits	**4**	4
	903	381

The emoluments of the highest paid director were £240,000 (2004: £140,000) and company pension contributions of £24,000 (2004: £14,000) were made to a money purchase scheme on the director's behalf.

During the year, £233,000 was awarded to two directors as compensation for loss of office.

Retirement benefits are accruing to the following number of directors under:

	2005	2004
Money purchase schemes	**3**	3

7 Staff costs

The average number of persons employed by the Group (including executive directors) during the year within each category was:

	2005	2004
Editorial and production staff	131	48
Sales and marketing staff	92	52
Managerial and administration staff	61	38
Research and development staff	1	1
	285	139

The aggregate payroll costs in respect of these employees (including executive directors) were:

	2005 £'000	2004 £'000
Wages and salaries	10,158	4,571
Social security costs	2,158	635
Pension and other costs	239	57
	12,555	5,263

8 Other interest receivable and similar income

	2005 £'000	2004 £'000
Bank interest receivable	111	98
Net exchange gains	–	18
	111	116

9 Interest payable and similar charges

	2005 £'000	2004 £'000
On bank loans and overdrafts	88	10
Net exchange losses	17	–
	105	10
Exceptional item – interest on financing (see Note 4)	231	–
	336	10

Notes to the Financial Statements (continued)

10 Taxation

	2005 £'000	2004 £'000
UK corporation tax		
Current tax on income for the period	**166**	272
Adjustments in respect of prior periods	**15**	(4)
	181	268
Double taxation relief	**(2)**	(5)
Foreign tax		
Current tax on income for the period	**2**	5
Total current tax	**181**	268
Deferred tax (see Note 18)		
Origination and reversal of timing differences	**517**	371
Deferred tax asset on French losses	**(166)**	(278)
Impact of discounting	**(99)**	(16)
Total deferred tax	**252**	77
Tax on profit on ordinary activities	**433**	345

The charge to the profit and loss account in respect of deferred tax of £252,000 (2004: £77,000) is stated after recording a deferred tax asset of £150,000 (before discounting) (2004: £278,000) in respect of tax losses, the recovery of which has been enabled by the merger of our French operations in 2004 and 2005. There are other potential deferred tax assets in respect of tax losses totalling £293,000 (2004: £443,000) that have not been recognised on the basis that their future economic benefit is uncertain.

Factors affecting the tax charge for the current period

The tax charge for the period differs from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,136**	2,128
Current tax at 30% (2004: 30%)	**641**	639
Effects of:		
Permanent differences between expenditures charged in arriving at income and expenditures allowed for tax purposes	**11**	28
Capital allowances in excess of depreciation	**(52)**	(115)
Adjustments to tax charge in respect of prior periods	**15**	(4)
Utilisation of tax losses	**(434)**	(280)
Total current tax	**181**	268

11 Dividends

	2005 £'000	2004 As restated £'000
The aggregate amount of dividend comprises:		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**1,076**	629

Following implementation of Financial Reporting Standard 21: 'Events after the balance sheet date', proposed dividends are no longer recognised as at the year end balance sheet date.

A final dividend for the year ended 31 December 2005 of 1.1 pence per 10p Ordinary share has been recommended and, subject to approval by shareholders at the Annual General Meeting on 27 April 2006, will be paid on 31 May 2006 to shareholders registered at 28 April 2006.

12 Earnings per share

	2005 £'000	2004 £'000
Profit attributable to shareholders	**1,703**	1,783
Add: exceptional items	**2,134**	322
Less: tax in respect of exceptional items	**(640)**	(97)
Adjusted profit attributable to shareholders	**3,197**	2,008

	2005 Ordinary shares	2004 Ordinary shares
Weighted average number of shares		
In issue during the year – basic	**117,677,253**	91,737,954
Dilutive potential Ordinary shares	**421,610**	1,179,162
Diluted	**118,098,863**	92,917,116

Earnings per share – basic	**1.45p**	1.94p
Earnings per share – diluted	**1.44p**	1.92p
Adjusted earnings per share before exceptional items	**2.72p**	2.19p

