Huveaux Annual Report & Accounts 2006

Know more > Perform better

Know more > Perform better

Our purpose is to drive personal and professional improvement through all media which enables our customers to know more and perform better. We provide essential and intelligent information, learning and training to both the public and private sectors.

Huveaux operates through four market-facing divisions, Education, Healthcare, Learning and Political, and in the six years since our formation we have established ourselves as the leading provider of:

> study aids and revision guides in the UK;

> medical information and education in France;

> bespoke e-learning in the UK; and

> political information, public affairs and policy communications in the UK and EU.

The Group currently employs over 500 people and operates at the forefront of its selected growth markets in the UK, France and Belgium.

Contents

Financial Highlights 2006

The highlights below set out the underlying financial performance of the Group.
The Summary Results show the statutory financial results of the Group.

- Turnover **up 62%** to £45.0 million
- Profit before tax† **up 43%** to £6.0 million
- EPS† **up 17%** to 3.06 pence per share
- Dividend **up 10%** to 1.21 pence per share
- **Underlying margin improvement** through synergies and cost control
- **Strong performance** from recent acquisitions
- **Continued strong revenue** from digital and events at 26% and 12% respectively

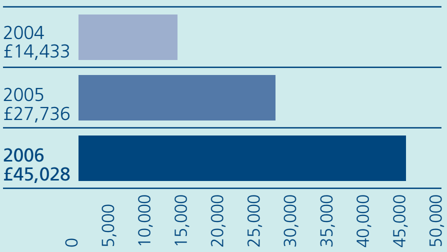
†Before goodwill amortisation and exceptional items.

Summary Results

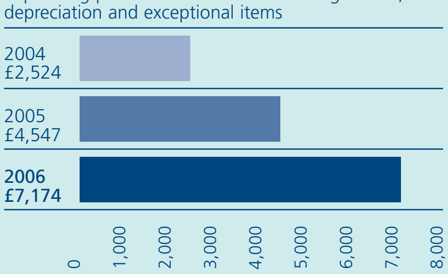
£'000	2006	2005 Restated*
Turnover	**45,028**	27,736
Profit before tax	**4,827**	1,963
Normalised profit before tax**	**5,952**	4,153
EBITDA***	**7,174**	4,547
Normalised earnings per share (basic)**	**3.06p**	2.62p
Earnings per share (basic)	**2.41p**	1.31p
Dividend per share	**1.21p**	1.10p

*Restated for change in accounting policy in accordance with the introduction of FRS 20: 'Share-based Payment.' The charge for 2006 was £153,000 (2005: £173,000).
**Normalised profit before tax and normalised earnings per share are stated before amortisation of goodwill and exceptional items.
***EBITDA is calculated as operating profit before amortisation of goodwill, depreciation and exceptional items.

Turnover (£'000)



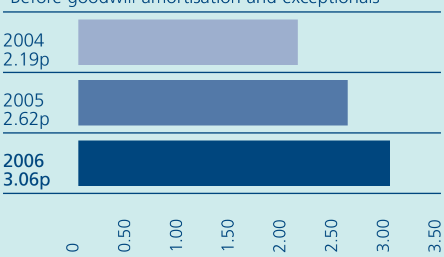
EBITDA[1] (£'000)
[1]Operating profit before amortisation of goodwill, depreciation and exceptional items



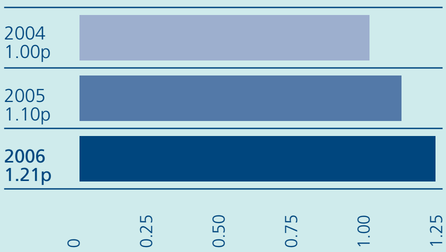
+62%
Turnover = £45.0 million

+58%
EBITDA[1] = £7.2 million

Basic EPS[2] (pence)
[2]Before goodwill amortisation and exceptionals



Dividend per share (pence)



+17%
Basic EPS[2] = 3.06 pence per share

+10%
Dividend = 1.21 pence per share

Our Performance at a Glance 2006

Political Division

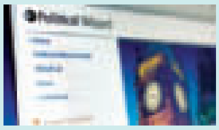
Trading under the highly respected *Dods* brand name, Huveaux's Political Division has grown to become the UK and EU market leader in political publishing, information and communication. It is the natural partner with whom Government, policy makers and policy influencers consult, inform and communicate.

To find out more see pages 14 to 15

Key Business Developments & Achievements

The House Magazine, 30th anniversary This flagship publication for Parliament celebrated its 30th anniversary in 2006 with a commemorative edition and a reception held at 10 Downing Street. Contributors to this highly successful special edition included the Prime Minister, Tony Blair, and the former US President, Bill Clinton. *The House Magazine* continues to be the impartial forum for discussing issues of importance in policy and delivery.

The Whitehall & Westminster World Awards Our leading newspaper for the senior civil service, *Whitehall & Westminster World,* launched its first Awards event to identify and recognise best practice within the civil service. Working with the Cabinet Office, and supported by Ernst & Young, the hugely successful Awards were introduced by the Cabinet Secretary, Sir Gus O'Donnell. Plans are already underway for our 2007 event.



Online monitoring *Dods* has a formidable reputation for delivering a high quality, online political monitoring service that ensures people who work within the world of politics are kept informed of all that's relevant. The acquisition and integration of *Political Wizard* has brought further benefits to our customers with a new desktop intelligence service that tracks legislative progress and delivers bespoke information and briefings.

The Regional Review During 2006, *The Parliament Magazine* strengthened its position as the primary publication and website for Brussels with the launch of *The Regional Review.* This new title provides an authoritative forum to examine the impact of EU investment in the Regions, enabling EU institutions and decision makers to read about regional policy developments and share best practice.

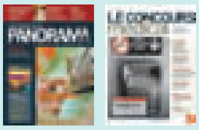
Healthcare Division

With a series of market-leading brands, Huveaux's Healthcare Division is at the forefront of medical publishing and online education for healthcare professionals in France. By identifying and recognising early changes in customer expectations, particularly in relation to recent legislation in Continuing Medical Education (CME), Huveaux France is extending its product offerings to include a full suite of training and education services.

To find out more see pages 18 to 19

Key Business Developments & Achievements

Restructuring our business After three acquisitions in as many years (*Le Trombinoscope, ATP-Egora* and *Les Editions Jean-Baptiste Baillière Santé),* we completed the merger and relocation of all the business units (originally more that ten) into one single entity, Huveaux France. We have delivered significant synergies and cost savings along the way. Together with its 110+ employees, Huveaux France now operates out of one building in Paris.



Successful magazine relaunches Our two leading titles, *Panorama du Médecin* and *Le Concours Médical,* were relaunched during 2006 as part of a promotion initiative to medical practitioners in France. Despite challenging conditions in the medical advertising market, these successful relaunches allowed us to maximise our revenue, increase market share and, most importantly, develop brand extensions that will enable further growth.

Managing the evaluation of medical practice In 2006, Huveaux France won a contract from La Haute Autorité de Santé to develop a programme for managing the performance evaluation of medical practice. As a result, we became the first publisher offering doctors the ability to analyse their medical practice in fulfilment of the new compulsory CME requirements. A first such programme has just been launched with sponsorship from the French National Cancer Institute.

www.Egora fr *Egora.fr* is the most important medical website dedicated to general practitioners and healthcare professionals in France. This all-in-one site provides online news, data, interactive case studies and a soon to be introduced extensive searchable archive. Further extensions into e-learning programs focused on the delivery and management of CME activities are also planned for 2007.

Learning Division

Focused around the strong brand reputation of *Epic* as the UK market leader in bespoke e-learning, the Learning Division has brought together a range of services and delivery methods which have enhanced *Epic's* product delivery through complementary face-to-face and blended learning solutions. This new approach offers customers a wider choice of solutions which best suit their changing needs and has led to the development of unique and tailored learning programmes.

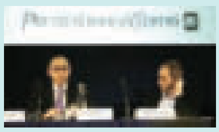
To find out more see pages 16 to 17

Key Business Developments & Achievements

Certificate in Campaigning In line with the Government's stated objective to empower and further train the voluntary sector, the Learning Division launched the *Certificate in Campaigning* for charities in partnership with the NCVO. This course was designed to improve the quality of lobbying and influencing in the non-profit sector and has already received wide acclaim for the quality of its content and style of approach.

Trainer Active online Building upon the extensive catalogue of training and development resources already available, we successfully launched *TrainerActive.com* in 2006. All the activities have been designed by professional trainers and are fully tried and tested, saving valuable preparation time for the significant number of professional coaches and trainers that use our products.

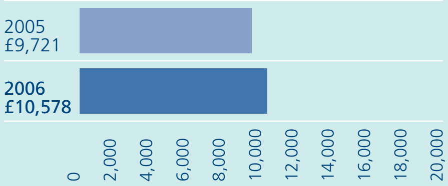
Quicker solutions During 2006, *Epic* designed and developed new software delivery tools in-house. These offer greater speed and efficiency and enable the Learning Division to respond more effectively to our customers' changing needs and requirements. Amongst the many advantages is the capability to develop learning courses much quicker using predefined navigation, screen frameworks and functionality.



The Reform, Efficiency and Delivery Conference Following the Government's announcement of several new initiatives to help drive forward reform, efficiency and delivery in the public sector, the Learning Division hosted a successful conference on the subject for senior civil servants and interested organisations. Supported by PWC, the conference offered an opportunity to examine how current reforms are working and discuss how improvements can be made going forward.

Financial Highlights

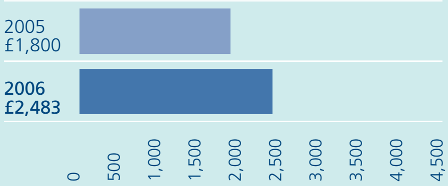
Turnover (£'000)



+9%

Turnover = £10.6 million

EBITDA*(£'000)



+38%

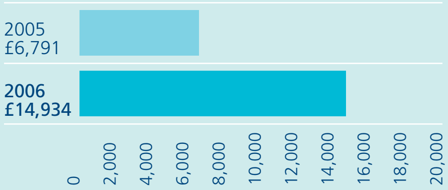
EBITDA* = £2.5 million

Operating Highlights

- Impressive expansion in post-election year with 10% organic sales growth for the year (18% in the second-half) driven by record number of new product launches
- 30% organic growth achieved in existing political monitoring business and strengthened further in its UK and EU offerings through the acquisition of *Political Wizard*
- Significant improvement in profit and margin achieved due to increased contributions from digital and events related revenue
- 30th anniversary of flagship publication, *The House Magazine*

Financial Highlights

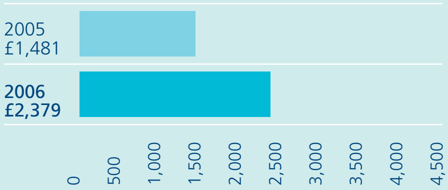
Turnover (£'000)



+120%

Turnover = £14.9 million

EBITDA*(£'000)



+61%

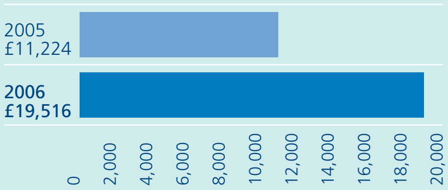
EBITDA* = £2.4 million

Operating Highlights

- Completed merger and restructuring of businesses acquired in 2005 realising targeted cost savings and efficiencies
- Relaunched leading titles, *Panorama du Médecin* and *Le Concours Médical,* and achieved increased market share
- Substantial improvements delivered in profits and margins
- Appointed the first government-approved Continuing Medical Education (CME) supplier in France and launched first sponsored CME programme

Financial Highlights

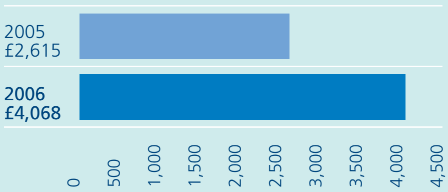
Turnover (£'000)



+74%

Turnover = £19.5 million

EBITDA*(£'000)



+54%

EBITDA* = £4.1 million

Operating Highlights

- 20% organic sales growth achieved in Political Knowledge briefings and conference business
- *Epic* focusing on margin improvement, transition to higher quality earnings and supporting digital initiatives throughout the Group
- Complimentary acquisition and successful integration of *Letts* and *Leckie & Leckie* with existing *Lonsdale* business (now forming new Education Division) established Huveaux as the leading supplier of study aids and revision guides in the UK
- Events expertise being applied across the Group and learning resources being moved to online delivery

*EBITDA represents profit before interest, tax, depreciation goodwill amortisation and exceptional items. A reconciliation between EBITDA and operating profit is provided in Schedule A on page 57.

Chairman's Statement

"Huveaux is now a sizeable business, delivering over 25% of its sales through digital media, running some 500 training courses and conferences, publishing 16 magazines and newsletters and selling in excess of 5 million books a year."

2006 Overview
For the fifth consecutive year since Huveaux's foundation, we have achieved significant strategic and financial progress. In 2006, sales grew 62% from £27.7 million to £45.0 million, while profit before tax, amortisation of goodwill and exceptional items grew 43% from £4.2 million to £6.0 million. Profits were driven by the full year impact of acquisitions made in 2005, the addition of the new education businesses acquired during the year and an impressive underlying margin growth in the divisions. Normalised earnings per share grew 17% to 3.1 pence.

In line with our progressive dividend policy, your Board is recommending a final dividend of 1.21 pence per share (2005: 1.1 pence), an increase of 10% on the previous year.

"Acquire, improve, build and add"
With the emergence of internet technologies, the media landscape has been transformed during the period since Huveaux's foundation. Nevertheless, the Company has been able to deliver consistent and improving financial performance over that period while keeping pace with the fundamental changes in its markets and investing for the future.

Our four-part strategy has been clear from the outset:

- **Acquire** a market position
- **Improve** the existing business
- **Build** innovative new revenue opportunities in line with market changes, principally in digital and events
- **Add** acquisitions to secure our market position

By pursuing and successfully executing on this strategy, we have created a modern B2B media group from scratch over the past five years. Considerable progress has again been made in 2006 in advancing this strategy and further progress is planned in 2007 (see opposite page).

Huveaux has developed strong brands in market-leading positions, typically the number one or number two in our selected markets. Our customers experience these brands across print and digital media as well as events. Our major brands have been strengthened with acquisitions and new launches, consolidating our market leadership in the Political, Education, Healthcare and Learning fields and producing new revenue sources for the future.

Digital revenues grew 75% in 2006 and now account for 26% of Group sales, reflecting the importance we place on delivering information and services online. Our events business, largely developed organically, is also expanding fast and now comprises 12% of Group sales.

Our Vision
Huveaux is now a sizeable business, delivering over 25% of its sales through digital media, running some 500 training courses and conferences, publishing 16 magazines and newsletters and selling in excess of 5 million books a year.

We have delivered consistent and improving financial results from our market-leading brands. We have developed those brands to produce new revenue sources for the future in line with customer demand for new digitally delivered services. Our strategy remains the same; our ambition strengthened. We are in a strong position going forward.

The Board, Management and People
Timothy Benn and Christina Benn stepped down from the Board in April 2006. I would like to thank them for their invaluable contribution to the first four years of Huveaux's development.

Richard Flaye was appointed a non-executive director in September and his considerable experience in B2B publishing is already proving to be a valuable asset to the Board.

We continue to build our senior management teams in each of the operating divisions and have recently recruited an experienced Managing Director to lead our newly formed Education Division.

The Board would like to thank the management and staff of Huveaux for their hard work and dedication in achieving a series of challenging targets.

Outlook
In 2006, we made great progress towards our strategic objective of creating a substantial B2B media group, while continuing to deliver double-digit profit and EPS growth.

