1. General information

United Business Media plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Ludgate House, 245 Blackfriars Road, London SE1 9UY. The nature of the group's operations and its principal activities are set out in note 3.

The group's financial statements for the year ended 31 December 2005 were authorised for issue on behalf of the board of directors on 28 February 2006 and the balance sheet was signed off on the board's behalf by David Levin and Nigel Wilson.

These financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1m. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 37.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of UBM plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared to the same reporting date as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(b) Associates

The group's investments in its associates are accounted for under the equity method of accounting. These are entities in which the group has the ability to exert significant influence and which are neither subsidiaries nor joint ventures. The financial statements of the associates are used by the group to apply the equity method. The reporting dates of the associates and the group are identical and the accounts are prepared on the basis of consistent accounting policies.

Under the equity method, the income statement reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the associates' equity, the group recognises its share of any changes.

When the group's share of losses in an associate equals or exceed its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(c) Joint ventures

The group's interests in its joint ventures are accounted for under the equity method of accounting.

2. Significant accounting policies (continued)

Changes in accounting policies

In 2005 the group has adopted IFRS for the first time. Previously the group reported under UK generally accepted accounting principles ("UK GAAP").

The group has applied IFRS 1 'First-time Adoption of International Financial Reporting and Accounting Standards' to provide a starting point for reporting under IFRS. The date of transition to IFRS is 1 January 2004 and all information in these financial statements has been restated to reflect the group's adoption of IFRS.

The adoption of IFRS has resulted in the following principal changes to the group's accounting policies:

IFRS 2 'Share-based Payment'

IFRS 2 'Share-based Payment' requires an expense to be recognised where the group buys goods or services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The main impact of IFRS 2 on the group is the expensing of employees' and directors' share options and other share-based incentives by using an option-pricing model to calculate the fair value at date of grant.

IFRS 3 'Business Combinations', IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'

The group has adopted the exemption in IFRS 1 to apply IFRS 3 only to acquisitions after 31 March 2004.

On acquisition, the group measures the identifiable assets and liabilities of acquired entities at their fair values at the acquisition date. This includes intangible assets which would not be capitalised had they been internally developed. Under IFRS, more intangible assets will be recognised separately from goodwill.

The adoption of IFRS has resulted in the group ceasing goodwill amortisation from 1 January 2004 and instead testing for impairment at the level of the cash generating unit or group of cash generating units to which goodwill has been allocated, annually and whenever there are indications of impairment.

The useful lives of intangible assets other than goodwill are assessed at the individual asset level. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation periods and methods for intangible assets with finite useful lives are reviewed annually.

The group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'

IFRS 5 requires an item to be classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than continuing use. In addition, a component of an entity is classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of and it represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The adoption of IFRS 5 has resulted in the profit from discontinued operations being disclosed as a single line on the face of the income statement comprising the profit after tax for the discontinued operations prior to disposal along with the related profit on disposal. The comparative period has been restated accordingly.

The group has adopted IFRS 5 from 1 January 2004. This resulted in £5.1 million of tangible assets reclassified as held for sale as at 31 December 2004.

IAS 18 'Revenue' and IAS 11 'Construction Contracts'

Under IAS 18, the recognition of revenue on service contracts should follow the principles in IAS 11.

Under IAS 11, the stage of completion method must be adopted for the recognition of revenue and expenditure on contracts where as under UK GAAP recognition on a completed project basis is acceptable.

IAS 12 'Income Taxes'

Under IFRS, the basis for recording deferred tax moves to a balance sheet liability method. Under IAS 12, a deferred tax liability is recognised on the difference between the balance sheet amount of intangible assets acquired as part of the group's acquisitions and the tax base of the intangible assets.

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'

IAS 39 'Financial Instruments: Recognition and Measurement' requires that assets and liabilities are all classified into one of five categories, which dictates the accounting treatment. Items are measured either at fair value, or at amortised cost using the effective interest rate method.

The group has adopted the exemption to implement IAS 32 and 39 from 1 January 2005, and has not restated its 2004 results.

The main impact of IAS 32 and IAS 39 on the group is to record the movement in fair values through the income statement for all derivatives. The embedded derivatives within the credit link notes and the convertible bond are both required to be at fair value on transition.