13 Acquisitions

Each of the following acquisitions has been accounted for by the acquisition method. An analysis of the book value and provisional fair value of the net assets acquired on each is set out below. Publishing rights have been valued to reflect their estimated fair values and each publication can be separately identified and valued. All fair values are provisional.

a) Epic Group plc

On 22 August 2005, the Company's recommended cash and share offer for Epic Group plc ('Epic') was declared wholly unconditional and from which date the Company acquired effective control of Epic and its business. The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair values to the Group:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	159	–	**159**
Fixed asset investments	100	(100)	**–**
Stock	934	–	**934**
Debtors	1,104	–	**1,104**
Cash	9,505	–	**9,505**
Deferred tax	70	–	**70**
Creditors	(2,304)	–	**(2,304)**
Net assets acquired	9,568	(100)	**9,468**
Goodwill			**3,367**
Total consideration			**12,835**
Satisfied by:			
Cash paid			**8,327**
New shares issued			**3,256**
Acquisition costs			**1,252**
			12,835

The adjustment to fixed asset investments was made to write down the carrying value of investments in shares in unlisted companies, the realisation of which is uncertain.

As a result of the compulsory acquisition procedure following the public offering for Epic, share options exercised after the acquisition date gave rise to the simultaneous creation and repurchase of a minority interest in the subsidiary. Subsequent to 22 August 2005, options over 301,500 Ordinary shares in Epic were exercised and £242,000 was paid into that company. Huveaux PLC controlled 100% of the share capital throughout the post-acquisition period.

As part funding for the acquisition, a bridge loan of £8,500,000 was taken out with the Bank of Scotland and repaid in October 2005.

Notes to the Financial Statements (continued)

13 Acquisitions (continued)

The summarised profit and loss account for Epic for the year ended 31 May 2005 and for the period from 1 June 2005 to 25 August 2005 is given below:

	Period ended 25 August 2005 Unaudited £'000	Year ended 31 May 2005 Audited £'000
Turnover	**1,603**	8,104
Operating (loss)/profit	**(93)**	1,569
Profit before taxation and exceptional items	**11**	2,085
Exceptional items	**(508)**	–
Taxation	**120**	(550)
(Loss)/profit after tax	**(377)**	1,535

The exceptional items relate to costs incurred and associated with the sale of the company.

b) COPEF SA, trading as Les Editions Jean-Baptiste Baillière Santé ('COPEF' or 'JBB Santé')

On 1 October 2005, the Group took effective control of COPEF and certain of its subsidiary undertakings, which businesses collectively trade as JBB Santé. The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair values to the Group:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Publishing rights	–	9,697	**9,697**
Goodwill	10,618	(10,618)	**–**
Tangible fixed assets	84	–	**84**
Stock	303	–	**303**
Debtors	3,420	–	**3,420**
Cash	441	–	**441**
Deferred tax	–	686	**686**
Creditors due within one year	(4,988)	(998)	**(5,986)**
Net (liabilities)/assets acquired	9,878	(1,233)	**8,645**
Goodwill			**–**
Total consideration			**8,645**
Satisfied by:			
Cash paid			**171**
Debt acquired			**7,685**
Acquisition costs			**789**
			8,645

The adjustment to deferred tax was made to ensure consistency of accounting policies. The fair value adjustment to the creditors was made for certain contingent liabilities that crystalised as a result of the acquisition in accordance with Financial Reporting Standard 7: 'Fair values and acquisition accounting'.

Debt was acquired during the acquisition and repaid by way of a loan (see Note 19). Legal completion took place on 5 October 2005.