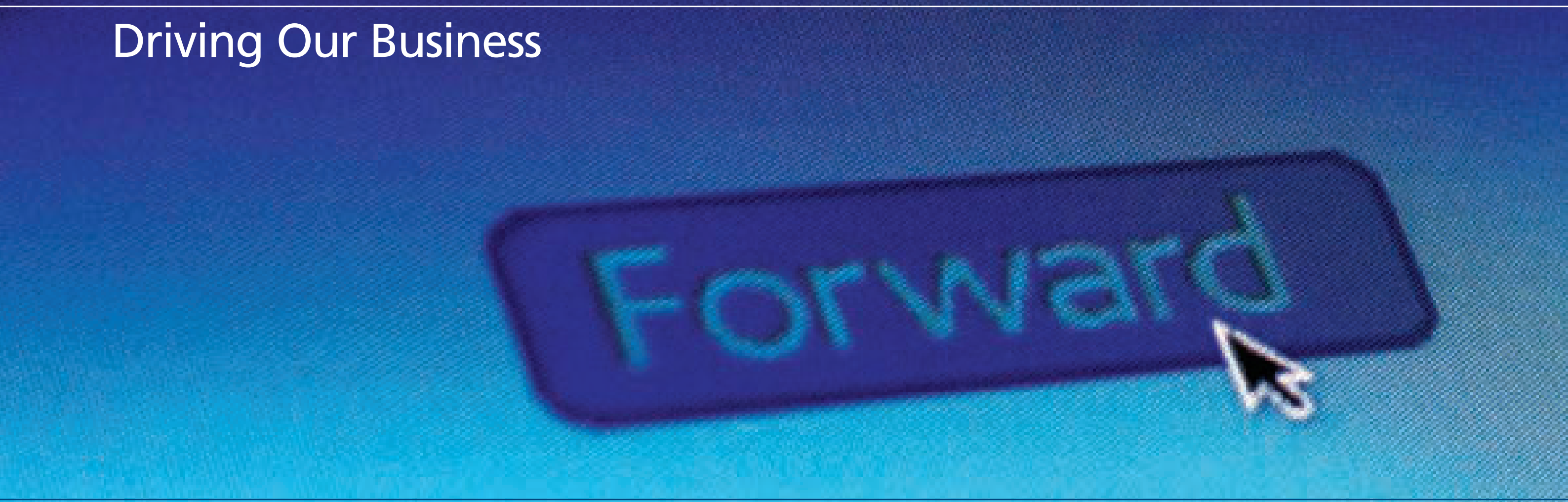
We have achieved this while also improving our products and services across the Group, by pursuing the opportunities offered by digital technologies and by continuing to broaden our revenue streams.

Although it is still early in the year, we have made an encouraging start to 2007. Our four divisions all have good market positions, leaving us well placed to exploit market opportunities, supplemented by targeted acquisitions. The Board looks forward to another year of strong financial performance and further strategic progress.

John P de Blocq van Kuffeler
Executive Chairman

5 March 2007

Driving Our Business



Our Strategy

Huveaux's strategic objective is to build a substantial B2B media group delivering essential and intelligent information, learning and training, across all media platforms, to our selected growth markets. We are pursuing this strategy through a combination of organic and acquisition-led growth. Progress to date, including the creation of four market-facing divisions, and the strong performance in 2006, demonstrates we are on course to achieve our stated objective.

Our Strategic Progress in 2006

> Political Division

The acquisition of *Political Wizard* in July 2006 for £4.9 million helped strengthen our political monitoring business, which is the fastest growing business in our Political Division. The performance of *Political Wizard* post-acquisition has been in line with our positive expectations. New product launches, such as *Dods Polling* and *The Civil Service Network* portal, have expanded our product range to both government and the public affairs industry.

> Learning Division

The Learning Division has achieved higher margin sales and higher quality of earnings through *Epic,* the leading UK bespoke e-learning company. Particularly significant were new private sector customers and contracts won in conjunction with other parts of the Huveaux Group. The Political Knowledge seminar and events business had a further year of excellent growth and our new *TJ Best Practice Awards* were a considerable success.

> Healthcare Division

Our Healthcare Division achieved all its principal objectives in 2006. Our three leading magazines achieved the highest accreditation for providing Continuing Medical Education (CME) to doctors in France and the introduction of two CME programmes ensured we are the market-leading CME publisher by revenue in that country.

> Education Division

Another major step during the year was the acquisition in September 2006 of *Letts* and *Leckie & Leckie* for £12.0 million. These have been successfully integrated with our existing *Lonsdale* revision guide business to form a new Education Division from the beginning of 2007. This is a key strategic move for Huveaux. We are fully aware of the changing landscape in educational publishing and that some of today's suppliers do not relish the digital challenge it brings. We do not share this view and are confident that our current position in revision and testing, together with the expertise we already have at *Epic,* provide us with an excellent platform for digital expansion in this sector.

Our Key Priorities in 2007

- > Continue to drive organic growth and identify additional revenue sources through new product launches and digital innovation
- > Expand further our UK and EU political monitoring offerings
- > Roll-out our Continuing Medical Education programmes in France
- > Identify and execute on targeted acquisitions which strengthen our market-leading positions
- > Launch our first digital products in Education
- > Extend our briefings, seminars and events portfolio across the Group

Chief Executive's Review

"In 2006 we made great strides in our mission to create a truly 21st century B2B group with a highly diversified range of revenue sources. We have achieved this while continuing to deliver double digit profit growth."

Gerry Murray, Chief Executive Officer

2006 Performance Highlights

- Substantial double-digit profit and earnings per share growth
- Significant margin improvements in Political and Healthcare Divisions and in e-learning business
- Record growth in UK political monitoring business and increased competitiveness through acquisition of *Political Wizard* and launch of new EU product offering
- Successful launch of *Civil Service Network* website
- Appointed first government-approved Continuing Medical Education provider in France
- Expansion of briefings and conference portfolio – we now organise over 500 events annually
- Major expansion of schools revision guide business with the acquisition of *Letts* and *Leckie & Leckie* – we are now the UK market leader in study aids and revision guides
- Successful integration of two strategic acquisitions

Introduction

At a time when all media groups face fundamental challenges to their business models, we have once again delivered substantial double-digit growth in both profits and earnings per share. We have achieved this while also improving our products and services across the board, pursuing the opportunities offered by digital technologies and continuing to broaden our revenue streams. Our ability to deliver results today, while laying the foundations for sustainable revenue and profit growth in the future, means we are well placed to take advantage of the communications revolution taking place across our industry.

Huveaux's core objective is to help its customers drive and improve their own individual and organisational performance. We do this by amplifying and expanding the traditional B2B model to include e-learning, numerous web-based information and communication services and a substantial events business. We believe firmly that the expansion of digital services and events in our markets represents a significant opportunity.

Diversifying Revenue

In 2006, we made further good progress towards our strategic objective of becoming a substantial B2B media group, with diversified revenue streams around each of our main brands and existing content. We have expanded our digital portfolio through acquisition and new product launches. In July 2006, we added a web-based service to our political monitoring business with the acquisition of *Political Wizard.* This has now been fully integrated into the *Dods* business, enabling us to offer a much wider range of services and price points to customers as part of a recently restructured monitoring operation.

Elsewhere, we have developed a web portal for the civil service, *The Civil Service Network,* and are developing an online assessment tool for secondary schools.

In France, we have significantly enhanced our *Egora.fr* website and are incorporating an extensive searchable medical archive. We will shortly be enhancing it still further with the introduction of a management system that will enable GPs to source, monitor and control their Continuing Medical Education (CME) activities. Our ability to innovate, by applying a healthy mix of proven and cutting-edge digital technologies, is greatly assisted by our e-learning and web development capabilities at *Epic.*

The expansion of our events business has also helped us to diversify our revenue streams away from print subscriptions and advertising in 2006. We now run a number of prestigious awards events, particularly in the political and government sector, and we were delighted to launch the inaugural *Civil Service Awards for Excellence* during the year. Elsewhere, we ran over 500 training courses and conferences in the year (compared to 330 in 2005) and our government training unit, Political Knowledge, was again one of our best-performing businesses in 2006. Learning events also form a crucial part of our development as a provider of CME in France. We are the first CME supplier to have been approved by the French government and we are determined to leverage this position and reinforce our lead in this field.

These diversification and brand extension initiatives are underpinned by the continued dominance of our traditional print products in their respective markets. Our two major UK publications, *The House Magazine* and *Parliamentary Monitor*, both showed healthy organic growth in 2006. In France, we relaunched our weekly publication for GPs, *Panorama du Médecin,* which ended the year with an increased market share in the highly competitive pharmaceutical advertising market. Our newspaper for UK government, *Whitehall and Westminster World,* continued to grow and is now established reading amongst UK civil servants.

Right: *Epic's* work with Virgin Atlantic Airways was shortlisted for and received a special mention in the category of "Excellence in the production of learning content" at the 2006 E-learning Awards

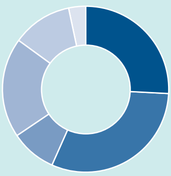
28,000

The number of downloads within the first three months of *Dods'* new political podcasts service being launched

Above: The 30th anniversary of our flagship title, *The House Magazine,* was celebrated at 10 Downing Street

Revenue Sources

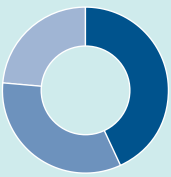
For the year ended 31 December 2006



- Digital 26%
- Magazine Advertising 31%
- Magazine Subscriptions 9%
- Books 19%
- Events 12%
- Products & Other 3%

Revenue by Division

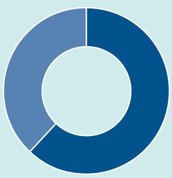
For the year ended 31 December 2006



- Learning 43%
- Healthcare 33%
- Political 24%

Revenue by Geography

For the year ended 31 December 2006



- UK 62%
- EU 38%

One of the highlights of last year was the acquisition of *Letts* and *Leckie & Leckie,* two companies with substantial positions in revision guide publishing for schools. Combined with our existing *Lonsdale* business, this acquisition makes us the clear market leader in the UK. In 2007, we will distribute over five million study aids and revision guide products. Huveaux has substantial ambitions in UK education. To this end, we have recently formed a dedicated Education Division to help focus and realise these ambitions. Our revision guides business will form the nucleus of this new division.

Business Overview

2006 has been a full and eventful year. At Group level, we have achieved substantial EPS and organic profit growth, despite challenging market conditions. With the exception of our schools education business, we have improved margins across the Group and are well placed to expand in 2007 and beyond.

Political Division

£ million	2006	2005
Turnover	**10,578**	9,721
EBITDA*	**2,483**	1,800

*A reconciliation between EBITDA and operating profit is provided in Schedule A on page 57

Our political business enjoyed a strong 12 months performance with underlying organic sales growth for the year of 10% and, influenced particularly by a record number of new product launches, 18% in the second half. 2006 also saw the 30th anniversary of our flagship publication, *The House Magazine,* and we are grateful to the Prime Minister for agreeing to host its birthday celebrations at 10 Downing Street.

In 2006, the strength and resilience of our political publishing business enabled us to grow our revenue across the board despite trading for the first time in a post-election environment in the UK. We also managed to produce a marked improvement in profit and margin as digital and events-related revenue became a more significant proportion of our overall income.

Political advertising rose by 3% due to better than expected sales during the party conference season and a generally strong performance in the final quarter of 2006. During the year, we launched several new awards events, including the highly successful *Civil Service Awards for Excellence,* alongside which we also launched *The Civil Service Network,* a portal for civil servants.

Our Political Monitoring business was boosted by the acquisition of *Political Wizard* in July but also saw substantial organic growth from its existing operations. There is no doubt that the combination of the automated Wizard business with our existing bespoke offering has substantially improved our monitoring proposition and market position, leading to several significant new client wins. In addition, we launched an EU version of *Political Wizard,* making us the only supplier of such a political monitoring service.

In Europe, we forged a strong relationship with the Committee of the Regions and launched *The Regional Review,* a publication dealing exclusively with the funding of regional projects within the EU. Our French political business had a quiet year but showed improved profits and margins year-on-year. 2007 is a double election year in France and we look forward to increased activity in this business in the next 12 months.

Our Political Division, both in the UK and Europe, continues to grow from strength to strength.

Chief Executive's Review continued

Above: *Epic* has provided the skills, expertise and impetus to help drive our digital initiatives in all our divisions

5 million
The number of study aids and revision guides we will distribute across the UK in 2007

500
The number of training courses and conferences we organised in 2006

Learning Division

£ million	2006	2005
Turnover	19,516	11,224
EBITDA*	4,068	2,615

*A reconciliation between EBITDA and operating profit is provided in Schedule A on page 57

The Learning Division included the best performing unit in the Group with our Political Knowledge business showing organic sales growth in excess of 20% year on year. This was largely driven by expansion in our briefings and conference business, a highly competitive area in which we have built substantial expertise. In 2007 we will be producing a number of new blended learning programmes for the Civil Service combining our e-learning expertise with established classroom courses.

At *Epic,* and as expected, sales were marginally lower than in 2005 as we concentrated on margin improvement and transition to higher quality earnings (as well as supporting many digital initiatives elsewhere in the Group). This planned focus has largely been achieved by using new software tools developed in-house and concentrating on higher value contracts. We have won several new clients in retail and financial services as well as in the public sector. *Epic* maintains its position as the foremost bespoke e-learning supplier in the UK and a vital ingredient in Huveaux's digital future.

Our established *Fenman* business, now known as *Epic Professional,* responded well to last year's restructuring and showed a substantial increase in profits driven by further cost reductions and margin improvements. The future of this business will be based on a number of online and e-learning offerings; although we no longer produce training videos, previous content is being converted for use through digital delivery.

Included within our Learning Division for 2006 was our education business, which at the beginning of the year consisted solely of *Lonsdale.* However, with the complementary acquisition of *Letts* and *Leckie & Leckie* in early September, we finished the year as the leading supplier of study aids and revision guides in the UK, with full product coverage across all subjects and stages of the school curriculum. The acquired businesses have now been successfully integrated with our existing *Lonsdale* product range. Together, they will form the nucleus of our newly created Education Division, enabling us to focus on our planned expansion in this sector. The Division will be led by Andy Ware, who joins us in March 2007. Andy is an extremely experienced educational publisher having held senior positions at Pearson, the learning arm of the BBC and McGraw Hill.

Compared to the record performance in 2005, sales at *Lonsdale* fell by 8% in 2006. This disruption, which was caused by curriculum changes in Key Stage 4 Science, had an adverse profit impact on the business. While we successfully produced all planned books to schedule, they did not sell in the numbers expected. We believe that this is mainly due to a delayed decision-making issue within school departments as they absorb the extent of the new curriculum changes. The *Letts* and *Leckie & Leckie* businesses were not affected in the same way as they are not so dependent on Key Stage 4 Science or on direct sales to schools. Both *Letts* and *Leckie & Leckie* delivered good performances ahead of our expectations during our period of ownership in 2006.

Huveaux and Education

- Huveaux is the leading supplier of revision guides and study aids in the UK, across all subjects and key stages of the school curriculum
- Schools education landscape set to change, driven by supplier influence and digital encroachment
- Huveaux has ideal platform for further expansion
- Ambitions driven by organic growth, digital opportunities and targeted acquisitions

UK schools education is now a very important sector for Huveaux and we will make it a targeted area for expansion in the future. We believe the sector is evolving rapidly and that the balance of power amongst suppliers will be subject to fundamental change in the near future; several of the major players are already planning to exit the market to avoid the challenges posed by digital content and delivery. However, we believe that the move to digital will work in our favour due to the strength of our digital training capabilities at *Epic* and because our valuable revision and testing content is easily converted into digital delivery. Our ambition is to become a major player in education and we believe the quality of our existing revision guides business provides an excellent platform for that expansion.

Left: *Egora.fr* is the most visited medical website in France, dedicated to GPs and healthcare professionals

No.1

We are the leading provider of Continuing Medical Education to the French healthcare community

Above & Left: The successful relaunch of our two leading French medical titles, *Panorama du Médecin* and *Le Concours Médical,* resulted in increased market share for each of the magazines

Healthcare Division

£ million	2006	2005
Turnover	14,934	6,791
EBITDA*	2,379	1,481

*A reconciliation between EBITDA and operating profit is provided in Schedule A on page 57

In France, our Healthcare publishing business faced challenging market conditions in 2006. The market for pharmaceutical advertising to GPs was down 6% year on year but our income from advertising held steady due to increased market share at our leading title, *Panorama du Médecin,* which was relaunched early in the year. We also managed to substantially increase our profits from this business in 2006 by delivering significant improvements in our margin, largely as a result of the successful restructuring programme undertaken in the second half of 2005.

The growth opportunity in healthcare in France is based upon our becoming a successful supplier of Continuing Medical Education (CME). We achieved this goal during 2006 when we became the first government-approved CME supplier shortly after legislation was introduced. We have already launched our first sponsored CME programme and we expect to produce two further substantial programmes in 2007.

Our digital healthcare operations produced an excellent performance in the year and we will be expanding these significantly in 2007. *Egora.fr* is the most visited medical website in France. It will be relaunched this year with the addition of a large, searchable medical archive which will operate on a pay-per-view pricing model and contain every article published by us in our CME publications in the past five years. *Egora.fr* will also have a substantial part to play in our CME strategy. Using technology developed by our e-learning company *Epic,* we will be launching a digital platform where GPs can select, monitor and record their now compulsory CME learning activities. This will enhance the opportunity for *Egora.fr* to increase sponsorship revenue going forward. We are confident of our strong position in the French Healthcare market and believe that in the longer term we will remain the leading CME supplier to the French healthcare community.