IAS 39 specifies three types of hedging relationships: fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation. IAS 39 requires all hedges to be formally documented on transition, explaining the hedging relationship and the objectives and strategy for undertaking the hedge. The hedge must be expected to be highly effective, and effectiveness must be able to be reliably measured. The group is applying hedge accounting for its hedges that qualify under IAS 39 on transition. For qualifying cash flow hedges and hedges of a net investment, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective. Accumulated fair value changes from qualifying hedges are released from equity to the profit and loss account in the period when the hedged cash flow effects the profit and loss account (for cash flow hedges) or on disposal of the foreign operation (for hedges of net investments). For qualifying fair value hedges the carrying value of recognised assets and liabilities that are hedged items are otherwise carried at cost and adjusted to record changes in fair values attributable to the risks that are being hedged. All gains or losses on the hedging instrument are recognised immediately in the profit and loss account.

IAS 32 'Financial Instruments: Disclosure and Presentation' requires convertible bonds denominated in a foreign currency to be split into the debt component and the component representing the embedded derivatives in the bond. IAS 39 requires the debt component to be measured at amortised cost, and the embedded derivatives to be measured at fair value with movements reported in the income statement. The group's convertible bond is denominated in US Dollars, so must be split into its relevant debt and derivative components and measured accordingly.

The impact of accounting for the convertible bond in this way, in accordance with current IFRS interpretation, from 1 January 2005 compared to UK GAAP is to:

- increase finance cost – other than interest in the income statement;
- reduce the debt component of the bonds; and
- introduce volatility to the income statement through the change in fair value of the embedded derivatives.

Adoption of new standards and amendments

The group has adopted the amended versions of IAS 17 'Leases' and IAS 19 'Employee Benefits', revised in 2004. The group has decided not to adopt IFRS 7 'Financial Instruments: Disclosure' early.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements but would be relevant for the group, were in issue but were not yet effective. The date by which application is required is given in brackets.

IFRS 7	Financial Instruments: Disclosures, and the related amendment to IAS 1 on capital disclosures (1 January 2006)
IFRIC 4	Determining whether an Arrangement contains a Lease (1 January 2006)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for the periods commencing on or after 1 January 2006.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products of services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Significant accounting policies (continued)

Revenue

Revenue comprises the fair value of sale of goods and services, net of trade discounts, VAT, other sales related taxes, and after eliminated sales within the group. Revenue is recognised as follows:

(a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

(b) Sales of services

Revenue is recognised in the accounting period in which the services are rendered, with reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Publishing: advertising revenue is recognised on issue of the publication. Revenue from subscriptions is recognised over the life of the subscription.

Exhibitions: revenue is recognised when the show has been completed. Deposits received in advance are recorded as deferred income in the balance sheet.

News distribution: revenue is recognised on message delivery. Revenue from subscriptions is recognised over the life of the subscription.

Directories: revenue is recognised on the issue or sale of the directory.

Online: revenue is recognised at the point of delivery/fulfilment, or over the life of subscriptions.

Market research: revenue is recognised on a stage of completion basis based on the percentage of costs incurred. Work in progress amounts are recorded in the balance sheet at cost. Syndicated revenues are recognised on completion and any subsequent sales are recognised as they arise. Consulting revenues are recognised on a time-incurred basis. The market research business was disposed of in 2005, and market research revenue is included as part of discontinued operations.

Interest and other income

(a) Interest income

Revenue is recognised as the interest accrues (using the effective interest rate method) to the net carrying amount of the financial asset.

(b) Dividend income

Dividend income is recognised when the right to receive the payment is established.

(c) Rental income

Rental income is recognised on a straight-line basis over the lease terms on ongoing leases.

Goodwill and intangible assets

(a) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant accounting policies (continued)

Goodwill and intangible assets (continued)

(b) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Software costs are written off as incurred. Purchases from third parties in respect of major systems are capitalised and written off over the expected useful of the asset, not exceeding five years from the date of implementation of the software.

Intangible assets with finite lives are reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Separable intangible assets are amortised over their useful lives. A summary of the policies applied to the group's intangible assets is as follows:

	Useful Lives	Method
Brands	Finite	10 years straight line
Software	Finite	5 years straight line
Customer contracts and relationships	Finite	4-5 years straight line
Subscription lists	Finite	5 years straight line
Trademarks	Finite	10 years straight line
Databases	Finite	5 years straight line

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is provided on all such fixed assets except freehold land. Depreciation rates are calculated so that assets are written down to residual value in equal annual instalments over their expected useful lives, which are as follows:

Freehold buildings and long leasehold property	Up to 70 years
Leasehold improvements	Term of lease
General plant, machinery and equipment	5-20 years
Computer equipment	3-5 years
Motor vehicles	3-5 years

Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets that do not individually generate cash flows are assessed as part of the cash generating unit to which they belong. Cash generating units are the lowest levels for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets.