13 Acquisitions (continued)

The summarised consolidated profit and loss account for COPEF for the year ended 31 December 2004 and for the period from 1 January 2005 to 30 September 2005 is given below:

	Period ended 30 September 2005 Unaudited £'000	Year ended 31 December 2004 Unaudited £'000
Turnover	**8,926**	12,986
Operating (loss)/profit before goodwill amortisation	**5**	1,263
Goodwill amortisation	**(764)**	(1,012)
Operating (loss)/profit	**(759)**	251
Loss before taxation	**(759)**	(468)
Taxation	**–**	(35)
Loss after taxation	**(759)**	(503)

14 Intangible fixed assets

Group

	Goodwill £'000	Publishing rights £'000	Total £'000
Cost			
At 1 January 2005	–	38,046	38,046
Additions	–	29	29
Additions through acquisition	3,367	9,697	13,064
At 31 December 2005	**3,367**	**47,772**	**51,139**
Amortisation			
At 1 January 2005	–	–	–
Charged in year	56	–	56
At 31 December 2005	**56**	**–**	**56**
Net book value			
At 1 January 2005	–	38,046	38,046
At 31 December 2005	**3,311**	**47,772**	**51,083**

Company

	Publishing rights £'000
Cost and net book value	
At 1 January 2005 and 31 December 2005	**12,193**

Additions to Group publishing rights of £29,000 represent further costs in respect of the acquisition of Parliamentary Communications Limited.

The directors' impairment review of intangible assets used a discount rate of 8.2% (2004: 10%) in the net present value calculation of the carrying value.

Notes to the Financial Statements (continued)

15 Tangible fixed assets

Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment and motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	200	73	1,499	1,772
Exchange adjustment	–	–	(10)	(10)
Additions	–	31	368	399
Additions through acquisition	–	305	3,312	3,617
Disposals	–	(11)	(1,332)	(1,343)
At 31 December 2005	**200**	**398**	**3,837**	**4,435**
Depreciation				
At 1 January 2005	7	12	953	972
Exchange adjustment	–	–	(9)	(9)
Charge for the year	4	35	361	400
Additions through acquisition	–	291	3,083	3,374
Disposals	–	(10)	(1,292)	(1,302)
At 31 December 2005	**11**	**328**	**3,096**	**3,435**
Net book value				
At 1 January 2005	193	61	546	800
At 31 December 2005	**189**	**70**	**741**	**1,000**

Company

	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment and motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	200	17	440	657
Additions	–	–	80	80
Disposals	–	(1)	(16)	(17)
At 31 December 2005	**200**	**16**	**504**	**720**
Depreciation				
At 1 January 2005	7	9	217	233
Charge for the year	4	5	115	124
Disposals	–	(1)	(7)	(8)
At 31 December 2005	**11**	**13**	**325**	**349**
Net book value				
At 1 January 2005	193	8	223	424
At 31 December 2005	**189**	**3**	**179**	**371**

16 Fixed asset investments

Company	Subsidiary undertakings £'000	Loan to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2005	23,716	1,616	25,332
Acquisitions (see Note 13)	21,722	–	21,722
Disposals (iii)	(8,645)	–	(8,645)
At 31 December 2005	**36,793**	**1,616**	**38,409**

Subsidiary undertakings

The results of each of the following subsidiary undertakings have been included in the Group accounts as at 31 December 2005:

Company	Activity	% Holding	Country of registration
Vacher Dod Publishing Limited (i)	Dormant	100	England and Wales
Training Journal Limited	Holding company	100	England and Wales
Fenman Limited (ii)	Publishing	100	England and Wales
Dods Parliamentary Communications Limited	Publishing	100	England and Wales
Huveaux France SAS (iii)	Publishing	100	France
Epic Group plc	e-learning	100	England and Wales

(i) The Company owns the entire issued share capital of Vacher Dod Publishing Limited, which is comprised of: 223,306 Ordinary 'A' shares of £1 each; 156,581 Ordinary 'B' shares of £1 each; 21,750 Ordinary 'C' shares of £1 each and 178,363 Ordinary 'D' shares of £1 each.

(ii) The Company directly owns 50% of the issued share capital of Fenman Limited with the residual 50% being owned by Training Journal Limited, of which the company owns 100%. The Company therefore controls the entire issued share capital of Fenman Limited.

(iii) On 31 October 2005, the Company acquired 100% interest in the issued share capital of COPEF SA, which interest was immediately sold to its subsidiary, Huveaux France SAS, at the same consideration.