Our People, Our Future

The passion of our people, together with their knowledge, motivation and collaboration, is what gives them an insight into our customers' behaviour and changing needs. It is also what inspires them to develop, innovate and deliver new and better solutions, something we have seen in abundance this year.

Through the acquisitions we have made in 2006, we have welcomed many new colleagues into the Group and we are delighted by the positive energy, ideas and performance they have generated. To them, and to all my colleagues in the Group, I extend my thanks for their contribution throughout the year.

I believe we are very well placed now in four major markets. We have a depth of management talent and strong market positions. Our ambition for expansion remains undimmed.

Gerry Murray
Chief Executive Officer

Financial Review

"The Group's results for the year to 31 December 2006 have demonstrated continued growth and achievement of our strategic objectives. Our balance sheet remains strong, providing a sound financial platform for further growth."

Dan O'Brien, Group Finance Director

Summary

The Group's results for the year to 31 December 2006 have demonstrated continued growth and achievement of our strategic objectives. Turnover for the year rose 62% to £45.0 million (2005: £27.7 million) and pre-tax profits before exceptional items and goodwill amortisation were up 43% to £6.0 million (2005: £4.2 million). The Group's balance sheet remains strong with net debt of £18.7 million at the year-end representing gearing of 31% (2005:19%), providing a sound financial platform for further growth.

Turnover and Operating Results

Turnover for the year increased by 62% to £45.0 million, of which acquisitions made during the year contributed £3.9 million. The turnover growth was principally the result of acquisitions made in the current and prior year.

Organic revenue growth for the Group as a whole was constrained in 2006. Good growth performances in several areas of the business were largely offset by reductions arising in three key areas: in Healthcare, where the overall market decreased marginally as anticipated; in *Lonsdale*, due to the market turbulence caused by the introduction of a new Key Stage 4 Science syllabus; and in *Epic*, where the planned focus during the year had been on the transition to higher profit, higher margin business and intra-Group projects.

Profit before tax was £4.8 million (2005: £2.0 million) and EBITDA was £7.2 million (2005: £4.5 million). This represents a 2.2% improvement on profit margins on a like-for-like annualised basis.

Exceptional Items

Exceptional items for the year totalled £0.6 million, of which £0.4 million related primarily to the planned restructuring of operations immediately following the acquisitions of *Political Wizard* in July and *Letts* and *Leckie & Leckie* in September 2006. The remaining exceptional items related to residual restructuring costs incurred in France on the post-acquisition integration programme at *JBB Santé* acquired in October 2005.

Taxation

The increase in the proportion of the Group's profits generated in France, together with the lower utilisation of tax losses, has led to an increase in the overall rate of effective tax to 28.1% (2005: 21.8%). Whilst 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 (EPS)

Normalised EPS (pre-exceptional items and goodwill amortisation) was 3.1 pence (2005: 2.6 pence), representing a 17% increase. Basic EPS was 2.4 pence (2005: 1.3 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 1.21 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 2007 to shareholders registered on 27 April 2007.

Liquidity and Capital Resources

During the year, Huveaux entered into a £5.4 million six-year secured term loan and an £8.0 million seven-year secured term loan with Bank of Scotland. Huveaux also raised £5.5 million through the placement of shares in the Company with institutional investors. These total funds of £18.9 million were used to finance the acquisitions of *Political Wizard, Letts* and *Leckie & Leckie* together with the associated integration costs, initial working capital requirements and transaction fees.

Interest payable during the year amounted to £0.9 million (2005: £0.1 million). This increase reflects the first full year of interest charges on the €15.0 million seven-year term loan entered into in 2005 together with pro-rata interest paid on the £13.4 million aggregated term loans entered into during 2006. Interest receivable was £0.2 million (2005: £0.1 million).

During the year, underlying cash conversion was again strong with the Group generating £4.6 million (2005: £1.2 million) of cash from its operating activities. At the year-end, the Group had cash balances of £4.3 million (2005: £2.7 million) and net debt of £18.7 million, representing a net debt to EBITDA ratio of 2.6 times (2005: 1.7 times).

+62%

Turnover for the year up 62% to £45.0 million

+43%

Pre-tax profits, before exceptional items and goodwill amortisation, up 43% to £6.0 million

+17%

Normalised EPS, pre-exceptional items and goodwill amortisation, up 17% to 3.1 pence per share

+10%

Final dividend for 2006 up 10% to 1.21 pence per share

Key Performance Indicators

The Group uses a number of performance indicators to both manage the business and ensure that the Group's objectives are being delivered. Many of these are targeted at driving performance at the divisional and local operating unit level. In addition, the Board regularly reviews the following Group level performance indicators:

- Adjusted earnings per share
- Adjusted profit before tax
  – both adjusted for exceptional items and goodwill amortisation
- Revenue mix and revenue per employee
- Adjusted operating cash flow
  – adjusted for exceptional items
- Gearing levels and net debt to EBITDA ratio

	2006	2005
Adjusted EPS (pence)	**3.1**	2.6
Adjusted profit before tax (£ million)	**6.0**	3.9
Revenue by source (%)		
– Digital	**26**	23
– Magazine Advertising	**31**	32
– Magazine Subscriptions	**9**	8
– Books	**19**	19
– Events	**12**	12
– Products & Other	**3**	6
Revenue per employee (£'000)	**93**	97
Adjusted operating cash flow (£ million)	**6.4**	2.5
Gearing ratio (%)	**31**	19
Net debt to EBITDA ratio (times)	**2.6**	1.7

Derivatives and Other Instruments

In 2006, 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 business operations.

During 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 £2.0 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 taken out in 2005, of which €14.3 million remained outstanding as at the 31 December 2006. In February 2007, 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 €14.3 million term loan attracts interest payable in Euros, calculated with reference to prevailing EURIBOR. In order to limit our forward exposure to changes in EURIBOR, the Group has entered into an interest rate cap for the term of the loan.

The aforementioned £5.4 million and £8.0 million term loans attract interest payable in sterling, calculated with reference to prevailing LIBOR. In order to limit our forward exposure to changes in LIBOR, the Group has entered into an interest rate cap for the term of the loan.

Changes to the Financial Reporting Framework

The Group is reporting for the first time under FRS 20: "Share-based Payment", which requires the fair value of share options to be calculated and charged against profits. The charge for 2006 was £153,000 (2005: £173,000 as restated). While the variables affecting this calculation cannot be accurately forecast, the annual impact of this charge is expected to increase.

In line with AIM market guidelines, Huveaux is intending to comply with International Financial Reporting Standards ("IFRS") for the current financial year ending 31 December 2007. We are presently undertaking a review programme in relation to the requirements of IFRS and its likely impact on the Group's financial position. It is expected that this review will be completed during the first half of 2007 and we therefore plan to provide a further update to shareholders ahead of the Company's 2007 interim results announcement.

Dan O'Brien
Group Finance Director

Our People, Our Future

The passion of our people, together with their insight into our customers' behaviour and needs, is what inspires them to develop, innovate and deliver new and better solutions, something we have seen in abundance this year.

We are a people-critical business and we rely on people with ambition and drive to help build on our success, to meet the challenges that lie ahead and to be part of our future progression.

We are creating a stimulating and rewarding environment for our employees to work in, apply their skills and realise their full potential.

Developing a collaborative culture >

Above right: **Hannah Linder,** Head of Production, Westminster Briefing

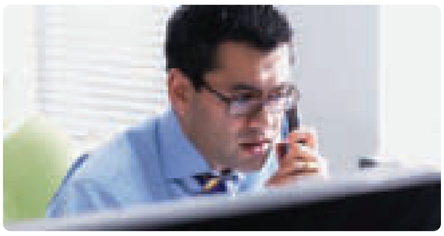
Right: **Ajita Hathlia,** Events Manager, Westminster Briefing

Inspiring innovation >

Customer comment > Learning Division

"I found *Epic* to be extremely knowledgeable in all areas of learning, not just e-learning.Their business proposals delivered the correct solution and they provided accurate, on time releases throughout the development process to our own high quality standards. The blended learning consultancy and courseware development is superb and I fully recommend *Epic* as a learning partner."

Major Chris Edwards, Directorate of Individual Training, Army Training Advisory Group



Left: **Parvin Madahar,** Managing Director, Westminster Briefing

Encouraging an entrepreneurial spirit >

Customer comment > Political Division

"We have worked with *Dods* on the *Whitehall & Westminster World Civil Service Awards* and found that their level of professionalism, organisation and high calibre relationships helped create a programme and event which exceeded our expectations and enhanced the reputation of our firm. Our relationship with *Dods* is greatly valued as a key channel for developing our business with government."

Gemma Williams, Marketing Director, Ernst & Young

Above: **Chris Andrews,** Business Development Manager, Dods Political Monitoring

Identifying and developing talent >

Customer comment > Healthcare Division

"As a leading pharmaceutical company, we find Huveaux Healthcare the perfect partner to help promote our work. Their range of high quality services, such as magazines, websites, events, medical information and continuing medical education, offer multimedia opportunities to reach healthcare professionals."

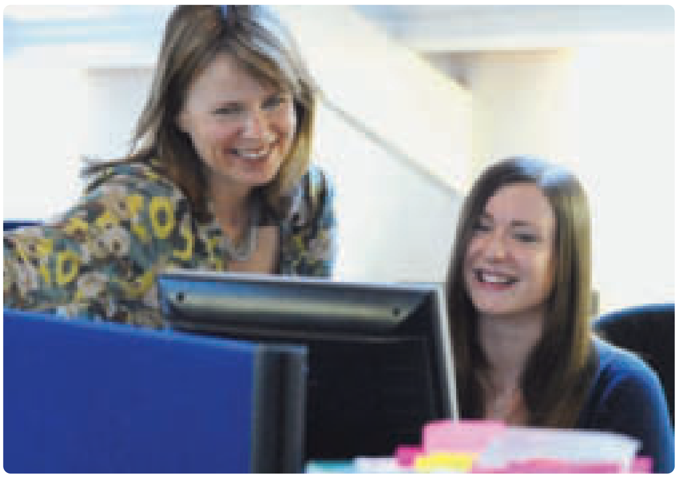
Isabelle Boucot, Managing Director, Medical Affairs, GSK-France

Above: **Pamela Messi** Journalist, Panorama du Médecin, Huveaux France

Below left: **Catherine Le Menaheze,** Sales Director, Huveaux France and **Dr Nicolas Postel-Vinay,** Chief Editor, Le Concours Médical, Huveaux France

Below: **Alison Mainwaring,** Operations Manager, Lonsdale

Commitment and drive >



Above: **Brett Mitchell,** Sales Director, Dods Political Monitoring

Above right: **Abi Townsend** and **Emma Leighton,** Customer Service Executives, Lonsdale

Thinking smarter >

Customer comment > Education Division

"With textbooks, strong presentation and a little humour go a long way. But the danger is that these can dominate content, and for an exam guide that would obviously spell trouble. The good news is that *Leckie & Leckie* have got the balance spot on with its series of *Success Guides.* Clarity is the key, plus a lively pace and a strong, logical structure. The guides are pitched intelligently and reflect genuine enthusiasm for the subjects."

Sam Phipps, Scottish Correspondent, SecEd Magazine

Business Review > Political Division

"2006 has been a year of innovation and development at *Dods,* with a record number of successful new product launches and brand extensions, including books, intelligence services, magazines, websites and events."

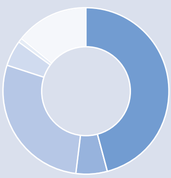
Michael Hepburn, Managing Director, Political Division

Priorities in 2007

- Exploit fully the double election year in France and the dynamic political environment in the UK
- Deliver continued organic growth and improved margins
- Develop further our UK and EU political monitoring opportunities and *The Civil Service Network* portal
- Expand our events and EU regional publishing business

Revenue Sources

For the year ended 31 December 2006



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

Introduction

2006 was the year after a General Election – traditionally the low point in our business cycle. Despite this, *Dods* continued to achieve sustained growth in revenue and profit. With Tony Blair standing down and a new Prime Minister expected to be in place by September, 2007 promises to be an extremely busy year for *Dods* and the political market in general.

Our online political monitoring business grew 77% in 2006 and became the fastest-growing business within *Dods.* The portfolio offering was also strengthened by the acquisition and integration of *Political Wizard,* a desktop intelligence service which tracks legislation in progress and delivers bespoke briefings to clients. With further UK and EU expansion planned, monitoring, intelligence and communication services represent a key growth area for *Dods* in 2007.

Impressive performances were also delivered last year by our two flagship titles, *Dods Parliamentary Companion* and *The House Magazine,* the latter of which celebrated its 30th anniversary in November. The quality of our editorial continues to improve and our publications are increasingly quoted in the national media. With the same objective in mind, we established Editorial Advisory Boards to both *The Parliamentary Monitor* and *ePolitix.com,* comprising of senior politicians, and to *Whitehall & Westminster World,* comprising of senior civil servants. Contributions from these Boards will ensure that our publications retain their 'must-read' status and reflect the key issues facing people working in politics and government.

Whitehall & Westminster World continued to show excellent growth in 2006 with revenue rising 36%. The publication was enhanced by the launch of the related website, *civilservicenetwork.com,* and the brand extended through the introduction of the first, and highly successful, related Awards event.

Elsewhere, we introduced a new *Dods* Polling service comprising a parliamentary panel of over 200 MPs and on the back of our market leading *Dods Parliamentary Companion,* we launched a new book, *Who's Who in Public Affairs,* which has proved a great success. These, together with our most impressive *Public Affairs News Awards* ever, has seen *Dods* further cement its lead role as the primary source of information, news and communication for the political and public affairs communities.

In Europe, we relaunched our flagship publication, *The Parliament Magazine,* for Brussels and our online offering, *TheParliament.com.* We also launched a new European title, *The Regional Review,* during 2006. Written by and for decision makers in the EU institutions, the magazine offers regional policy stakeholders and project managers a platform from which to examine the impact of EU investment in the Regions, read about regional policy developments and share best practice.

In France, our market-leading publication, *Le Trombinoscope,* again performed strongly last year and we were able to successfully introduce *Le Trombinoscope de la Santé,* a 'Who's Who' in French politics. Further brand extensions are planned for 2007 as we seek to take advantage of the country's two major elections this year.

2006 has been a year of innovation and development at *Dods,* with a record number of successful new product launches and brand extensions, including books, intelligence services, magazines, websites and events. These were all created by our staff and were the main driver behind the Political Division's 18% organic revenue growth in the last six months of 2006. We expect further growth across the board during 2007, in both Brussels and Europe, and particularly through the planned expansion of our UK and EU monitoring services.

Providing essential and intelligent information to civil servants

In 2006, *Dods* launched the new *civilservicenetwork.com,* a unique website developed as a brand extension to the highly respected *Whitehall & Westminster World* newspaper. Featuring information, news, archives, discussion forums and job opportunities, the site is designed to provide support for senior civil servants in their working environments.

A key feature of the site is the best practice archive (produced through the successful *Whitehall & Westminster World Civil Service Awards*) which comprises more than 650 entries and provides an invaluable resource for civil servants facing the continuing challenge of improving their day-to-day services and delivery. The site was created and designed by *Dods* staff whose knowledge and insight of their customers' needs enabled them to successfully introduce a new digital offering that aids their day-to-day performance.

Business Review > Learning Division

"From initial consultation through to the delivery and assessment outcomes, *Epic* and the Learning Division are able to provide the comprehensive and bespoke blended learning solutions that many of our clients are now looking for."

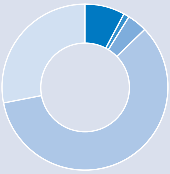
Matt Gokhool, Managing Director, Learning Division

Priorities in 2007

- Continue to grow our fast moving Political Knowledge briefings and conference business
- Extend Public Sector training programmes through *Epic Professional*
- Develop our new business area of online learning resources
- Continue transition at *Epic* to higher margin, higher quality earnings and support digital initiatives across the Group

Revenue Sources

For the year ended 31 December 2006



To find out more visit:
www.epic.co.uk
www.fenman.co.uk
www.trainingjournal.com
www.traineractive.com
www.westminster-explained.com

Introduction

The Learning Division has benefited from developments at our market-leading e-learning company, *Epic,* during the year. By understanding and reflecting our customers' needs through the production and design process, we have been able to produce highly competitive e-learning solutions that reinforce *Epic's* reputation for high quality service and products.