Inventories

Inventories and work in progress are valued on the first in first out basis at the lower of cost and net realisable value. Cost comprises materials, direct labour and directly attributable production costs and overheads.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. Significant accounting policies (continued)

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are shown within borrowings.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, as appropriate, the risks specific to the liability.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except where hedge accounting is applied and for differences on monetary assets and liabilities that form part of the group’s net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Pension costs

The group sponsors a number of defined benefit schemes and defined contribution schemes. These schemes are accounted for under IAS 19. The group has adopted the amended version of IAS 19 early, which permits recognition of actuarial gains and losses in equity through the Consolidated Statement of Group Total Recognised Income and Expense.

For the defined contribution schemes, the income statement charge represents the contributions payable to the scheme during the accounting period.

For the defined benefit pension schemes, the assets are measured at their market value at the balance sheet date and the liabilities of those schemes are measured using the projected unit credit method. The discount rate used is the current rate of return on an AA corporate bond of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of their liabilities is shown as a surplus or deficit in the balance sheet to the extent that a surplus is recoverable by the group or that a deficit represents an obligation of the group.

2. Significant accounting policies (continued)

Pension costs (continued)

The following is charged to operating profit:

- the increase in the present value of pension scheme liabilities arising from employee service in the current period;
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest; and
- gains and losses arising on settlements/curtailments.

A credit in respect of the expected return on the schemes' assets and a charge in respect of the increase during the period in the present value of the schemes' liabilities because the benefits are one period closer to settlement are shown on the face of the income statement as 'financing cost – pension schemes'. Actuarial gains and losses are recognised in full in the Consolidated Statement of Group Total Recognised Income and Expense in the period in which they occur.

Share-based payment transactions

Employees (including directors) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes or Monte Carlo methods as appropriate. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of UBM plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards, in the opinion of the directors of the group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Share capital

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

B shares

The group's existing B Shares of 8 and $\frac{23}{44}$ pence each are classified as equity.

Treasury shares

Where any group company purchases the Company's equity share capital (ESOP shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2. Significant accounting policies (continued)

Financial instruments

Financial instruments in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial instruments are recognised initially, they are measured at fair value, and in the case of investments not at fair value through profit or loss, after taking account of directly attributable transaction costs.

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and then remeasured to fair value at subsequent balance sheet dates for reporting purposes.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market rates of interest.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Other investments

The group classifies its investments in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

After initial recognition, investments that are classified as available-for-sale are measured at fair value and loans and receivables are carried at amortised cost. Interest is accrued using the effective interest rate method. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Listed and unlisted investments are stated at fair value with gains and losses being recognised in equity, except where there is no market value in an active market and where the fair value cannot be reliably measured, in which case they are measured at cost.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2. Significant accounting policies (continued)

Convertible bonds

The convertible bond is split into two components: a debt component and a component representing the embedded derivatives in the bond. The debt component represents the group's liability for future interest coupon payments and the redemption amount. The embedded derivatives represent the value of the option that bondholders have to convert into ordinary shares of the company.

The debt component of the convertible bond is measured at amortised cost and therefore increases as the present value of the interest coupon payments and redemption amount increases, with a corresponding charge to finance cost – other than interest. The debt component decreases by the cash interest coupon payments made. The embedded derivatives are measured at fair value at each balance sheet date, and the change in the fair value is recognised in the income statement.

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, loans and borrowings are subsequently measured at amortised cost, and any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its right to receive cash flows from the asset either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to pay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3. Segment information

Business segments

At 31 December 2005, the group is organised into five main business segments – CMP Media, CMPMedica, CMP Asia, CMP Information, and News distribution. These segments are the basis on which the group reports its primary segment information.

CMP Media's, CMPMedica's, CMP Asia's and CMP Information's main activities are the production of magazines, trade press, directories, events and websites. The News distribution segment, which comprises the businesses of PR Newswire, operates in the distribution, targeting and evaluation of company information.

The market research business is included in discontinued operations as it was disposed of on 1 June 2005. The main activities of this segment were syndicated and custom market research. The motoring titles within CMP Information, which were disposed of on 16 September 2005, are also included in discontinued operations.

The following tables represent the revenue and profit information and certain asset and liability information for the group's business segments for the year ended 31 December 2005.