17 Stocks

	2005 Group £'000	**2005 Company £'000**	2004 Group £'000	2004 Company £'000
Work in progress	**1,036**	**21**	794	271
Finished goods	**1,114**	**471**	535	344
	2,150	**492**	1,329	615

Notes to the Financial Statements (continued)

18 Debtors

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade debtors	**9,639**	**590**	3,216	492
Amounts owed by Group undertakings	**–**	**10,323**	–	286
Other debtors	**624**	**66**	172	73
Deferred tax asset	**1,175**	**–**	677	–
Prepayments and accrued income	**1,228**	**382**	573	152
	12,666	**11,361**	4,638	1,003

Other debtors include current asset investments of £47,000 (2004: £47,000). This represents the Company's investment in a company listed on the London Stock Exchange. The market value as at 31 December 2005 was £48,000. Total debtors include an amount owed by a Group undertaking of £9,807,000 (2004: nil) due after more than one year in respect of the Company.

The elements of deferred tax are as follows:

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Accelerated capital allowances	**(206)**	**(278)**	(205)	(218)
Tax losses carried forward	**1,416**	**–**	866	63
Undiscounted net deferred tax (asset)/liability	**1,210**	**(278)**	661	(155)
Effect of discounting	**(35)**	**218**	16	140
Discounted net deferred tax (asset)/liability	**1,175**	**(60)**	677	(15)

Movements in deferred tax for the year are set out below:

	Group £'000	Company £'000
At 1 January 2005	677	(15)
Exchange adjustment	(6)	–
Tax losses acquired during the year (see Note 13)	707	–
Accelerated capital allowances acquired during the year (see Note 13)	49	–
Charge to the profit and loss account	(252)	(45)
At 31 December 2005	**1,175**	**(60)**

19 Creditors: Amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group as restated £'000	2004 Company as restated £'000
Term loan facility – payable in 2006 (see Note 20)	**516**	**516**	–	–
Trade creditors	**2,263**	**435**	1,874	264
Amounts owed to Group undertakings	**–**	**2,752**	–	47
Other creditors including tax and social security	**5,602**	**150**	2,951	1,824
Deferred tax liability (see Note 18)	**–**	**60**	–	15
Accruals and deferred income	**5,538**	**597**	2,846	597
	13,919	**4,510**	7,671	2,747

Other creditors (Group and Company) include £nil (2004: £1,571,000) in respect of deferred consideration.

20 Creditors: Amounts falling due after more than one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Term loan facility	**9,807**	**9,807**	–	–
Amounts owed to Group undertakings	**–**	**376**	–	376
Accruals and deferred income	**258**	**–**	77	–
	10,065	**10,183**	77	376

The £10,323,000 loan facility represents a €15,000,000 seven-year term loan with Bank of Scotland which was taken out to part finance the acquisition of COPEF SA. The loan is repayable in the following instalments:

2006:	£516,000
2007:	£1,030,000
2008 – 2010:	£1,549,000 annually
2011 – 2012:	£2,065,000 annually

Included within the term loan facility are amounts repayable after five years by instalments totalling £4,130,000.

In connection with the Group's banking and borrowing facilities with Bank of Scotland, the Company and its UK subsidiary undertakings have entered into a cross guarantee.

The term loan bears interest at 1% above EURIBOR.

Total creditors for the Group and Company are £23,984,000 and £14,693, respectively (2004: Group £7,748,000 and Company £3,123,000).

21 Provision for liabilities and charges

	Group £'000	Company £'000
Group		
At 1 January 2005	–	–
Restructuring provision acquired during the year (see Note 13)	998	–
Charge to the profit and loss account	1,903	343
Utilised	(1,349)	(199)
At 31 December 2005	**1,552**	**144**

The provision for liabilities and charges relates to the restructuring of the business as described in Note 4, Exceptional items.

22 Called-up share capital

	2005 £'000	2004 £'000
Authorised: 200,000,000 Ordinary shares of 10p each (2004: 175,000,000)	**20,000**	17,500
Allotted, called-up and fully paid: 140,170,496 Ordinary shares of 10p each (2004: 106,464,730)	**14,017**	10,646
New Ordinary share value to be issued as deferred acquisition consideration	**–**	400

During the year, the Company issued:

1,142,855 new Ordinary shares, credited as fully paid, in settlement of £397,000 (net of expenses) part deferred consideration arising from the acquisition of Lonsdale SRG in 2003; and
32,562,911 new Ordinary shares, credited as fully paid, in settlement of the non-cash consideration element, totalling £3,256,000, in respect of the acquisition of Epic Group plc.