This more dynamic approach has enabled us to secure a wider range of clients from across the public and private sector, particularly in the financial and financial services markets. It has also enabled us to improve margins and grow profitability, putting the Learning Division in a strong position for growth in 2007.

During 2006, we reorganised our separate businesses around the highly regarded *Epic* 'learning' brand. This involved bringing together our face-to-face training and seminar business and our learning and training IP and products. Consequently, from initial consultation through to the delivery and assessment outcomes, *Epic* and the Learning Division are able to provide the comprehensive and bespoke blended learning solutions that many of our clients are now looking for. It has also allowed us to win larger learning programme contracts within the civil service and we expect to see sustained growth in this market in 2007.

Our Political Knowledge briefings and conference business had a record performance and profit year in 2006, organising over 500 events. The reputation we have created through these seminars, workshops and training has enabled us to broaden the areas of focus and develop new courses and content. Coupled with our e-learning solutions, our classroom-based activity is now better placed to satisfy the customer's desire for blended and bespoke learning solutions.

Fenman, the established training resources business, has been integrated into *Epic* and now operates as *Epic Professional.* This new structure allows the Division to take advantage of *Epic's* IP and access to market, moving from the traditional paper-based approach into the digital and e-learning market. Incorporating this knowledge into the new structure will enable us to better use this resource to suit modern learning and training methods.

In developing our multimedia approach to the market, we have enhanced our digital offering with the launch of *TrainerActive.com,* an online resource which has attracted more than 9,000 subscribers in the first three months since its introduction. In 2007, we will further develop our digital presence with the launch of *TJ-Training Journal* online which will create new audiences and develop new revenue streams that are not available to us though the traditional publishing model.

2006 also saw the launch of our first *TJ-Training Journal Awards* programme to identify and recognise best practice within the learning and training industry. This successful event has provided a valuable source of practical new ideas and is the inspiration behind the planned development of further seminars and training courses in 2007.

Epic's innovation and approach to the digital challenge which many organisations face has provided Huveaux with an important digital resource and capability. This is demonstrated in a series of joint initiatives with each of the Group Divisions which have been carried out not only cost-effectively, but with learning and IP remaining in the Group. This in-house expertise has also served as a stimulus to innovation and development across all the Divisions, ensuring that we constantly review our products and services through the eyes of our customers and remain focused on our ability to respond quickly to their changing needs.

Enhancing personal and professional development and improving performance

Westminster Explained has continued to mature as a business and innovate in the training arena through expanding its range of seminars. Having previously provided solely Parliamentary focused events, its portfolio now covers the full range of skills training required by a modern public sector worker, including such diverse areas as project management, policy development, communications and strategic thinking.

A recent addition to the portfolio has been the launch of a new workshop, "Essential Writing Skills for Civil Servants." This was created through our research team identifying the specific training need to communicate more effectively, thus helping civil servants to further their personal and professional development and improve their performance. Its success has already led to the provision of an advanced writing skills workshop.

Business Review > Healthcare Division

"We have refocused our services to ensure that we can offer GPs and other healthcare professionals the full suite of training and education they need to meet their new and compulsory CME requirements."

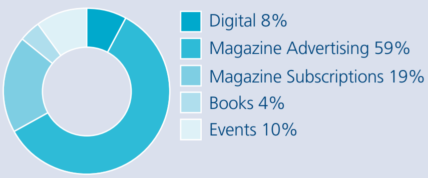
Alain Trebucq, Managing Director, Healthcare Division

Priorities in 2007

- Relaunch *Egora.fr* with the addition of a large, searchable archive and enhanced digital platform for Continuing Medical Education (CME) management by doctors
- Produce two further substantial CME sponsored programmes and develop associated new revenue streams
- Continue to increase our market share of leading medical publications
- Extend our market leadership in CME

Revenue Sources

For the year ended 31 December 2006



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

Introduction

For many companies operating within the French medical publishing sector, the downturn in pharmaceutical advertising has created a challenging market environment and a major strain on the traditional business model. The situation has arisen due to a combination of an increase in the level of generic medicines and a decrease in the number of new 'blockbuster' treatments being introduced each year. Together, these factors have adversely affected pharmaceutical companies and their advertising spends.

We identified these changing market dynamics early and were able to shape our services to reflect the new multi-platform needs of our clients and customers. This wider approach resulted in the creation of new opportunities, products and services, the broadening of our market-leading portfolio, and the contribution to a substantial improvement in profits and margins during 2006.

We also identified at an early stage the critical importance of Continuing Medical Education (CME) in France in anticipation of legislation being introduced. Indeed, our growth opportunity is based upon our becoming a lead player in the CME arena and we were boosted in that goal when we were appointed the first government-approved supplier of CME during the year. We have refocused our services to ensure that we can offer GPs and other healthcare professionals the full suite of training and education they need to meet their new and compulsory CME requirements.

In 2006, we successfully relaunched two of our leading titles, *Le Concours Médical* and *Panorama du Médecin*, achieving increased market share and leadership in doing so. The value and profile of all our leading magazines has been enhanced through their CME accreditation, making them a vital component of any ongoing education programme linked to CME.

A further strengthening of our position in this unique CME space was the appointment of Huveaux France as the first publisher to receive an agreement for managing the performance evaluation of medical practice from La Haute Autorité de Santé. This important development will enable us to offer doctors a compliance framework for this key aspect of CME.

As in other areas of the Group, the development of brand extensions to help satisfy the changing needs of clients and customers has been explored. Consequently, the Healthcare Division will be improving and expanding its seminars and events programme in 2007 to reflect the identified need for face-to-face information, training and networking opportunities as the medical profession comes to terms with the new CME environment and the impact it brings.

Huveaux France is the proud owner of the leading medical website in France, *www.Egora.fr.* During 2007, we intend to further develop and relaunch this all-in-one site by offering online some of the most famous and important medical archives available. The Healthcare Division will also be developing new CME programmes online in 2007, hence growing and strengthening *Egora's* position at the heart of GPs digital resources. The opportunity to create these effectively and efficiently is provided by the expertise already available within the Group at *Epic*, the UK's leader in bespoke e-learning.

The successful development of our broader product and service approach, incorporating publishing, events, online resources and learning, is targeted at reducing our reliability on direct advertising. It will also enable us to align our offerings closer to the more predictable and reliable needs of the French medical profession.

Helping to keep the busy lives of doctors and healthcare professionals simple

Egora.fr is the most visited website in France, providing online news, data, interactive case studies and a soon to be introduced extensive searchable archive. It is supplemented by industry specific e-bulletins as well as market-leading publications.

In 2006, Huveaux France became the first government-approved supplier of Continuing Medical Education (CME) shortly after legislation was introduced. Since then, it has been extremely active extending its existing and creating new digital services for its all-in-one website that will help doctors and healthcare professionals deal with the compulsory education and training requirements which CME brings. One innovative new service being developed using technology available from our e-learning company, *Epic,* will see the introduction in 2007 of an online management system that enables doctors to source, monitor and control their CME activities in an effective and efficient manner.

Business Review > Education Division

"We began 2007 as the leading supplier of study aids and revision guides in the UK, with full product coverage across all subjects and stages of the school curriculum."

Andy Ware, Managing Director, Education Division

Priorities in 2007

- Targeted area of investment and expansion for Huveaux
- Exploit fully our market-leading brands and content strength to maximise cross-selling opportunities into established schools and retail channels
- Utilise our Group digital capability and expertise to deliver existing and new products online
- Launch a new online instruction and assessment product in time for the new academic year

Revenue Sources

For the year ended 31 December 2006

To find out more visit:
www.letts-successzone.com
www.lonsdalesrg.co.uk
www.leckieandleckie.co.uk

Introduction

The changing landscape of the UK schools education sector is expected to continue, driven mainly by supplier influence, the greater emphasis being placed on personal learning and the modern day expectation that digital content and delivery will play an increasingly important role.

For Huveaux, we have interpreted these changes positively. Firstly, as an opportunity to build upon the experience and knowledge of our existing *Lonsdale* school revision guide business. And secondly, to utilise the digital training capabilities already available to us at *Epic,* in seeking to convert and extend existing content into digital alternatives.

As a result, we more than tripled the size of our education business with the acquisition in September 2006 of the highly respected and market-leading *Letts* and *Leckie & Leckie* businesses. The remainder of last year was spent integrating these with *Lonsdale* which was successfully completed on time and with targeted cost savings and greater efficiencies achieved. Consequently, we began 2007 as the leading supplier of study aids and revision guides in the UK, with full product coverage across all subjects and stages of the school curriculum.

There were fundamental changes introduced to the new Key Stage 4 Science curriculum in 2006 which led to purchasing decisions in schools being delayed and a consequential shortfall in sales at *Lonsdale*. Nevertheless, our combined education revenue in 2006 grew by 207% to £6.8 million and operating profit by 140% to £2.0 million.

From the 1 January 2007, we have grouped together our educational businesses to form a substantial new division, Huveaux Education, and I am pleased to have been appointed its first Managing Director to help drive and realise Huveaux's ambitions in this important growth area.

The acquisition of *Letts* has given us a retail presence that we intend to exploit by moving a new range of *Lonsdale* school titles into the retail channel during 2007. While the *Letts* brand is one of the best known in UK education, with a long established presence in retail, its awareness in schools is less prevalent. At the time of acquisition, we declared our intention to reverse this position and this has already started with the launch of our curriculum specific *Success Guides* which are performing ahead of expectations. In 2007, we will develop a wider publishing strategy which will see *Letts* and *Lonsdale* products complementing each other. This strategy will see considerable improvements in our market share across the retail study guide and direct to schools revision guide markets.

Letts also has a strong presence in primary school education, where we will be launching in 2007 our *Aliens* series, a follow-up to the very successful *Magical* series.

The acquisition of *Leckie & Leckie* has given us a major presence in Scotland as the market leader in educational publishing and the sole supplier of past practice papers for the SQA. While the market is comparatively smaller than elsewhere in the UK, the level of educational and learning activity in Scotland is high making the market opportunities there very exciting.

The greatest challenge facing educational publishers today is the transitional programme that will undoubtedly see print content delivered though digital alternatives. Huveaux is embracing this opportunity and we have already developed a number of digital learning projects which we are confident will give us a competitive advantage moving forward. We have a substantial and valuable educational content that can easily be converted to digital delivery. We intend to build on our digital expertise at *Epic* and the strength of our existing business to ensure that Huveaux becomes a major player in selected areas of the education market.

Improving educational attainment through digital engagement

Our new Education Division focuses on supporting improvement and attainment for school children of all ages. To this end, and with a view to extending further our market-leading brands to teachers, pupils and parents, we are developing a personalised digital revision and self-assessment testing programme for GCSE.

Using the digital capabilities and expertise already available within Huveaux, at *Epic,* this innovative new product will enable students to practice their skills and knowledge in selected areas of the curriculum, receive instant feedback on individual answers submitted, take advantage of "Question Help" revision tips and even take a timed test. It will also allow both students and teachers to chart and record their progress and identify areas where extra work may be needed. This exciting development has been created by Huveaux staff utilising existing IP and in-house expertise to deliver a digital offering that engages with young people in their ambition to know more and perform better.

Board of Directors

"The Board comprises a carefully selected blend of individuals with experience from relevant sectors and businesses. The directors all share a passion for Huveaux and a genuine belief in the collective ability to make our strategic vision a reality."

John van Kuffeler, Chairman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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 (58)[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 (53)
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. 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 Group Chief Executive in November 2005.

3. Dan O'Brien (39)
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 Huveaux Board on 1 January 2006.

Non-Executive Directors

4. John L Clarke (58)[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 The Addington Society of tax specialists. John became a Huveaux Board member upon foundation in 2001.

5. Kevin L Hand (55)[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 and Deputy Chairman in April 2006.

6. Richard Flaye (52)[A N R]
Richard Flaye is currently Chairman of Pageant Media (a leading B2B publisher) and ADP (one of the UK's largest dental chains). He founded and was Chief Executive of Quantum Business Media, one of the B2B media success stories of the last decade. Previous to that, Richard was Managing Director of Emap Maclaren and Marketing Director of Reed Business Publishing. He was a management consultant with McKinsey & Co. for four years. He was appointed to the Huveaux Board on 1 September 2006.

Executive Management

"The Executive Management team has a level of maturity, cohesion and relevant experience that will ensure we deliver on the opportunities that lie ahead."

Gerry Murray, Chief Executive Officer

1. From left to right:

Gerry Murray
Chief Executive Officer

Robin Hutchinson
Group Creative Director

2. From left to right:

Michael Arnaouti
Company Secretary & Director of Corporate Services

Alain Trebucq
Managing Director, Healthcare Division

3. From left to right:

Andy Ware
Managing Director, Education Division

Steve Macvicar
Managing Director, Political Monitoring

4. From left to right:

Simon Thompson
UK Finance Director

Michael Hepburn
Managing Director, Political Division

5. From left to right:

Dan O'Brien
Group Finance Director

Matt Gokhool
Managing Director, Learning Division

Directors' Report

The directors present their annual report together with the audited financial statements of Huveaux PLC (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2006.

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 information and digital services, training courses and other media. The Group operates primarily in the UK and France and has market-leading positions in its Healthcare, Learning, Political and newly established Education divisions.

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 11 and pages 14 to 21 and should be read in conjunction with this Report. A description of the principal risks and uncertainties facing the Group can be found later in this Report on page 26.

The purpose of the Annual Report is to provide information to the members of the Company. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve risk and uncertainty, since future events and circumstances can cause results and developments to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

Results and Dividends

The Group's financial results for the year are shown in the Consolidated Profit and Loss Account on page 31. The directors recommend a final dividend for the year of 1.21 pence per Ordinary share (2005: 1.1 pence) which, if approved by shareholders at the forthcoming Annual General Meeting (see below), will be paid on 31 May 2007 to shareholders registered at the close of business on 27 April 2007.

Major Transactions

On 26 July 2006, the Company announced the acquisition of the entire issued share capital of Parliamentary Monitoring Services Limited ("PMSL") which included the whole of its joint venture undertaking, Political Wizard Limited, a leading online political monitoring business in the UK and European markets. All PMSL products and services have been fully integrated into the Political Division's flagship company, Dods Parliamentary Communications Limited.

The total cash consideration agreed for PMSL was £4.88 million of which £4.3 million was paid on completion. Of the £0.58 million deferred consideration, the payment of £0.5 million is subject to the prior satisfaction of certain operational performance targets while the payment of £80,000 is subject only to certain time constraints through to 30 June 2008. The total consideration, including transaction fees and restructuring costs, was financed through a £5.4 million six-year secured term loan from the Bank of Scotland.

On 4 September 2006, the Company announced the acquisition of the entire issued share capital of Letts Educational Limited ("Letts") and Leckie & Leckie Limited ("Leckie & Leckie"), the leading providers of study aids and revision guides in England and Scotland respectively. The businesses of Letts and Leckie have been fully integrated with the Group's existing revision guide business, Lonsdale, and together (effective from 1 January 2007) they operate as the Group's newly formed Education Division.

The total consideration payable at completion was £12.4 million and was settled by means of a £12.2 million cash payment and the satisfaction of £0.2 million debt. The cash consideration included a £0.4 million escrow retention against the achievement of certain operational and financial performance targets of Letts relating to the financial year ended 31 December 2006. These targets were not met and the escrow monies are due to be repaid to the Company.

The total consideration, together with transaction fees and restructuring costs, was financed through an £8.0 million seven-year secured term loan from the Bank of Scotland and a £5.5 million placing with institutional investors (the "Placing").

The Placing was completed on 4 September 2006 and resulted in the allotment of 11,827,957 new Ordinary shares (representing approximately 8% of the Company's then issued share capital) at a price of 46.5 pence per share. The new Ordinary shares were issued fully paid, ranking pari passu in all respects with the existing Ordinary shares then in issue, and were admitted to trading on the AIM market of the London Stock Exchange on 7 September 2006.

Further details of these acquisitions, and various Group re-organisations undertaken during the year for efficiency and integration purposes, are shown in note 13 to the accounts.

Financial Instruments

Details of financial instruments can be found in note 25 to the accounts.

Directors

The names and brief biographical details of the current directors are given on page 22. All held office throughout the year and up to the date of this Report with the exception of Richard Flaye, who was appointed to the Board on 1 September 2006; Jean-Marie Simon, who resigned on 3 March 2006; and Christina Benn and Timothy Benn, who both resigned on 7 April 2006.