Year ended 31 December 2005

	Revenue from external customers £m	Revenue from other segments £m	Total Revenue £m	Profit/(loss) from operating activities £m	Share of results from equity investments £m	Segment result £m
Continuing operations						
Segments						
CMP Media	225.9	–	225.9	16.0	0.9	16.9
CMPMedica	106.9	–	106.9	9.4	(0.3)	9.1
CMP Asia	61.9	0.3	62.2	17.0	–	17.0
CMP Information	177.0	–	177.0	26.0	–	26.0
News distribution	104.1	–	104.1	14.2	2.4	16.6
Corporate operations**	–		–	(4.9)	9.7	4.8
	675.8	0.3	676.1	77.7	12.7	90.4
Non-recurring items***	–	–	–	–	–	150.7
EBIT	–	–	–	–	–	241.1
Discontinued operations (note 31)						
Market research	76.8	0.1	76.9	4.4	–	4.4
CMP Information (motoring titles)	23.0	–	23.0	0.4	–	0.4
	99.8	0.1	99.9	4.8	–	4.8
Eliminations	–	(0.4)	(0.4)	–	–	–
	775.6	–	775.6	82.5	12.7	245.9
Continuing operations						
Finance income/(cost)						
Interest income						28.2
Interest cost						(15.5)
Financing income – other than interest						8.4
Financing cost – other than interest						(27.5)
Financing cost – pension schemes						(2.5)
						(8.9)
Taxation						(24.8)
Discontinued operations						
Taxation						(1.0)
Non-recurring items (note 31)						266.3
Profit for the year from continuing and discontinued operations						477.5

* Adjusted group operating profit represents group operating profit excluding non-recurring items, amortisation of intangible assets, and including operating profit from discontinued operations.

** Corporate operations comprises net central operating costs, together with those equity accounted investments which do not form part of one of the group's operating divisions.

*** Non-recurring items include the profit on sale of businesses and equity accounted investments during the year.

3. Segment information (continued)

Year ended 31 December 2005 (continued)

	*Adjusted group operating profit £m	Share of tax on profit from equity accounted investments £m	Non-recurring items charged to operating profit £m	Amortisation of intangibles £m	Segment result £m
Continuing operations					
Segments					
CMP Media	24.9	–	(7.2)	(0.8)	16.9
CMPMedica	19.4	–	(2.0)	(8.3)	9.1
CMP Asia	17.5	–	(0.4)	(0.1)	17.0
CMP Information	43.0	–	(14.8)	(2.2)	26.0
News distribution	29.2	(1.4)	(11.2)	–	16.6
Corporate operations**	3.1	3.3	(1.6)	–	4.8
	137.1	1.9	(37.2)	(11.4)	90.4
Non-recurring items***	–	–	–	–	150.7
EBIT	137.1	1.9	(37.2)	(11.4)	241.1
Discontinued operations					
Market research	4.4	–	–	–	4.4
CMP Information (motoring titles)	0.4	–	–	–	0.4
	4.8	–	–	–	4.8
	141.9	1.9	(37.2)	(11.4)	245.9

	Share of results from equity investments £m	Equity investment: Interest £m	Equity investment: Tax £m	Share of results from equity investments (pre interest and tax) £m
Continuing operations				
Segments				
CMP Media	0.9	–	–	0.9
CMPMedica	(0.3)	–	–	(0.3)
CMP Asia	–	–	–	–
CMP Information	–	–	–	–
News distribution	2.4	–	(1.4)	3.8
Corporate operations**	9.7	(6.9)	3.3	13.3
	12.7	(6.9)	1.9	17.7
Discontinued operations				
Market research	–	–	–	–
CMP Information (motoring titles)	–	–	–	–
	–	–	–	–
	12.7	(6.9)	1.9	17.7

* Adjusted group operating profit represents group operating profit excluding non-recurring items, amortisation of intangible assets, and including operating profit from discontinued operations.

** Corporate operations comprises net central operating costs, together with those equity accounted investments which do not form part of one of the group's operating divisions.

*** Non-recurring items include the profit on sale of businesses and equity accounted investments during the year.

3. Segment information (continued)

Year ended 31 December 2005 (continued)

	Adjusted group operating profit* (before equity accounted investments) £m	Share of results from equity investments (before tax and amortisation) £m	Adjusted group operating profit* as reported £m
Continuing operations			
Segments			
CMP Media	23.5	1.4	24.9
CMPMedica	19.7	(0.3)	19.4
CMP Asia	17.5	–	17.5
CMP Information	43.0	–	43.0
News distribution	25.4	3.8	29.2
Corporate operations**	(3.3)	6.4	3.1
	125.8	11.3	137.1
Discontinued operations			
Market research	4.4	–	4.4
CMP Information (motoring titles)	0.4	–	0.4
	4.8	–	4.8
	130.6	11.3	141.9