The total nominal value of new Ordinary shares issued was £3,371,000.

Notes to the Financial Statements (continued)

22 Called-up share capital (continued)

Share options

As at 31 December 2005, the following options over Ordinary shares had been granted and remained outstanding under the Company's various employee share option schemes:

	Number of Ordinary shares
Unapproved Executive Share Option Scheme	
At 1 January 2005	**3,136,925**
Granted during the year	**1,524,075**
Lapsed during the year	**(252,000)**
At 31 December 2005	**4,409,000**

All options granted are discretionary (as determined by the Remuneration Committee) and carry a pre-exercise performance condition, requiring the Company's earnings per share achievement during any rolling three year financial period to exceed the retail/consumer price index by at least 3%, in aggregate, during the same period. No consideration is payable for an award and no grants can be made with an option exercise price per share at less than the market price at the time of grant.

	Number of Ordinary shares	Exercise price per share (p)	Exercise period
Outstanding options are analysed as follows:			
Granted May 2004:			
EMI options	**626,000**	65	May 2007 – 2014
Unapproved options	**763,000**	65	May 2007 – 2014
	1,389,000		
Granted November 2004:			
Unapproved options	**1,495,925**	54	November 2007 – 2014
	1,495,925		
Granted November 2005:			
Unapproved options	**1,524,075**	41	November 2008 – 2015
	1,524,075		
Outstanding options at 31 December 2005	**4,409,000**		
Comprising:			
EMI options	**626,000**		
Unapproved options	**3,783,000**		
Outstanding options at 31 December 2005	**4,409,000**		

22 Called-up share capital (continued)

	Number of Ordinary shares
Savings Related Share Option Scheme	
At 1 January 2005	**579,415**
Granted during the year	**1,034,899**
Lapsed during the year	**(562,817)**
At 31 December 2005	**1,051,497**

This all-employee share scheme (operated to date in the UK only) facilitates the grant of options with an option exercise price discounted by up to 20% of the market price at the time of grant.

	Number of Ordinary shares	Exercise price per share (p)	Exercise period
Outstanding options are analysed as follows:			
Granted in June 2004	**53,517**	52.5	July 2007 – 2009
Granted in September 2004	**80,569**	44.0	November 2007 – 2009
Granted in May 2005	**917,411**	31.0	May 2008 – 2010
Outstanding options at 31 December 2005	**1,051,497**		

23 Share premium and reserves

Group

	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2005	26,444	409	1,221
Prior year adjustment (see Note 1)	–	–	1,065
At 1 January 2005 as restated	26,444	409	2,286
Retained profit for the year	–	–	627
Currency translation differences	–	–	(93)
Premium on shares issued, less expenses	351	–	–
At 31 December 2005	**26,795**	**409**	**2,820**

Company

	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2005	26,444	409	14
Prior year adjustment (see Note 1)	–	–	1,065
At 1 January 2005 as restated	26,444	409	1,079
Retained profit for the year	–	–	7,378
Premium on shares issued, less expenses	351	–	–
At 31 December 2005	**26,795**	**409**	**8,457**

Notes to the Financial Statements (continued)

24 Commitments

Annual commitments under non-cancellable leases are as follows:

	2005 Land and buildings £'000	**2005 Other £'000**	2004 Land and buildings £'000	2004 Other £'000
Group				
Expiry date:				
– within one year	**138**	**8**	80	1
– between two and five years	**342**	**20**	326	24
– after five years	**133**	**–**	–	–
	613	**28**	406	25
Company				
Expiry date:				
– within one year	**52**	**–**	20	–
– between two and five years	**204**	**1**	37	1
	256	**1**	57	1

25 Financial instruments

The Group's financial instruments comprise cash at bank and in hand, consideration for acquisitions and various items such as trade debtors and creditors that arise as a result of normal operations. The Group did not enter into complex derivative transactions and did not trade in financial instruments during the year. As permitted by Financial Reporting Standard 13: 'Derivatives and other financial instruments: disclosure', short-term debtors and creditors have been excluded from all financial instrument disclosures. The fair value of financial assets and liabilities is the same as the carrying amount as at 31 December 2005.