Retirement and Rotation of Directors

Pursuant to the Company's Articles of Association, John Clarke and Kevin Hand will retire by rotation at the Company's Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election. The Board has considered the requirements of the Combined Code in respect of these matters and believes that these members continue to be effective and to demonstrate their commitment to their roles, the Board and the Group. The Board therefore has no hesitation in recommending the above directors for re-election at the forthcoming AGM. Richard Flaye will retire at this year's AGM (having been appointed since the last AGM) and, being eligible, offers himself for election. None of the above directors have service agreements with the Company.

The service contracts of the executive directors and the letters of appointment of the non-executive 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 01/01/06	At 31/12/06	At 01/01/06	Granted	At 31/12/06
John P de Blocq van Kuffeler	2,459,036	2,459,036	667,000	600,000	1,267,000
Gerry Murray	94,189	134,189	1,100,000	562,500	1,662,500
Dan O'Brien	2,500	2,500	200,000	444,605	644,605
John L Clarke	215,180	125,180	–	–	–
Kevin Hand	–	208,851	–	–	–
Richard Flaye	–	–	–	–	–

Notes:
1 There have been no changes in the directors' beneficial or non-beneficial interests between the year-end and 5 March 2007, 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 (i) 153,000 options held by John van Kuffeler which were approved and granted in 2004 under an Enterprise Management Incentive arrangement and (ii) 24,605 options granted in the year and held by Dan O'Brien 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 29 to the accounts.

3 The market-price of a Company share during the year was as follows:

Price at 1 January 2006	46p
Highest price	54p
Lowest price	41p
Price at 31 December 2006	51p

Directors' and Officers' Indemnity Insurance
The Group has taken out an insurance policy to indemnify the directors and officers of the Company and its subsidiaries in respect of certain liabilities which may attach to them in their capacity as directors or officers of the Group, as far as permitted by law. This indemnity policy subsisted throughout the year and remains in place at the date of this Report.

Substantial Shareholdings
As at 5 March 2007, the Company had been notified of the following interests in 3% or more of its issued share capital:

	%
AXA Investment Managers UK Limited	21.0
HBOS plc	5.2
FMR Corp.	4.2
Scottish Widows Investment Partnership	3.9
Foreign & Colonial Asset Management Limited	3.9
Aberdeen Asset Managers Limited	3.6
Jupiter Asset Management Limited	3.4
Singer & Friedlander Investment Management	3.2
Schroder Investment Management Limited	3.0

Share Capital
At the AGM held on 27 April 2006, 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 this years' AGM.

Pursuant to the existing shareholder authority available to the Company under s89 of the Company's Act 1985, and as referred to above in relation to the acquisition of Letts and Leckie, the Company completed the Placing of 11.8 million new Ordinary shares with institutional investors on 4 September 2006. Details of the increase in the issued share capital of the Company during the year are given in note 22 to the accounts.

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

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 continuing opportunities 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 unlawful 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 directors, senior management and key employees from those principal countries in which the Group operates. It has also established an All-Employee Savings-Related Share Option Scheme, which operates in both the UK and France, and which encourages share ownership by providing employees with the opportunity to acquire shares in the Company at a discount to the market price at the date of grant through regular savings over a three to five year time-frame. Further details of these two share option schemes are set out in note 29 to the accounts.

Political and Charitable Donations
No charitable or political donations were made in the year (2005: 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 39 days (2005: 53).

Directors' Report continued

Health, Safety and Environmental

The Chief Executive Officer is 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.

Business Risks

The key business risks and uncertainties facing the Company are considered by the Board as part of its annual strategy review, with the resulting potential impacts and mitigating actions reported back to the Board at subsequent meetings throughout the year. Details of the day-to-day identification, monitoring and managing of our business risks by the Executive Management team, and an explanation of the process involved (including the regular review by the Board and Audit Committee), are set out in the section entitled "Internal Controls" in the Corporate Governance Statement on page 28.

The alternative sources of Huveaux's revenue streams do serve to spread our general exposure to business risks and uncertainties. However, Huveaux is exposed to certain specific risks as follows:

- the reliance on advertising revenue, circulation and subscription across our Political and Healthcare Divisions;
- the strength of the UK and French economic and political environments, where the vast majority of the Group's operations are based;
- our ability to attract and retain the right people;
- financial risks (see Financial Review on page 11);
- our increasing dependence on information technology systems and technological change; and
- the fact that all our businesses operate in highly competitive and constantly changing markets.

Going Concern

The directors believe, having reviewed the Group's budget for the year to 31 December 2007 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 ended 31 December 2006.

Directors' Statement on Disclosure of Information to Auditors

The directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of s234Z of the Companies Act 1985.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 26 April 2007 at the offices of Dresdner Kleinwort, 30 Gresham Street, London EC2P 2XY. 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

5 March 2007

Corporate Governance Statement

The Board is committed to establishing and maintaining:

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

Although the Company has its listing on the Alternative Investment Market (AIM), it seeks to embrace, voluntarily, the full spirit of the Combined Code on Corporate Governance (the "Combined Code"), but as a minimum, adhere to the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance.

The Board: Chairman, John van Kuffeler
The Board presently comprises three executive directors, including the Chairman, and three non-executive directors. (During part of 2006, both these director categories had comprised four in number). The roles of the Chairman and the Chief Executive, Gerry Murray, are held separately and clearly defined in relation to their responsibility for managing the Board and managing the Group's operations respectively. Kevin Hand was appointed Deputy Chairman and Senior Independent Director on 8 April 2006. Summary biographical details and standing committee memberships of all the directors are shown on page 22.

The Board of directors are collectively responsible for the strategic direction, investment decisions and effective leadership and control of the Group. To this end, there exists:

- a schedule of matters specifically reserved to the Board for its decisions, including approval of the Group's strategy, annual budget, major capital expenditure, acquisitions and disposals, risk management policies and financial statements; and
- in relation to non-reserved matters, the terms of reference under which the Board has delegated certain responsibilities to its three standing committees.

Each of the non-executive directors is considered to be independent, as determined by the Board, and together bring a wide range of relevant skills and experience to bear on issues under consideration. This helps ensure that independent judgement is exercised and that a proper balance of power is maintained for full and effective control.

All directors are required to stand for election at the first Annual General Meeting following their appointment and seek re-election at least every three years. They have direct access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are adhered to and that applicable rules and regulations are complied with. The Senior Independent Director has authority to ensure that directors may, if necessary, take independent professional advice at the Company's expense. Appropriate training for new and existing directors is kept under review and provided where necessary.

The Board generally meets on a monthly basis and met on 13 occasions during 2006. The aggregate attendance for all Board and Committee meetings was 95%. Directors receive in advance of each meeting an agenda and set of supporting papers with detailed commentary. The non-executive directors are encouraged to voice any concerns they may have at the monthly Board meetings and to ask for further information if required. Minutes of each Board meeting are circulated for comment before being formally approved at the next meeting.

The performance of the directors and the effectiveness of the Board as a whole has been reviewed and monitored as part of an on-going assessment under the stewardship of the Chairman. A formal evaluation is proposed to be undertaken during the second half of 2007. The informal basis on which the non-executives meet as a group at least once a year without the executive directors in attendance will also be formalised going forward.

Audit Committee: Chairman, John Clarke
The Audit Committee comprises all the non-executive directors and meets no less than four times a year with the external auditors together with various representatives of the executive and finance functions. It also meets privately with the external auditors on a regular basis. The Committee, inter alia:

- is responsible for the appointment, review and remuneration of the external auditors and has authority to pre-approve their engagement for both audit and permitted non-audit services within an agreed framework;
- annually assesses the independence and objectivity of the auditors;
- reviews the annual and interim financial statements, the Group's accounting policies and procedures and its financial control environment; and
- reviews the Group's system of internal controls, including risk management procedures.

Remuneration Committee: Chairman, Kevin Hand
The Remuneration Committee comprises all the non-executive directors and meets at least twice a year and otherwise as necessary. It advises the Board on the Company's remuneration strategy and determines, on behalf of the Board and within its remuneration framework, the individual remuneration package of each of the executive directors and certain members of the senior management team.

No director is involved in deciding his own remuneration, whether determined by the Committee, or in the case of non-executives, by the Board.

Nomination Committee: Chairman, John van Kuffeler
The Nomination Committee comprises the Chairman and all the non-executive directors and meets at least once a year. It is responsible for reviewing the composition and structure of the Board and for making recommendations to the Board for its consideration and approval.

Relations with Shareholders
The Board attaches considerable importance to its relationship and communication with shareholders. The Chairman in particular, and other representatives of the Board, meet regularly with institutional investors, fund managers, financial analysts and brokers with feedback reports provided to and discussed with the Board.

Communication with shareholders is facilitated by the issue of full-year and interim reports which, together with other corporate information and press releases, are available on the Company's website: www.huveauxplc.com

The Annual General Meeting provides a forum for private shareholders to raise issues with directors. The Notice convening the Meeting is normally issued at least 20 working days in advance and separate resolutions are proposed on each substantially separate issue. The results of the Meeting's proceedings will in future be made available on the Company's website.

Corporate Governance Statement continued

Internal Controls

The Board is ultimately responsible for the good standing of the Company, the management of assets for optimum performance and for the operation of an effective system of internal control appropriate to the business. However, it must be recognised that any control system can provide only reasonable and not absolute assurance against material misstatement or loss.

Internal Control Environment

Day-to-day operating and financial responsibility rests with senior management at divisional head and operating unit level, although performance is closely monitored through the Executive Management team (members of which are shown on page 23) which meets on a monthly basis throughout the year, chaired by the Chief Executive.

The following key elements comprise the present internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives. The process is communicated through various operating, risk management and accounting policies and procedures:

- an organisation structure with clear lines of responsibility and delegated levels of authority;
- a comprehensive financial planning, control, budgeting and rolling forecast system, which includes monthly risk and opportunity assessment reviews at Group level; and
- a flat management structure which facilitates open and timely communication.

The Board has considered the need for a separate internal audit function but has decided that because of the present size of the Group, this function will continue to be carried out by existing finance staff. This position will to be subject to annual review.

The internal control process described above, which is reviewed annually by the Board, has been in place throughout the year under review and up-to-date of the 2006 Annual Report and Accounts.

Improvements Made During the Year

The following significant improvements were made to the internal control framework during the year:

- the review and formulation of a financial approvals and procedures matrix to enhance and strengthen the existing system of internal financial control across the Group; and
- the adoption of a standard accounting and financial reporting process throughout the Group to help ensure the timely and consistent delivery of quality financial information to management.

Internal Control Process

The CEO-led "Operational Excellence" programme, which includes the requirement for all operating units to conduct an annual self-assessment risk workshop, was launched early in 2007. It has already proved very successful in helping to focus management on the ownership and responsibility of business risk management at local and divisional operating level. The Executive Management team will monitor and regularly review material upwardly-reported business risks as well as those potentially significant corporate risks identified from a top-down approach. A central two-tier corporate risk register, including mitigated action plans and senior management responsibilities, will be presented to the Board and to the Audit Committee on a regular basis.

Review of Effectiveness

The Board, assisted by the Audit Committee, has reviewed the effectiveness of the system of internal controls in place for the year ended 31 December 2006, taking account of any material developments since that date, using the process set out above. The Board confirms that the review revealed nothing, which, in its opinion, indicated that the system was ineffective or unsatisfactory.

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.

Financial statements are published on the Company's website in accordance with UK legislation governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the Company's website. The directors' responsibility therefore also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors 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 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group 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 Annual 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 29.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report covers the requirements of the Enhanced Business Review and includes reference to specific information presented in the Chairman’s Statement, Chief Executive’s Review and Financial Review. In addition we report to you if, in our opinion, 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 the 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 2006 and of the Group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

5 March 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 £'000	2005 as restated* £'000
Turnover			
Continuing operations	2	**41,084**	27,736
Acquisitions	2	**3,944**	–
		45,028	27,736
Cost of sales	3	**(26,408)**	(15,646)
Gross profit	3	**18,620**	12,090
Administrative expenses	3	**(12,442)**	(7,999)
Exceptional items	3, 4	**(640)**	(1,903)
Total administrative expenses		**(13,082)**	(9,902)
Continuing operations	2	**4,727**	2,188
Acquisitions	2	**811**	–
Total operating profit		**5,538**	2,188
Other interest receivable and similar income	8	**161**	111
Interest payable and similar charges	9	**(872)**	(105)
Exceptional items	4, 9	**–**	(231)
Interest payable and similar charges	9	**(872)**	(336)
Profit on ordinary activities before taxation	5	**4,827**	1,963
Tax on profit on ordinary activities	10	**(1,354)**	(428)
Profit for the financial year		**3,473**	1,535
Earnings per share – basic	12	**2.41p**	1.31p
Earnings per share – diluted	12	**2.40p**	1.30p
Adjusted basic earnings per share (before exceptional items and amortisation of goodwill)	12	**3.06p**	2.62p

*see notes 1 and 30

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 2006

	Note	2006 £'000	2005 as restated* £'000
Fixed assets			
Intangible assets	14	**66,006**	51,083
Tangible fixed assets	15	**1,589**	1,000
		67,595	52,083
Current assets			
Stocks	17	**3,806**	2,150
Debtors	18	**16,525**	12,671
Cash at bank and in hand		**4,307**	2,678
		24,638	17,499
Creditors: Amounts falling due within one year	19	**(20,392)**	(13,919)
Net current assets		**4,246**	3,580
Total assets less current liabilities		**71,841**	55,663
Creditors: Amounts falling due after more than one year	20	**(19,951)**	(10,065)
Provision for liabilities and charges	21	**(368)**	(1,552)
Net assets		**51,522**	44,046
Capital and reserves			
Called-up share capital	22	**15,200**	14,017
Share premium account	23	**30,816**	26,795
Merger reserve	23	**409**	409
Profit and loss account	23	**5,097**	2,825
Equity shareholders' funds		**51,522**	44,046

*see notes 1 and 30

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

5 March 2007

Company Balance Sheet

at 31 December 2006

	Note	2006 £'000	2005 as restated* £'000
Fixed assets			
Intangible assets	14	**7,772**	12,193
Tangible fixed assets	15	**338**	371
Investments	16	**55,269**	38,477
		63,379	51,041
Current assets			
Stocks	17	**506**	492
Debtors (including £8,585,000 (2005: £9,807,000) due after more than one year)	18	**11,599**	11,361
Cash at bank and in hand		**2,224**	1,689
		14,329	13,542
Creditors: Amounts falling due within one year	19	**(9,286)**	(4,510)
Net current assets		**5,043**	9,032
Total assets less current liabilities		**68,422**	60,073
Creditors: Amounts falling due after more than one year	20	**(15,731)**	(10,183)
Provision for liabilities and charges	21	**–**	(144)
Net assets		**52,691**	49,746
Capital and reserves			
Called-up share capital	22	**15,200**	14,017
Share premium account	23	**30,816**	26,795
Merger reserve	23	**409**	409
Profit and loss account	23	**6,226**	8,525
Equity shareholders' funds		**52,691**	49,746

*see notes 1 and 30

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

5 March 2007

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Cash flow statement			
Cash flow from operating activities	26	**4,612**	1,173
Returns on investments and servicing of finance	27	**(913)**	(225)
Taxation		**(745)**	(385)
Capital expenditure and financial investment	27	**(1,166)**	(359)
Acquisitions and disposals	27	**(16,711)**	(9,849)
Dividends paid on shares classified in shareholders' funds	11	**(1,542)**	(1,076)
Cash outflow before management of liquid resources and financing		**(16,465)**	(10,721)
Management of liquid resources	27	**55**	–
Financing	27	**18,088**	10,389
Increase/(decrease) in cash in the year	28	**1,678**	(332)

	Note	2006 £'000	2005 £'000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		**1,678**	(332)
Cash inflow from increase in debt	28	**(12,884)**	(10,323)
Change in net funds resulting from cash flows		**(11,206)**	(10,655)
Translation differences	28	**163**	(110)
Movement in net debt in the year		**(11,043)**	(10,765)
Net (debt)/funds at the start of the year		**(7,645)**	3,120
Net debt at the end of the year	28	**(18,688)**	(7,645)

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2006

	Note	2006 £'000	2005 as restated* £'000
Profit for the financial year		**3,473**	1,535
Actuarial gains and losses on defined benefit scheme	31	**25**	–
Currency translation differences		**163**	(93)
Total recognised gains and losses relating to the financial year		**3,661**	1,442

Reconciliation of Movements in Consolidated Shareholders' Funds

for the year ended 31 December 2006

	Note	2006 £'000	2005 as restated* £'000
Profit for the financial year		**3,473**	1,535
Dividends on shares classified in shareholders' funds	11	**(1,542)**	(1,076)
Retained profit for the financial year		**1,931**	459
Other recognised gains and losses relating to the year (net)		**188**	(93)
Share based payment charges credited to equity	23	**153**	173
New share capital subscribed (net of issue costs)		**5,204**	3,322
Net addition to shareholders' funds		**7,476**	3,861
Opening shareholders' funds as originally stated		**44,041**	40,185
Prior year adjustment (as explained in notes 1 and 30)		**5**	–
Opening shareholders' funds as restated		**44,046**	40,185
Closing shareholders' funds		**51,522**	44,046

*see notes 1 and 30

Notes to the Financial Statements

31 December 2006

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 20: "Share-based Payment", the effect of adopting which is set out in note 30.