	Segment assets £m	Investments in associates and joint ventures £m	Total £m	Segment liabilities £m	Total net assets £m
Continuing operations					
Segments					
CMP Media	276.2	5.6	281.8	(68.9)	212.9
CMPMedica	302.7	1.4	304.1	(59.5)	244.6
CMP Asia	45.6	–	45.6	(31.9)	13.7
CMP Information	240.2	–	240.2	(103.5)	136.7
News distribution	24.6	5.3	29.9	(50.7)	(20.8)
Corporate operations**	497.1	9.9	507.0	(406.3)	100.7
	1,386.4	22.2	1,408.6	(720.8)	687.8
Discontinued operations					
Market research	–	–	–	–	–
CMP Information (motoring titles)	–	–	–	–	–
	–	–	–	–	–
Unallocated assets and liabilities	–	–	–	(243.4)	(243.4)
	1,386.4	22.2	1,408.6	(964.2)	444.4

3. Segment information (continued)

Year ended 31 December 2005 (continued)

	Capital expenditure (acquisition of businesses) £m	Capital expenditure (tangible assets) £m	Depreciation £m	Other non-cash expenses £m
Continuing operations				
Segments				
CMP Media	27.6	2.7	2.4	1.1
CMPMedica	23.3	1.0	1.0	0.2
CMP Asia	4.2	0.3	0.2	0.5
CMP Information	51.3	2.2	1.9	1.2
News distribution	–	1.2	2.5	0.7
Corporate operations**	–	0.8	0.5	0.1
	106.4	8.2	8.5	3.8
Discontinued operations				
Market research	9.2	1.5	1.2	0.3
CMP Information (motoring titles)	–	–	0.7	–
	9.2	1.5	1.9	0.3
	115.6	9.7	10.4	4.1

Geographical segments

Year Ended 31 December 2005

	Segment revenue £m	Segment assets £m	Capital expenditure (acquisition of businesses) £m	Capital expenditure (tangible assets) £m
Continuing operations				
Segments				
United Kingdom	163.0	727.9	38.3	3.1
North America	317.4	321.1	40.5	3.8
Europe and Middle East	109.2	312.1	23.3	1.0
Pacific	86.2	47.4	4.2	0.3
	675.8	1,408.6	106.3	8.2
Discontinued operations				
United Kingdom	39.9	–	–	0.9
North America	44.4	–	9.2	0.2
Europe and Middle East	15.2	–	–	0.4
Pacific	0.3	–	–	–
	99.8	–	9.2	1.5
	775.6	1,408.6	115.6	9.7

* Adjusted group operating profit represents group operating profit excluding non-recurring items, amortisation of intangible assets, and including operating profit from discontinued operations.

** Corporate operations comprises net central operating costs, together with those equity accounted investments which do not form part of one of the group's operating divisions.

*** Non-recurring items include the profit on sale of businesses and equity accounted investments during the year.

3. Segment information (continued)

Year ended 31 December 2004

	Revenue from external customers £m	Revenue from other segments £m	Total Revenue £m	Profit/(loss) from operating activities £m	Share of results from equity investments £m	Segment result £m
Continuing operations						
Segments						
CMP Media	220.3	–	220.3	25.9	1.2	27.1
CMP Medica	29.8	–	29.8	0.3	–	0.3
CMP Asia	51.4	0.3	51.7	14.0	–	14.0
CMP Information	161.0	–	161.0	38.5	–	38.5
News distribution	94.8	–	94.8	20.4	2.3	22.7
Corporate operations**	–	–	–	(1.3)	2.5	1.2
	557.3	0.3	557.6	97.8	6.0	103.8
Non-recurring items	–	–	–	–	–	(11.7)
EBIT	557.3	0.3	557.6	97.8	6.0	92.1
Discontinued operations						
Market research	222.4	0.1	222.5	20.3	–	20.3
CMP Information (motoring titles)	35.8	–	35.8	4.9	–	4.9
	258.2	0.1	258.3	25.2	–	25.2
Eliminations	–	(0.4)	(0.4)	–	–	–
	815.5	–	815.5	123.0	6.0	117.3
Continuing operations						
Finance income/(cost)						
Interest income						26.5
Interest cost						(14.1)
Financing cost – pension schemes						(3.4)
						9.0
Taxation						(23.1)
Non-recurring taxation credit						121.0
Discontinued operations						
Interest Income						0.1
Taxation						(5.6)
Non-recurring items						18.9
Net profit for the year						237.6

3. Segment information (continued)

Year ended 31 December 2004 (continued)