The Group's financial assets at 31 December 2005 comprise sterling and Euro deposits, current accounts and marketable securities. £1,933,000 (2004: £852,000) of the Group's cash was denominated in Euros at 31 December 2005. The balance of cash is held in sterling accounts. At 31 December 2004, cash at bank and in hand included a £700,000 term deposit. The term deposit was redeemed during 2005 and interest earned was at a weighted average interest rate of 5% (2004: 4%). Cash at hand and in bank comprise £2,678,000 (2004: £2,420,000) at a weighted average interest of 1.6% (2004: 3.8%). The marketable securities are listed investments with a cost of £47,000 (2004: £47,000) and a market value of £48,000 (2004: £51,000).

The financial liabilities on which no interest is paid were deferred consideration in respect of the Lonsdale acquisition (2004: £1,100,000) and deferred consideration in respect of the acquisition of Parliamentary Communications Limited (2004: £471,000), both of which have been paid during the year.

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

	2005 £'000	2004 £'000
Operating profit	**2,361**	2,022
Depreciation charges	**400**	238
Amortisation charges	**56**	–
Cash flow relating to restructuring provisions	**(1,349)**	–
Decrease/(increase) in stocks	**409**	(483)
(Increase) in debtors	**(2,977)**	(773)
Increase/(decrease) in creditors	**2,273**	(348)
Net cash inflow from operating activities	**1,173**	656

27 Analysis of cash flows

	2005 £'000	2004 £'000
Returns on investment and servicing of finance		
Interest and similar income received	**111**	116
Interest paid	**(336)**	(10)
	(225)	106
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(358)**	(304)
Purchase of intangible fixed assets	**(1)**	(5)
	(359)	(309)
Acquisitions and disposals		
Purchase of subsidiary undertakings and assets	**(18,224)**	(17,060)
Lonsdale deferred consideration paid	**(1,100)**	(300)
Dods Parliamentary Communications deferred consideration paid	**(471)**	–
Cash acquired on acquisition of subsidiary (see Note 13)	**9,946**	238
	(9,849)	(17,122)
Financing		
Debt due within one year:		
– Increase in short-term borrowing	**9,016**	–
– Repayment of secured loan	**(8,500)**	–
Debt due after more than one year:		
– New secured loan repayable from 2007 to 2012	**9,807**	–
Issue of Ordinary share capital	**–**	17,500
Expenses recouped/(paid) in connection with share issue	**66**	(713)
	10,389	16,787

28 Analysis of net debt

	At beginning of year £'000	Cash flow £'000	Exchange movement £'000	At end of year £'000
Cash at bank and in hand	3,120	(332)	(110)	2,678
Debt due within one year	–	(516)	–	(516)
Debt due after one year	–	(9,807)	–	(9,807)
	3,120	**(10,655)**	**(110)**	**(7,645)**

29 Post balance sheet events

On 9 February, the Company sold the trade of the mailing business of JBB Santé for a cash consideration of £147,000.

30 Related party disclosures

Payments of £25,000 (2004: £10,000) were made by the Company for financial services to Clarke & Co, of which John Clarke is a partner. This is included in directors' remuneration as disclosed in Note 6.

In 2005, no payments (2004: £65,000 for the period prior to his appointment as a director) were made by the Company for management services to VR Centre Limited, of which Gerry Murray is a director.

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Financial Calendar 2006

6 March
2005 Preliminary Results announcement

26 April
Ex-dividend date for final dividend 2005

27 April
Annual General Meeting

28 April
Record date for final dividend 2005

31 May
Final dividend payment date 2005

July (provisional)
2006 Interim Results announcement

31 December
Financial year-end 2006

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The Quality and Depth of Our Portfolio

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