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 2006. 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 loss after taxation attributable to Huveaux PLC for the year and dealt with in the financial statements of the Company was £870,000 (2005: profit of £8,338,000 as restated).

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

Turnover in respect of subscription-based services, including online services, is recognised on a straight line basis 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.

Leases

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

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.

The Group also operates a pension scheme in France providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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 allowed by Financial Reporting Standard 19: "Deferred tax".

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 are subject to an 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 £47,919,000 as at 31 December 2006 (2005: £47,772,000). 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 2006 would have decreased by £2,396,000 (2005: £2,025,000).

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 2006 or 2005.

1 Accounting policies (continued)
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 between 15 and 20 years.

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 publishing rights. The Group accounts were not affected by this transfer.

During the current year the Company transferred the trade and net assets of this entity to a different subsidiary undertaking at their book value excluding any amount for the current carrying value of publishing rights. As the business no longer exists in the Company, Schedule 4 to the Companies Act 1985 requires that these publishing rights be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. As there has been no overall loss to the Company, the directors consider that it would fail to give a true and fair view to charge the amount to the Company's profit and loss account and have instead reallocated this amount to the Company's investment in its subsidiaries. The effect of this departure was to increase the Company's fixed asset investments by £4,421,000 and to decrease publishing rights by a corresponding amount.

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

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

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 costs of the design and development of CD ROM titles ("plate costs") are capitalised on individual projects where the future recoverability of the costs can be foreseen with reasonable certainty. Plate costs are stated at their direct cost less accumulated amortisation. Full provision is made for any plate costs where the CD ROM titles are excess to requirements or where they will no longer be used in the business. Amortisation is provided to write off the plate costs over one to three years at varying rates to match the anticipated future income streams.

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.

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 in the prior year comprised an investment in a listed company, which was sold during the current year.

Notes to the Financial Statements continued

1 Accounting policies (continued)

Classification of financial instruments issued by the Group

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.

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 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.

2 Segmental information

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

	Continuing operations 2006 £'000	Acquisitions 2006 £'000	Total 2006 £'000	2005 £'000
Group turnover				
Political				
United Kingdom	**8,905**	**139**	**9,044**	8,214
Continental Europe & rest of the world	**1,534**	**–**	**1,534**	1,507
	10,439	**139**	**10,578**	9,721
Learning				
United Kingdom	**15,355**	**3,522**	**18,877**	10,880
Continental Europe & rest of the world	**356**	**283**	**639**	344
	15,711	**3,805**	**19,516**	11,224
Healthcare				
Continental Europe & rest of the world	**14,934**	**–**	**14,934**	6,791
	14,934	**–**	**14,934**	6,791
	41,084	**3,944**	**45,028**	27,736
Total operating profit/(loss)				
Political				
United Kingdom	**1,718**	**20**	**1,738**	1,137
Continental Europe & rest of the world	**364**	**–**	**364**	237
	2,082	**20**	**2,102**	1,374
Learning				
United Kingdom	**2,726**	**725**	**3,451**	2,103
Continental Europe & rest of the world	**51**	**66**	**117**	29
	2,777	**791**	**3,568**	2,132
Healthcare				
Continental Europe & rest of the world	**2,048**	**–**	**2,048**	274
	2,048	**–**	**2,048**	274
Head Office				
United Kingdom	**(2,180)**	**–**	**(2,180)**	(1,592)
	(2,180)	**–**	**(2,180)**	(1,592)
	4,727	**811**	**5,538**	2,188

Head office costs include amortisation of goodwill totalling £485,000 (2005: £56,000). In the prior year, Head office costs were allocated across the operating divisions on a pro rata basis. The directors believe that the disclosure of the Head office costs as a separate division presents a fairer disclosure of the Group's operations.

Exceptional items of £640,000 (2005: £2,134,000) were incurred in respect of the United Kingdom (£399,000) and Continental Europe & rest of the world (£241,000). Exceptional items have been incurred in the Political Division (£102,000 of which £62,000 relates to acquisitions during the year), Learning Division (£297,000 of which £124,000 relates to acquisitions) and Healthcare Division (£241,000).

Notes to the Financial Statements continued

2 Segmental information (continued)

	Continuing operations 2006 £'000	Acquisitions 2006 £'000	Total 2006 £'000	2005 £'000
Net assets				
Political				
United Kingdom	**25,145**	**14**	**25,159**	23,337
	25,145	**14**	**25,159**	23,337
Learning				
United Kingdom	**19,998**	**552**	**20,550**	17,764
	19,998	**552**	**20,550**	17,764
Healthcare				
Continental Europe	**3,331**	**–**	**3,331**	1,945
	3,331	**–**	**3,331**	1,945
Head Office				
United Kingdom	**2,482**	**–**	**2,482**	1,000
	2,482	**–**	**2,482**	1,000
	50,956	**566**	**51,522**	44,046

As in the prior year the results and net assets of our French political business are shown as part of the Healthcare Division to reflect the local management structure currently in operation. The turnover of this division for the year was £670,000 (2005: £799,000).

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

	2006 £'000	2005 £'000
Cost of sales		
Continuing operations	**24,244**	15,646
Acquisitions	**2,164**	–
Total cost of sales	**26,408**	15,646
Gross profit		
Continuing operations	**16,840**	12,090
Acquisitions	**1,780**	–
Total gross profit	**18,620**	12,090
Administrative expenses before exceptional items		
Continuing operations	**11,659**	7,999
Acquisitions	**783**	–
Total administrative expenses before exceptional items	**12,442**	7,999
Exceptional items – restructuring charges		
Continuing operations	**454**	1,903
Acquisitions	**186**	–
Total exceptional items – restructuring charges	**640**	1,903

4 Exceptional items

	2006 £'000	2005 £'000
Redundancy and people related costs	**452**	1,653
Relocation and integration	**188**	135
Other exceptional items	**–**	115
	640	1,903
Interest on financing	**–**	231

The exceptional items relate primarily to the restructuring of the operations at Letts Educational Limited, Leckie & Leckie Limited, Political Wizard Limited and Political Monitoring Services Limited following their acquisition in 2006, and additional restructuring of the operations at COPEF SA following the acquisition of that business in 2005. Further exceptional items were incurred in the restructuring of the Group's operations following these acquisitions.

An exceptional interest charge was incurred in 2005 in relation to the £8.5 million bridge financing facility which was put in place to part finance the acquisition of Epic Group Plc and which was repaid immediately following the acquisition.

5 Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	**511**	400
Amortisation of goodwill	**485**	56
Hire of plant and machinery – operating leases	**111**	54
Hire of property – operating leases	**532**	510

Auditors' remuneration	2006 £'000	2005 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**85**	72
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**190**	184
Services relating to corporate finance transactions entered into by the Group	**197**	504
All other services	**–**	4

Auditors' remuneration for non-audit services of £197,000 (2005: £504,000) related to due diligence and acquisition related work has been capitalised to investments.

6 Directors' remuneration

	2006 £'000	2005 £'000
Directors' emoluments	**701**	824
Company contributions to money purchase pension schemes	**91**	75
Other benefits	**–**	4
	792	903

The emoluments of the highest paid director were £255,000 (2005: £240,000) and company pension contributions of £36,000 (2005: £24,000) were made to a money purchase scheme on the director's behalf. During the year £nil (2005: £233,000) was awarded to directors as compensation for loss of office.

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

	2006	2005
Money purchase schemes	**3**	3

Notes to the Financial Statements continued

7 Staff costs

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

	2006	2005
Editorial and production staff	**267**	131
Sales and marketing staff	**149**	92
Managerial and administration staff	**70**	61
Research and development staff	**–**	1
	486	285

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

	2006 £'000	2005 £'000
Wages and salaries	**15,912**	10,158
Social security costs	**3,041**	2,158
Pension and other costs	**474**	239
	19,427	12,555

8 Other interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	**96**	111
Other income	**8**	–
Net exchange gains	**57**	–
	161	111

9 Interest payable and similar charges

	2006 £'000	2005 £'000
On bank loans and overdrafts	**862**	88
Finance costs on defined benefit scheme (see note 31)	**10**	–
Net exchange losses	**–**	17
	872	105
Exceptional item – interest on financing (see note 4)	**–**	231
	872	336

10 Taxation

	2006 £'000	2005 £'000
UK corporation tax		
Current tax on income for the period	**878**	166
Adjustments in respect of prior periods	**24**	15
	902	181
Double taxation relief	**(1)**	(2)
Foreign tax		
Current tax on income for the period	**1**	2
Total current tax	**902**	181
Deferred tax (see note 18)		
Origination and reversal of timing differences	**736**	512
Deferred tax asset on French losses	**(93)**	(166)
Impact of discounting	**(191)**	(99)
Total deferred tax	**452**	247
Tax on profit on ordinary activities	**1,354**	428

10 Taxation (continued)

The effect of exceptional items charged during the year is to increase the tax charge by £192,000 (2005: £640,000).

The charge to the profit and loss account in respect of deferred tax of £452,000 (2005: £247,000) is stated after recording a deferred tax asset of £93,000 (before discounting) (2005: £150,000) in respect of tax losses, the recovery of which has been enabled by the merger of our French operations in 2006. There are other potential deferred tax assets in respect of tax losses totalling £200,000 (2005: £293,000) that have not been recognised on the basis that their future economic benefit is uncertain.

The tax charge for the period differs from the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	2006 £'000	2005 as restated* £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**4,827**	1,963
Current tax at 30% (2005: 30%)	**1,448**	589
Effects of:		
Permanent differences between expenditures charged in arriving at income and expenditures allowed for tax purposes	**216**	11
Share based payment charge not allowable	**46**	52
Capital allowances in excess of depreciation	**(109)**	(52)
Adjustments to tax charge in respect of prior periods	**24**	15
Utilisation of tax losses	**(723)**	(434)
Total current tax	**902**	181

*see notes 1 and 30

11 Dividends

	2006 £'000	2005 £'000
The aggregate amount of dividends comprises:		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**1,542**	1,076

A final dividend of 1.21 pence per 10p Ordinary share has been recommended and, subject to approval by shareholders at the Annual General Meeting on 26 April 2007, will be paid on 31 May 2007 to shareholders on the register at 27 April 2007.

12 Earnings per share

	2006 £'000	2005 £'000
Profit attributable to shareholders	**3,473**	1,535
Add: exceptional items (see note 4)	**640**	2,134
Add: amortisation of goodwill	**485**	56
Less: tax in respect of exceptional items	**(192)**	(640)
Adjusted profit attributable to shareholders	**4,406**	3,085

	2006 Ordinary shares	2005 Ordinary shares
Weighted average number of shares		
In issue during the year – basic	**143,994,329**	117,677,253
Dilutive potential Ordinary shares	**698,200**	421,610
In issue during the year – diluted	**144,692,529**	118,098,863
Earnings per share – basic	**2.41p**	1.31p
Earnings per share – diluted	**2.40p**	1.30p
Adjusted earnings per share (before exceptional items and amortisation of goodwill)	**3.06p**	2.62p

Notes to the Financial Statements continued

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. All fair values are provisional.

a) Political Monitoring Services Limited and Political Wizard Limited

On 27 July 2006 the Group acquired 100% of the issued share capital of Political Monitoring Services Limited ("PMS") and 50% of the issued share capital of Political Wizard Limited ("Wizard"), the remaining 50% of which is owned by PMS, in one transaction.

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the Huveaux Group:

	PMS Book value £'000	Wizard Book value £'000	Accounting Policy Alignments £'000	Fair value Adjustments £'000	**Fair value £'000**
Tangible fixed assets	21	–	–	(17)	**4**
Debtors	205	232	–	(54)	**383**
Cash	8	(10)	–	–	**(2)**
Creditors	(174)	(193)	(274)	(81)	**(722)**
Net assets/(liabilities) acquired	60	29	(274)	(152)	**(337)**
Goodwill					**5,576**
Total consideration					**5,239**
Satisfied by:					
Cash paid					**4,904**
Acquisition costs					**335**
					5,239

The accounting policy alignment comprises £274,000 of revenue which has been deferred in accordance with the Group's accounting policies. Fair value adjustments include provisions against the book value of certain debtors and the recognition of certain accruals.

Cash paid includes £580,000 of deferred consideration which is held within other creditors. This will be paid subject to certain operational performance targets being met through to 30 June 2008.

The summarised profit and loss account for PMS for the year ended 31 December 2005 and for the period from 1 January 2006 to 26 July 2006 is given below:

	Period ended 26 July 2006 Unaudited £'000	Year ended 31 December 2005 Unaudited £'000
Turnover	**349**	650
Operating profit/(loss)	**21**	(5)

The summarised profit and loss account for Wizard for the year ended 31 December 2005 and for the period from 1 January 2006 to 26 July 2006 is given below:

	Period ended 26 July 2006 Unaudited £'000	Year ended 31 December 2005 Unaudited £'000
Turnover	**442**	627
Operating profit/(loss)	**54**	(31)

13 Acquisitions (continued)

b) Letts Educational Limited and Leckie & Leckie Limited

On 4 September 2006 the Group acquired 100% of the issued share capital in both Letts Educational Limited ("Letts") and Leckie & Leckie Limited ("Leckie") in one transaction.

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the Huveaux Group:

	Letts Book value £'000	Leckie Book value £'000	Accounting Policy Alignments £'000	Fair value Adjustments £'000	**Fair value £'000**
Stock	2,553	289	–	(987)	**1,855**
Debtors	2,335	417	(946)	(149)	**1,657**
Deferred tax	(199)	(63)	–	787	**525**
Creditors	(401)	(708)	–	(327)	**(1,436)**
Net assets/(liabilities) acquired	4,288	(65)	(946)	(676)	**2,601**
Goodwill					**9,620**
Total consideration					**12,221**
Satisfied by:					
Cash paid					**6,316**
Shares issued					**5,500**
Acquisition costs					**405**
					12,221

Provisions were made against debtors for the return of stock issued prior to acquisition in order to align accounting policies. The fair value adjustments to stock were made to write down items including plate costs which were considered to have no net realisable value at the date of acquisition. The adjustment to deferred tax was made to account for losses brought forward at the date of acquisition.

The summarised consolidated profit and loss account for Letts for the year ended 31 December 2005 and for the period from 1 January 2006 to 3 September 2006 is given below:

	Period ended 3 September 2006 Unaudited £'000	Year ended 31 December 2005 Audited £'000
Turnover	**4,456**	7,811
Operating (loss)/profit	**(610)**	86

The summarised consolidated profit and loss account for Leckie for the year ended 31 December 2005 and for the period from 1 January 2006 to 3 September 2006 is given below:

	Period ended 3 September 2006 Unaudited £'000	Year ended 31 December 2005 Audited £'000
Turnover	**913**	2,194
Operating loss	**(319)**	(239)

Notes to the Financial Statements continued

14 Intangible assets

Group	Goodwill £'000	Publishing rights £'000	Total £'000
Cost			
At 1 January 2006	3,367	47,772	51,139
Additions	65	278	343
Additions through acquisition	15,196	–	15,196
Disposals	–	(131)	(131)
At 31 December 2006	**18,628**	**47,919**	**66,547**
Amortisation			
At 1 January 2006	56	–	56
Charged in year	485	–	485
At 31 December 2006	**541**	**–**	**541**
Net book value			
At 1 January 2006	3,311	47,772	51,083
At 31 December 2006	**18,087**	**47,919**	**66,006**

Additions to existing goodwill and publishing rights represent adjustments to the goodwill relating to the acquisition of Epic Group Plc and COPEF SA in 2005. The disposal of publishing rights represents the sale of the business mailing operation of COPEF SA in 2006 which was sold at its book value.

The directors' impairment review of intangible assets used a discount rate of 8.2% (2005: 8.2%) in the net present value calculation of the carrying value.