	*Adjusted group operating profit £m	Share of tax on profit from equity accounted investments £m	Non-recurring items charged to operating profit £m	Amortisation of intangibles £m	Segment result £m
Continuing operations					
Segments					
CMP Media	27.1	–	–	–	27.1
CMPMedica	3.4	–	–	(3.1)	0.3
CMP Asia	14.0	–	–	–	14.0
CMP Information	38.5	–	–	–	38.5
News distribution	23.9	(1.2)	–	–	22.7
Corporate operations**	0.8	0.4	–	–	1.2
	107.7	(0.8)	–	(3.1)	103.8
Non-recurring items	–	–	–	–	(11.7)
EBIT	–	–	–	–	92.1
Discontinued operations					
Market research	20.3	–	–	–	20.3
CMP Information (motoring titles)	4.9	–	–	–	4.9
	25.2	–	–	–	25.2
	132.9	(0.8)	–	(3.1)	117.3

	Share of results from equity investments £m	Equity investment: interest £m	Equity investment: tax £m	Share of results from equity investments (pre interest and tax) £m
Continuing operations				
Segments				
CMP Media	1.2	–	–	1.2
CMPMedica	–	–	–	–
CMP Asia	–	–	–	–
CMP Information	–	–	–	–
News distribution	2.3	–	(1.2)	3.5
Corporate operations**	2.5	(10.3)	0.4	12.4
	6.0	(10.3)	(0.8)	17.1
Discontinued operations				
Market research	–	–	–	–
CMP Information (motoring titles)	–	–	–	–
	–	–	–	–
	6.0	(10.3)	(0.8)	17.1

* Adjusted group operating profit represents group operating profit excluding non-recurring items, amortisation of intangible assets, and including operating profit from discontinued operations.

** Corporate operations comprises net central operating costs, together with those equity accounted investments which do not form part of one of the group's operating divisions.

*** Non-recurring items include the profit on sale of businesses and equity accounted investments during the year.

3. Segment information (continued)

Year ended 31 December 2004 (continued)

	Adjusted group operating profit* (before equity accounted investments) £m	Share of results from equity investments (before tax) £m	Adjusted group operating profit* as reported £m
Continuing operations			
Segments			
CMP Media	25.9	1.2	27.1
CMPMedica	3.4	–	3.4
CMP Asia	14.0	–	14.0
CMP Information	38.5	–	38.5
News distribution	19.2	3.5	22.7
Corporate operations**	(0.1)	2.1	2.0
	100.9	6.8	107.7
Discontinued operations			
Market research	20.3	–	20.3
CMP Information (motoring titles)	4.9	–	4.9
	25.2	–	25.2
	126.1	6.8	132.9

	Segment assets £m	Investments in associates and joint ventures £m	Total £m	Segment liabilities £m	Total net assets £m
Continuing operations					
Segments					
CMP Media	212.9	4.7	217.6	(43.5)	174.1
CMPMedica	251.9	1.7	253.6	(25.0)	228.6
CMP Asia	34.7	–	34.7	(23.5)	11.2
CMP Information	198.3	–	198.3	(75.7)	122.6
News distribution	25.5	4.9	30.4	(12.2)	18.2
Corporate operations**	481.6	42.9	524.5	(652.0)	(127.5)
	1,204.9	54.2	1,259.1	(831.9)	427.2
Discontinued operations					
Market research	178.8	–	178.8	(60.3)	118.5
CMP Information (motoring titles)	8.9	–	8.9	–	8.9
	187.7	–	187.7	(60.3)	127.4
Unallocated assets and liabilities	–	–	–	(224.8)	(224.8)
	1,392.6	54.2	1,446.8	(1,117.0)	329.8

3. Segment information (continued)

Year ended 31 December 2004 (continued)

	Capital expenditure (acquisition of businesses) £m	Capital expenditure (tangible assets) £m	Depreciation £m	Other non-cash expenses £m
Continuing operations				
Segments				
CMP Media	–	1.5	2.3	0.6
CMPMedica	199.3	0.4	0.4	0.1
CMP Asia	–	0.2	0.1	0.3
CMP Information	0.2	2.3	3.1	0.6
News distribution	–	1.1	3.2	0.4
Corporate operations**	–	0.4	0.7	(3.0)
	199.5	5.9	9.8	(1.0)
Discontinued operations				
Market research	4.8	2.6	3.1	0.4
CMP Information (motoring titles)	–	–	–	–
	4.8	2.6	3.1	0.4
	204.3	8.5	12.9	(0.6)

Geographical segments

The group's five business segments operate in four main geographical areas. The geographical segment analysis is based on the location of assets. Geographical segment analysis based on the location of customers or markets would not be materially different. The following table provides an analysis of the group's revenue, assets, and capital expenditure by the four geographical regions.

	Segment revenue £m	Segment assets £m	Capital expenditure (acquisition of businesses) £m	Capital expenditure (tangible assets) £m
Segments				
Continuing operations				
United Kingdom	154.1	692.8	0.2	2.8
North America	302.8	260.2	–	2.5
Europe and Middle East	37.3	271.6	199.3	0.4
Pacific	63.1	34.5	–	0.2
	557.3	1,259.1	199.5	5.9
Discontinued operations				
United Kingdom	94.7	31.0	–	1.0
North America	121.6	114.6	4.8	–
Europe and Middle East	40.8	42.1	–	1.6
Pacific	1.1	–	–	–
	258.2	187.7	4.8	2.6
	815.5	1,446.8	204.3	8.5

The amounts shown against CMP Media, CMP Asia and CMP Information for 31 December 2004 in the tables above have been restated to reflect the intra-group transfer of United Entertainment Media in the US from CMP Information to CMP Media, the transfer of CMP Princeton from CMP Asia to CMP Media, and the transfer of United Advertising Publications to CMP Information.

For the year ended 31 December 2004, £21.0 million of revenue and £3.4 million of operating profit for United Entertainment Media was transferred from CMP Information to CMP Media, £5.5 million of revenue and £1.2 million of operating profit for CMP Princeton was transferred from CMP Asia to CMP Media, and £58.5 million of revenue and £13.2 million of operating profit for United Advertising Publications was included in CMP Information.

4. Other operating income

	2005 £m	2004 £m
Rental income	4.0	4.6
Other income	7.9	4.5
	11.9	9.1

5. Operating expenses

	2005 £m	2004 £m
Amortisation of intangible assets (note 13)	10.9	3.1
Depreciation of property, plant and equipment	8.5	9.3
Employee costs (note 6)	229.4	201.9
Cost of inventories recognised as expense	19.6	31.5
Operating lease rentals	13.2	16.8
Auditor's remuneration	1.7	1.5
Loss on disposal of property, plant and equipment	–	0.2
Other cost of sales and administration costs	292.5	209.5
	575.8	473.8

5a. Auditor's remuneration

	2005 £m	2004 £m
Continuing operations		
Audit services:		
Statutory audit	1.2	0.9
Audit related regulatory reporting	0.1	0.2
Further assurance services	0.3	0.3
Tax services:		
Compliance services	–	–
Advisory services	0.1	0.1
	1.7	1.5
Discontinued operations		
Audit services:		
Statutory audit	0.1	0.1
Further assurance services	0.1	–
	0.2	0.1

The Audit Committee has established policy guidelines on the nature of non-audit work which may be undertaken by the auditors. These guidelines identify a number of categories of work where the auditors will not normally be employed, including financial due diligence assignments on potential acquisitions and financial systems consultancy. The Audit Committee has also put in place procedures for the pre-approval of any fees payable to the auditors for those non-audit services which fall within the policy guidelines.

Professional firms are selected to provide advisory services on the basis of their relevant experience and expertise. For major projects, it is the group's policy to undertake a competitive tendering process. In certain circumstances, for example for reasons of confidentiality or knowledge of the group's businesses and structures, it is appropriate to employ the group's auditors to provide such services without a competitive tender being undertaken.

6. Employee costs

	2005 £m	2004 £m
Wages and salaries	**187.5**	164.7
Social security costs	**28.6**	22.5
Share options granted to directors and employees	**5.0**	4.0
Pension costs – defined contribution plans	**5.0**	5.4
Pension costs – defined benefit plans (note 25)	**3.3**	5.3
	229.4	201.9

6a. Employee numbers

The average number of persons employed in the group, including directors, during the year was as follows:

	2005 Number	2004 Number
Location		
United Kingdom	**2,094**	2,637
North America	**2,429**	2,883
Europe and Middle East	**789**	415
Pacific	**885**	566
	6,197	6,501
Business segment		
Continuing operations		
CMP Media	**1,435**	1,325
CMPMedica	**1,170**	365
CMP Asia	**324**	332
CMP Information	**1,211**	1,493
News distribution	**821**	759
Corporate operations	**136**	128
Discontinued operations		
Market research	**702**	1,699
CMP Information (motoring titles)	**398**	400
	6,197	6,501

The average employee numbers as at 31 December 2004 have been restated to reflect the transfer of CMP Princeton from CMP Asia to CMP Media, the transfer of CMPi US from CMP Information to CMP Media, and the transfer of UAP into CMP Information.