Company	Publishing rights £'000
Cost and net book value	
At 1 January 2006	12,193
Transfer of trade and assets (see note 1)	(4,421)
At 31 December 2006	**7,772**

15 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment and motor vehicles £'000	Total £'000
Cost				
At 1 January 2006	200	398	3,837	4,435
Additions	–	300	837	1,137
Additions through acquisition	–	–	17	17
Disposals	–	(246)	(111)	(357)
Exchange adjustment	–	(5)	(48)	(53)
At 31 December 2006	**200**	**447**	**4,532**	**5,179**
Depreciation				
At 1 January 2006	11	328	3,096	3,435
Charge for the year	1	48	462	511
Additions through acquisition	–	–	13	13
Disposals	–	(235)	(86)	(321)
Exchange adjustment	–	(4)	(44)	(48)
At 31 December 2006	**12**	**137**	**3,441**	**3,590**
Net book value				
At 1 January 2006	189	70	741	1,000
At 31 December 2006	**188**	**310**	**1,091**	**1,589**

15 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment and motor vehicles £'000	Total £'000
Cost				
At 1 January 2006	200	16	504	720
Additions	–	57	41	98
Disposals	–	(8)	(318)	(326)
At 31 December 2006	**200**	**65**	**227**	**492**
Depreciation				
At 1 January 2006	11	13	325	349
Charge for the year	1	6	86	93
Disposals	–	(8)	(280)	(288)
At 31 December 2006	**12**	**11**	**131**	**154**
Net book value				
At 1 January 2006	189	3	179	371
At 31 December 2006	**188**	**54**	**96**	**338**

16 Fixed asset investments

Company	Subsidiary undertakings £'000	Loan to subsidiary undertaking £'000	Total £'000
Cost			
At 1 January 2006 (as restated – see note 30)	36,861	1,616	38,477
Acquisitions (see note 13)	12,371	–	12,371
Transfer of trade and assets (see notes 1 and 14)	4,421	–	4,421
At 31 December 2006	**53,653**	**1,616**	**55,269**

Subsidiary undertakings

The results of each of the following principal subsidiary undertakings have been included in the Group accounts as at 31 December 2006:

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	Publishing	100	France
Epic Group plc	E–learning	100	England and Wales
Letts Educational Limited	Publishing	100	England and Wales
Leckie & Leckie Limited	Publishing	100	Scotland
Political Monitoring Services Limited	Political Monitoring	100	England and Wales
Political Wizard Limited (iii)	Political Monitoring	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.

(ii) The Company directly owns 50% of the issued share capital of Political Wizard Limited with the residual 50% being owned by Political Monitoring Services Limited, of which the Company owns 100%. The Company therefore controls the entire issued share capital of Political Wizard Limited.

17 Stocks

	2006 Group £'000	**2006 Company £'000**	2005 Group £'000	2005 Company £'000
Work-in-progress	**2,397**	**34**	1,036	21
Finished goods	**1,409**	**472**	1,114	471
	3,806	**506**	2,150	492

Notes to the Financial Statements continued

18 Debtors

	2006 Group £'000	2006 Company £'000	2005 as restated* Group £'000	2005 Company £'000
Trade debtors	**11,788**	**380**	9,639	590
Amounts owed by group undertakings	**–**	**10,357**	–	10,323
Other debtors	**1,476**	**474**	624	66
Deferred tax asset	**1,227**	**–**	1,180	–
Prepayments and accrued income	**2,034**	**388**	1,228	382
	16,525	**11,599**	12,671	11,361

*see notes 1 and 30

Other debtors include current asset investments of £nil (2005: £47,000), representing the Company's investment in a company listed on the London Stock Exchange which was sold during the year, and £400,000 of deferred cash consideration held in escrow relating to the acquisition of Letts Educational Limited and Leckie & Leckie Limited. This amount is held in escrow subject to the satisfaction of certain operating performance targets in 2006, which were not met. The directors therefore anticipate that the amount will be returned to the Company in 2007.

Total debtors include an amount owed by a group undertaking of £8,585,000 (2005: £9,807,000) due after more than one year in respect of the Company.

The elements of deferred tax are as follows:

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Accelerated capital allowances	**(353)**	**(343)**	(206)	(278)
Deferred tax on share based payment	**38**	**11**	5	–
Tax losses carried forward	**1,462**	**–**	1,416	–
Undiscounted net deferred tax asset/(liability)	**1,147**	**(332)**	1,215	(278)
Effect of discounting	**80**	**281**	(35)	218
Discounted net deferred tax asset/(liability)	**1,227**	**(51)**	1,180	(60)

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

	Group £'000	Company £'000
At 1 January 2006	1,180	(60)
Exchange adjustment	(26)	–
Tax losses acquired during the year (see note 13)	669	–
Accelerated capital allowances acquired during the year (see note 13)	(144)	–
Charge to the profit and loss account	(452)	9
At 31 December 2006	**1,227**	**(51)**

19 Creditors: Amounts falling due within one year

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Term loan facility payable in 2007 (see note 20)	**3,140**	**2,240**	516	516
Trade creditors	**2,605**	**208**	2,263	435
Amounts owed to group undertakings	**–**	**6,262**	–	2,752
Other creditors including tax and social security	**8,167**	**108**	5,602	150
Pension provision (see note 31)	**109**	**–**	96	–
Deferred tax liability (see note 18)	**–**	**51**	–	60
Accruals and deferred income	**6,371**	**417**	5,442	597
	20,392	**9,286**	13,919	4,510

Other creditors for the Group include £580,000 (2005: £nil) in respect of deferred consideration (see note 13).

20 Creditors: Amounts falling due after more than one year

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Term loan facility	**19,855**	**15,355**	9,807	9,807
Amounts owed to group undertakings	**–**	**376**	–	376
Accruals and deferred income	**96**	**–**	258	–
	19,951	**15,731**	10,065	10,183

During the year the Company took out an £8,000,000 seven year term loan to part finance the acquisition of Letts Educational Limited and Leckie & Leckie Limited together with transaction fees and restructuring costs. In addition the Group took out a £5,400,000 six year term loan to finance the acquisition of Political Wizard Limited and Political Monitoring Services Limited together with transaction fees and restructuring costs. Both loans were taken out with Bank of Scotland and bear interest at a rate linked to LIBOR.

€14,250,000 (£9,595,000) represents the outstanding element of a €15,000,000 seven year term loan with Bank of Scotland which was taken out in 2005 to part finance the acquisition of COPEF SA. The term loan bears interest at a rate linked to EURIBOR.

Borrowings are repayable as follows:

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Between one and two years	**3,645**	**2,745**	1,030	1,030
Between two and five years	**11,440**	**8,740**	4,647	4,647
After five years	**4,770**	**3,870**	4,130	4,130
	19,855	**15,355**	9,807	9,807
Within one year	**3,140**	**2,240**	516	516
	22,995	**17,595**	10,323	10,323

In connection with the Group's banking and borrowing facilities with the Bank of Scotland, the Company and its UK subsidiary undertakings have entered into a cross guarantee, which gives a fixed and floating charge over the assets of the UK trading companies of the Group.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be equivalent to insurance arrangements, and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Total creditors for the Group and Company are £40,343,000 and £25,017,000, respectively (2005: Group £23,984,000 and Company £14,693,000).

21 Provision for liabilities and charges

	Group £'000	Company £'000
At 1 January 2006	1,552	144
Charge to the profit and loss account	640	–
Utilised	(1,824)	(144)
At 31 December 2006	**368**	**–**

The provision for liabilities and charges relates to the restructuring of the business as described in note 4.

Notes to the Financial Statements continued

22 Called–up share capital

	2006 £'000	2005 £'000
Authorised:		
200,000,000 Ordinary shares of 10p each (2005: 200,000,000)	**20,000**	20,000
Allotted, called-up and fully paid:		
151,998,453 Ordinary shares of 10p each (2005: 140,170,496)	**15,200**	14,017

During the year, the Company issued 11,827,957 new Ordinary shares in satisfaction of a £5,500,000 placing with institutional investors in respect of the part-financing of the acquisition of Letts Educational Limited and Leckie & Leckie Limited. The new Ordinary shares were issued, credited as fully paid, on 7 September 2006, at a price of 46.5p per share. The total nominal value of the new Ordinary shares issued was £1,183,000.

23 Share premium and reserves

Group	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2006 as previously stated	26,795	409	2,820
Prior year adjustment (see note 30)	–	–	5
At 1 January 2006 as restated	26,795	409	2,825
Profit for the year	–	–	3,473
Dividends paid	–	–	(1,542)
Actuarial gains and losses	–	–	25
Currency translation differences	–	–	163
Premium on shares issued, less expenses	4,021	–	–
Share based payment charge	–	–	153
At 31 December 2006	**30,816**	**409**	**5,097**

Company	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2006	26,795	409	8,457
Prior year adjustment (see note 30)	–	–	68
At 1 January 2006 as restated	26,795	409	8,525
Loss for the year	–	–	(870)
Dividends paid	–	–	(1,542)
Premium on shares issued, less expenses	4,021	–	–
Share based payment charge	–	–	153
At 31 December 2006	**30,816**	**409**	**6,266**

24 Commitments

Annual commitments under non–cancellable leases are as follows:

	2006 Land and buildings £'000	2006 Other £'000	2005 Land and buildings £'000	2005 Other £'000
Group				
Expiry date:				
– within one year	**152**	**–**	138	8
– between two and five years	**88**	**132**	342	20
– after five years	**711**	**–**	133	–
	951	**132**	613	28
Company				
Expiry date:				
– within one year	**152**	**–**	52	–
– between two and five years	**48**	**1**	204	1
	200	**1**	256	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. The fair value of financial assets and liabilities is the same as the carrying amount as at 31 December 2006.

The Group's financial assets at 31 December 2006 comprise sterling and Euro deposits, current accounts and marketable securities. £1,062,000 (2005: £1,933,000) of the Group's cash was denominated in Euros at 31 December 2006. The balance of cash is held in sterling accounts. A £700,000 term deposit which was held at the end of 2004 was redeemed during 2005 and interest earned was at a weighted average interest rate of 5%. Term deposits of £580,000 in sterling and £682,000 in euros were taken out and redeemed in 2006 and earned interest at 5% and 3% respectively. Forward contracts to sell €2,000,000 into sterling and to buy €1,000,000 were taken out and redeemed in 2006. The sterling : euro rates on these transactions were 1.4368 and 1.4913 respectively.

Cash at hand and in bank comprises £4,307,000 (2005: £2,678,000) at a weighted average interest of 1.3% (2005: 1.6%). The marketable securities held in 2005 were listed investments with a cost of £47,000 and a market value of £48,000. These were sold during 2006.

During the year the Group entered into interest rate cap transactions in order to cap interest on the loan denominated in Euros at 4% and on the loans denominated in sterling at 6%. The fair value of these interest rate caps at 31 December 2006 was £92,000 and £51,000 respectively. The loans attract a floating rate of interest which is linked to EURIBOR and LIBOR as explained in note 20.

As at 31 December 2006 £2,000,000 remained undrawn under the Group's working capital facility.

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

	2006 £'000	2005 as restated* £'000
Operating profit	**5,538**	2,188
Depreciation charges	**511**	400
Amortisation charges	**485**	56
Credits on defined benefit scheme	**(1)**	–
Share based payment	**153**	173
Cash flow relating to restructuring provisions	**(1,824)**	(1,349)
Decrease in stocks	**199**	409
Increase in debtors	**(1,449)**	(2,977)
Increase in creditors	**1,000**	2,273
Net cash inflow from operating activities	**4,612**	1,173

*see notes 1 and 30

Notes to the Financial Statements continued

27 Analysis of cash flows

	2006 £'000	2005 £'000
Returns on investment and servicing of finance		
Interest and similar income received	**153**	111
Interest paid	**(1,066)**	(336)
	(913)	(225)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,166)**	(358)
Purchase of intangible fixed assets	**–**	(1)
	(1,166)	(359)
Acquisitions and disposals		
Purchase of subsidiary undertakings and assets	**(16,840)**	(18,224)
Proceeds on sale of investment	**131**	–
Lonsdale deferred consideration paid	**–**	(1,100)
Dods Parliamentary Communications deferred consideration paid	**–**	(471)
(Overdraft)/cash acquired on acquisition of subsidiary (see note 13)	**(2)**	9,946
	(16,711)	(9,849)
Management of liquid resources		
Proceeds on sale of current asset investments	**55**	–
	55	–
Financing		
Debt due within one year:		
– Reclassification of loans repayable within one year	**3,160**	9,016
– Repayment of loan	**(516)**	(8,500)
Debt due after more than one year:		
– New loans acquired	**13,400**	9,807
– Reclassification of loans repayable within one year	**(3,160)**	–
Issue of ordinary share capital	**5,500**	–
Expenses (paid)/recouped in connection with share issue	**(296)**	66
	18,088	10,389

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	2,678	1,678	(49)	4,307
Debt due within one year	(516)	(2,644)	20	(3,140)
Debt due after one year	(9,807)	(10,240)	192	(19,855)
	(7,645)	**(11,206)**	**163**	**(18,688)**

29 Share based payment

All share schemes detailed below are operated by the Company. However, in the tables below, 'Group' indicates total options granted to all Group employees and 'Company' indicates those options granted to employees of the Company only.

Executive Share Option Scheme

The Company operates an Unapproved Executive Share Option Scheme under which share options are granted to selected Group employees. All options are settled by physical delivery of shares in exchange for payment of the aggregated option price. The contractual life of each grant is 10 years.

	Number of shares	
Grant date	Group	Company
27 May 2004	1,641,000	1,222,000
2 November 2004	1,495,925	925,925
17 November 2005	1,524,075	959,075
13 April 2006	25,000	–
13 October 2006	3,292,500	1,922,500

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 performance period to exceed the retail/consumer price index by at least 3%, in aggregate, during the same period. No consideration is received for an award and no grants can be made at an option exercise price per share which is less than the market price at the time of grant.

29 Share based payment (continued)

Details of the share options outstanding during the year are as follows:

	Group Number of Ordinary shares	Group Weighted average exercise price (pence)	Company Number of Ordinary shares	Company Weighted average exercise price (pence)
At 1 January 2005	3,136,925	59.75	2,147,925	60.26
Granted during the year	1,524,075	41.00	959,075	41.00
Lapsed during the year	(252,000)	65.00	–	–
At 1 January 2006	4,409,000	52.97	3,107,000	54.31
Granted during the year	3,342,500	51.93	1,922,500	52.00
Lapsed during the year	(1,157,000)	62.93	(890,000)	64.06
At 31 December 2006	**6,594,500**	**50.69**	**4,139,500**	**51.14**

The following options were outstanding under the Company's Executive Share Option Scheme as at 31 December 2006:

Granted	Number of Ordinary shares	Exercise price per share (pence)	Exercise Period
27 May 2004	*367,000	65	May 2007 – 2014
2 November 2004	1,430,925	54	November 2007 – 2014
17 November 2005	1,454,075	41	November 2008 – 2015
13 April 2006	50,000	47	April 2009 – 2016
13 October 2006	3,292,500	52	October 2009 – 2016
	6,594,500		

*included within this figure are 153,000 EMI options

None of the share options are exercisable as at 31 December 2006. The options outstanding at the year end have an exercise price in the range of 41p to 65p and a weighted average contractual life of 9 years for both Group and Company.

Savings Related Share Option Scheme

The Company operates a Savings Related Share Option Scheme which facilitates the grant of options to all employees. This is based on a three to five year share save contract and options may be granted at an exercise price discounted by up to 20% of the market price at the time of grant. Options are forfeited if the employee leaves the Group on a voluntary basis before the options vest.

Details of the share options outstanding during the year are as follows:

	Group Number of Ordinary shares	Group Weighted average exercise price (pence)	Company Number of Ordinary shares	Company Weighted average exercise price (pence)
At 1 January 2005	579,415	46.14	31,142	52.50
Granted during the year	1,034,899	31.00	–	–
Lapsed during the year	(562,817)	42.68	(31,142)	52.50
At 1 January 2006	1,051,497	33.09	–	–
Granted during the year	1,025,303	38.21	76,815	0.38
Lapsed during the year	(280,492)	37.24	–	–
At 31 December 2006	**1,796,308**	**35.37**	**76,815**	**0.38**

The following options were outstanding under the Company's Savings Related Share Option Scheme as at 31 December 2006:

Granted	Number of Ordinary shares	Exercise price per share (pence)	Exercise Period
4 June 2004	10,653	53	June 2007 – 2009
20 September 2004	65,547	44	September 2007 – 2009
10 May 2005	780,290	31	May 2008 – 2010
9 May 2006	757,519	38	May 2009 – 2011
10 May 2006	182,299	39	May 2010
	1,796,308		

None of the share options are exercisable as at 31 December 2006. The options outstanding at the year end have an exercise price in the range of 31p to 52.5p (Company 38p to 52.5p) and a weighted average contractual life of 3.2 years (Company 4.1 years).

Notes to the Financial Statements continued

29 Share based payment (continued)
The aggregated inputs into the Black–Scholes option pricing model for both schemes are as follows for options granted in the current and preceding year:

Weighted average:	**Group 2006**	**Company 2006**	Group 2005	Company 2005
Fair value at measurement date	**13.47p**	**12.4p**	13.82p	13.7p
Share price at date of grant	**51.11p**	**51.71p**	47.12p	54p
Option exercise price	**48.72p**	**51.75p**	44.7p	54p
Expected volatility	**28.23%**	**27.09%**	43%	43%
Option life	**3.9 years**	**3.98 years**	3.91 years	4 years
Risk free interest rate	**4.92%**	**4.94%**	4.4%	4.33%
Dividend yield	**2.21%**	**2.21%**	2.21%	2.21%

The expected volatility is based on the previous 12 months' share price history.

30 Adoption of FRS 20: "Share–based Payment"
FRS 20: "Share–based Payment" requires that the fair value of share awards granted to employees is assessed at grant date and is charged to the profit and loss account over the vesting period based on the number of shares which the directors consider likely to vest, with a corresponding increase in equity. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Deferred tax is recognised where it is likely that share relief will be available on the difference between exercise price and market price at the balance sheet date.

Where share options are granted to employees of a subsidiary company by the Group's parent company, the charge in respect of subsidiary employees is capitalised into the cost of investment of that subsidiary, with a corresponding increase in equity.

The effect of the adoption of FRS 20 on equity shareholders' funds and profit after tax for the prior year is shown below:

	Equity shareholders' funds At 31 December 2005 Group £'000	Equity shareholders' funds At 31 December 2005 Company £'000
As previously stated	44,041	49,678
Deferred tax asset	5	–
Grant of options to subsidiaries	–	68
As restated	**44,046**	**49,746**

	Profit after tax Year ended 31 December 2005 Group £'000	Profit after tax Year ended 31 December 2005 Company £'000
As previously stated	1,703	8,454
Share based payments charge	(173)	(116)
Movement on deferred tax asset	5	–
As restated	**1,535**	**8,338**

31 Pension provision
The directors received additional information about a pension scheme acquired as part of COPEF SA last year and consider it more appropriate to account for it as a defined benefit scheme. The scheme is open to employees of the Group's French subsidiaries, who are entitled to a lump sum on retirement, calculated based on the period of service and the salary at the date of retirement.

A full actuarial valuation was carried out during the year by a qualified independent actuary to determine the net defined benefit obligations as at 31 December 2006 and 31 December 2005. The directors believe that the valuation of the net defined benefit obligations as at 31 December 2005 of £172,000 is not materially different from the obligations booked at the date of acquisition of £137,000. Therefore the directors have not restated the prior year for any movement.

31 Pension provision (continued)

The major assumptions used in this valuation were:

	2006	2005
Rate of increase in salaries	**2.5%**	2.5%
Expected return on assets	**4.0%**	4.0%
Discount rate applied to scheme liabilities	**4.5%**	3.8%
Inflation assumption	**2.1%**	2.1%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not actually be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the defined benefit obligations, which are derived from cash flow projections and thus inherently uncertain, were:

	2006 £'000	2005 £'000
Cash	**148**	146
Total market value of scheme assets	**148**	146
Present value of defined benefit obligations	**(304)**	(283)
Net defined benefit obligations	**(156)**	(137)
Related deferred tax asset	**47**	41
Pension provision	**(109)**	(96)

The expected rates of returns on the assets in the scheme were:

	Long term rate of return 2006	Long term rate of return 2005
Cash	**4.0%**	4.0%

Movement in present value of defined benefit obligations during the year

	2006 £'000	2005 £'000
At beginning of year	**(283)**	–
Acquired during the year	**–**	(283)
Correction of valuation	**(35)**	–
Current service cost	**(26)**	–
Other finance cost	**(12)**	–
Gains on settlements and curtailments	**27**	–
Actuarial gain	**18**	–
Foreign exchange gains	**7**	–
At end of year	**(304)**	(283)

Analysis of other pension costs charged in arriving at operating profit

	2006 £'000	2005 £'000
Current service cost	**(26)**	–
Gains on settlements or curtailments	**27**	–
	1	–

Analysis of amounts included in other finance costs

	2006 £'000	2005 £'000
Expected return on pension scheme assets	**2**	–
Interest on pension scheme liabilities	**(12)**	–
	(10)	–

Notes to the Financial Statements continued

31 Pension provision (continued)

Analysis of amount recognised in statement of total recognised gains and losses

	2006 £'000	2005 £'000
Actuarial gain recognised	**18**	–
Foreign exchange gain	**7**	–
	25	–

History of experience gains and losses

	2006	2005
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	**8**	–
Percentage	**5%**	0%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	**18**	–
Percentage	**6%**	0%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	**25**	–
Percentage	**8%**	0%

32 Related party disclosures

Payments of £25,000 (2005: £25,000) 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.

Schedule A

Reconciliation between operating profit and non–statutory performance measure

The following tables reconcile operating profit as stated above to EBITDA, a non-statutory measure which the directors believe is the most appropriate measure in assessing the performance of the Group.

EBITDA is defined by the directors as being earnings before interest, tax, depreciation, amortisation and exceptional items.

Year ended 31 December 2006	**Operating profit £'000**	Depreciation and amortisation £'000	Allocation of share based payment £'000	Exceptional items £'000	**EBITDA £'000**
Political	**2,102**	224	55	102	**2,483**
Learning	**3,568**	182	21	297	**4,068**
Healthcare	**2,048**	77	13	241	**2,379**
Head Office	**(2,180)**	513	64	–	**(1,603)**
Share based payments allocation	**–**	–	(153)	–	**(153)**
	5,538	**996**	**–**	**640**	**7,174**

Year ended 31 December 2005	**Operating profit £'000**	Depreciation and amortisation £'000	Allocation of share based payment £'000	Exceptional items £'000	**EBITDA £'000**
Political	**1,374**	218	53	155	**1,800**
Learning	**2,132**	104	6	373	**2,615**
Healthcare	**274**	52	3	1,152	**1,481**
Head Office	**(1,592)**	82	111	223	**(1,176)**
Share based payments allocation	**–**	–	(173)	–	**(173)**
	2,188	**456**	**–**	**1,903**	**4,547**

Shareholder Information

Shareholder Analysis

As at 5th March 2007, the number of registered shareholders was 1,390 and the number of Ordinary shares in issue was 151,998,453.

Range of Holdings	Number of Shareholders	Percentage of Top Shareholders	Number of Shares (million)	Percentage of Total Shares
1 to 1,500	416	29.9	0.3	0.2
1,501 to 5,000	395	28.4	1.2	0.8
5,001 to 10,000	226	16.3	1.8	1.2
10,001 to 50,000	230	16.6	5.0	3.3
50,001 to 100,000	27	1.9	2.1	1.4
100,001 to 250,000	35	2.5	6.0	3.9
250,001 to 500,000	13	0.9	4.6	3.1
500,001 to 1,000,000	12	0.9	8.1	5.3
1,000,001 to 2,500,000	18	1.3	40.0	21.0
2,500,001 to 5,000,000	12	0.9	45.1	29.7
5,000,001 to highest	6	0.4	45.8	30.2
Total	1,390	100.0	152.0	100.0
Held By:				
Individuals	830	59.7	13.1	8.6
Institutions and Companies	560	40.3	138.9	91.4
Total	1,390	100.0	152.0	100.0

Company Registrar

Lloyds TSB Registrars provide a range of shareholder information on-line. You can check your holding and find practical help on transferring shares and updating your personal details at www.shareview.co.uk Lloyds TSB Registrars may also be contacted on 0870 600 3970, or by writing to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

Share Dealing Service

An internet and telephone share dealing service is operated by the Company's registrar, Lloyds TSB Registrars, enabling shareholders to buy or sell Huveaux PLC Ordinary shares on the London Stock Exchange. Shareholders who are interested in using these services should visit www.shareview.co.uk or telephone +44 (0) 870 850 0852.

Unsolicited Mail

The Company is required by law to make its share register available upon request to the public and organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service , DMA House, 70 Margaret Street, London W1W 8SS.

ShareGift

Shareholders who hold only a small number of shares, where dealings costs make it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The relevant share transfer form can be obtained from their website www.sharegift.org or by writing to ShareGift, 5 Lower Grosvenor Place, London SW1W 0EJ, or by telephoning +44 (0)20 7828 1151.

Dividend Payments to Mandated Accounts

Where shareholders have given instruction for future dividends to be paid directly to a bank or building society account, this is done via the Bankers Automated Clearing System (BACS). This facility provides an immediate access to funds, without the inconvenience of waiting for postal delivery or having personally to visit a bank.

You can arrange this facility by visiting www.shareview.co.uk, or by using the form that will be sent to you with your dividend cheque in May 2007. Alternatively, you can contact the Company's registrar, Lloyds TSB Registrars, by telephone + 44 (0) 870 600 3970, or by writing to them at The Causeway, Worthing, West Sussex BN99 6DA. Please quote your Shareholder Reference Number as detailed on your dividend tax voucher or share certificate.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 26 April 2007 at the offices of Dresdner Kleinwort, 30 Gresham Street, London EC2P 2XY. 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.

Corporate Directory

Political Division

Dods Parliamentary Communications Limited
Westminster Tower
3 Albert Embankment
London SE1 7SP

Tel: +44 (0) 20 7091 7500
Fax: +44 (0) 20 7091 7505
www.dodsparlicom.co.uk
www.dodonline.co.uk
www.epolitix.co.uk
www.epolitixlocal.co.uk

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www.eurosource.eu.com
www.huveaux.fr
www.trombinoscope.com

Huveaux Brussels
The International Press Centre
1 Boulevard Charlemagne
1041 Bruxelles
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Tel: +32 2 285 0891
Fax: +32 2 285 0823
www.eupolitix.com
www.parliamentmag.com

Learning Division

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Epic Performance Improvement Limited
52 Old Steine
Brighton
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Tel: +44 (0) 1273 821567
Fax: +44 (0) 1273 821567
www.epic.co.uk

Healthcare Division

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114 Charles de Gaulle
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www.huveaux.fr
www.webcardio.com

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www.lonsdalesrg.co.uk

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4 Grosvenor Place
London SW1X 7DL

Tel: +44 (0) 20 7096 2900
Fax: +44 (0) 20 7096 2945
www.letts-educational.com

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Edinburgh EH2 1JE

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Fax: +44 (0) 131 225 9987
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Secretary, Advisors and Financial Calendar 2007

Secretary
Michael Arnaouti, FCIS

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Tel: +44 (0) 20 7311 1000
www.kpmg.co.uk

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London EC2P 2XY

Tel: +44 (0) 20 7623 8000
www.dresdnerkleinwort.com

Joint Broker
Brewin Dolphin Securities Limited

Bankers
Bank of Scotland

Legal Advisors
Eversheds LLP

PR Consultants
Finsbury Limited

Financial Calendar 2007

5 March
2006 Preliminary Results announcement

25 April
Ex-dividend date for final dividend 2006

26 April
Annual General Meeting

27 April
Record date for final dividend 2006

31 May
Final dividend payment date 2006

July (provisional)
2007 Interim Results announcement

31 December
Financial year-end 2007

Huveaux's Key Products and Services

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), digital (websites, monitoring, e-learning and databases), seminars, conferences, events and awards.

Political Division

Magazines, directories, newsletters and books

Dods Constituency Guide
Dods Civil Service Companion
Dods Eurosource

Dods Handbook of House of Commons Procedure

Dods Handbook of House of Lords Procedure

Dods National Assembly for Wales Companion

Dods Parliamentary Companion
Dods Scottish Parliament Companion
Parliamentary Monitor Blue Skies
Public Affairs News
The Parliamentary Monitor
The Parliament Magazine
The House Magazine
Select Committees Guide
The Regional Monitor
The Regional Review
The Research Review
Vacher's Parliamentary Profiles
Vacher's Quarterly
Westminster Briefing
Westminster Explained
Whitehall & Westminster World
Who's Who in Public Affairs

Digital

www.civilservicenetwork.com
www.dodonline.com
www.electus-start.com
www.epolitix.com
www.selectcommittees.co.uk
www.theparliament.com
ePolitix Bulletin Sponsorship
EU Premier Monitoring
European Project Forum
MP Alerts
Political Wizard
theParliament.com bulletins sponsorship
The Bullet
UK Premier Monitoring
UK Wizard
Westminster Explained
Westminster Briefing

Seminars, conferences and events

Dods Summer of Thought
ePolitix Symposiums
Events consultancy
Training Journal – Westminster Briefing
Westminster Briefing

Westminster Explained Certificated Programmes (including – Professional Certificate in Public Sector Delivery, Certificate in Core Skills for EOs, Certificate in Managerial Skills, Certificate in Campaigning)

Whitehall & Westminster World Conference Series

Whitehall & Westminster World round-table discussion forums

Awards

Dods & Scottish Widows Woman of the Year Awards

ePolitix Charity Champion Awards
European Regional Champions Awards
House Magazine Parliamentary Awards

House Magazine Parliamentary Research of the Year Awards

MEP Awards
Public Affairs News Awards
Regional Monitor Excellence Awards

Whitehall & Westminster World Civil Service Awards

Other

Recruitment:
Electus Advertised Selection
Electus Company Mapping
Electus Executive Search & Selection
Electus Interim
Electus Network Search

Polling:
Dods Polling

Learning Division

Magazines, directories, newsletters and books

Epic Thinking e-newsletter
Training Activity Packs, Toolkits and Manuals
TJ: Training Journal

Digital

Epic Professional:
A range of management and compliance courseware

www. traineractive.com
TJ Online (www.trainingjournal.com)
TJ's Daily Discussion Digest

e-Learning Services:
Blended learning consultancy
Capability building workshops
Content authoring and development tools
Management system development
Service desk and hosting services
Testing
Website development

Other

Training Films and Games

Seminars, conferences and events

Training Journal seminars
Training Journal Annual Conference
Think Tank discussion forums

Awards

TJ's Annual Industry Best Practice Awards

Healthcare Division

Magazines, directories, newsletters and books

Archives des maladies du coeur et des vaisseaux

Books Référence Evaluation et Organisation de la qualité des soins – Edition 2006 – Pr Jean-Michel Chabot

Le Concours Médical
Panorama du Médecin
Revue Française du Dommage Corporel

Revue du Praticien (Revue du Praticien Monographie, Revue du Praticien Médecine Générale, Revue du Praticien Gynécologie – Obstétrique)

Réseaux magazines: Réseaux Cancer, Réseaux Diabète, Réseaux Hépatites, Réseaux Respiratoire

Trombinoscope
Trombinoscope de la Santé

Digital

www.egora.fr
www.trombinoscope.com

DVD Anatomie fonctionnelle du corps humain

Seminars, conferences and events

Générale Gynécologia
Journées Nationales de Médecine

Awards

Prix Trombinoscope de l'homme politique de l'année

Education Division

Magazines, directories, newsletters and books

Primary Schools
Letts Complete Study and Revision Guides
Letts Magical Maths and English
Letts Premier Maths and English
Letts National Tests Practice Papers
Letts Success Guides
Lonsdale Revision Guides and Workbooks
11+ Practice Papers
The World of… Series

Secondary Schools
Leckie & Leckie Course Notes
Leckie & Leckie PC Passport
Leckie & Leckie Revision Notes
Leckie & Leckie Success Guides
Letts Complete Study and Revision Guides
Letts National Tests Practice Papers
Letts Success Guides
Lonsdale Revision Guides and Workbooks
Scottish Qualification Authority Past Papers
The World of… Series

The Quality and Depth of Our Portfolio

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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 2006 and complies with UK legislation and regulations. It is also available on the Company's website: www.huveauxplc.com

Cautionary Statement
The purpose of this Annual Report is to provide information to the members of the Company. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve risk and uncertainty, since future events and circumstances can cause results and developments to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

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This Annual Report is printed on material which is up to 50% recycled, elemental Chlorine free and comes from a certified sustainable resource. Both paper mill and printer have ISO14001 accreditation.