6b. Directors' emoluments

	2005 £m	2004 £m
Fees	**0.3**	0.3
Remuneration and benefits in kind	**1.5**	1.7
Bonuses (including MTIP)	**1.8**	1.7
Contributions to defined benefit contribution pension schemes	**0.1**	0.1
	3.7	3.8

Details of executive and non-executive directors' emoluments and their interest in shares and options of the company are shown within the directors' remuneration report in the sections "Directors' pension provision", "Table of individual directors' remuneration", "Directors' interests in shares" and "Directors' interests in share options".

7. Non-recurring items

	2005 £m	2004 £m
(Charged)/credited to operating profit		
Vacant property costs	(8.8)	–
Redundancy	(8.6)	–
Re-engineering of business processes	(10.3)	–
Restructuring and business reorganisation costs	(7.8)	–
Integration of acquired businesses	(1.7)	–
Total non-recurring reorganisation and restructuring costs	(37.2)	–
Share of results from associates disposed of during the year	8.5	–
Total charged to operating profit	(28.7)	–
Credited/(charged) to EBIT		
Profit on disposal of equity accounted investments	150.7	–
Amounts written off investments	–	(11.7)
Total credited/(charged) to EBIT	122.0	(11.7)
Charged to profit before tax		
Bond buybacks	(13.7)	–
Total credited/(charged) to profit before tax	108.3	(11.7)
(Charged)/credited to profit after tax		
Tax on disposal of equity accounted investments	(1.2)	–
Exceptional taxation credit	–	121.0
Total credited to profit after tax	107.1	109.3
Credited to discontinued operations		
Profit on disposal of discontinued operations (note 31)	266.3	–
Profit from discontinued operations (note 31)	3.8	–
Additional profit on prior year disposals (note 31)	–	18.9
Profit for the year after discontinued operations	377.2	128.2

During 2005, the group implemented a number of restructuring and reorganisation projects. The objectives of these projects are to simplify the group structure following the disposals of businesses in 2005, to achieve greater geographical alignment of our publishing divisions and to achieve greater customer and product focus within our operating businesses whilst delivering lower operating costs.

The total cost of the projects is £37.2 million, which has been charged separately as a one off cost in the Consolidated Income Statement for the year ended 31 December 2005. As indicated in the analysis above, the nature of the costs incurred is principally redundancy, vacant space provisions arising from relocation and consolidation, the re-engineering of business processes and the costs of restructuring and business reorganisation. In addition, acquisition integration costs of £1.6 million were incurred during the year. Of the amount charged, £7.2 million was incurred during 2005. With the exception of amounts relating to vacant property, which will be incurred across the remainder of the unexpired lease terms, the balance of the costs is expected to be paid in 2006.

In 2004, the group had written down the carrying value of certain fixed asset investments by £11.7 million to reflect their expected realisable value. The group also resolved a number of outstanding items as a consequence of which there was a net exceptional tax credit of £121.0 million.

8. Financing income/(cost)

	Recurring 2005 £m	Non-recurring 2005 £m	Total 2005 £m	2004 £m
Interest income				
Cash and cash equivalents	28.2	–	28.2	26.5
Interest cost				
Borrowings and loans	(14.0)	–	(14.0)	(11.8)
Other	(1.5)	–	(1.5)	(2.3)
	(15.5)	–	(15.5)	(14.1)
Financing income – other than interest				
Net foreign exchange gain (a)	8.4	–	8.4	–
	8.4	–	8.4	–
Financing cost – other than interest				
Fair value loss on embedded derivative (b)	(9.0)	(2.2)	(11.2)	
Buyback of bonds (c)	–	(11.5)	(11.5)	–
Convertible bond (d)	(4.8)	–	(4.8)	–
	(13.8)	(13.7)	(27.5)	–
Financing cost – pension schemes	(2.5)	–	(2.5)	(3.4)
Net finance income/(cost)	4.8	(13.7)	(8.9)	9.0

(a) Foreign exchange gain on US Dollar denominated balances held in UK accounts. The majority of this gain arose from the strengthening of the US Dollar in the first half of 2005.

(b) Accounting standards determine that UBM's US Dollar convertible bond contains an embedded derivative, and this option is carried at fair value with changes taken to the income statement. This charge is a result of the increase in UBM's share price. The non-recurring fair value loss on the embedded derivative of £2.2 million relates to the portion of the bond that was repurchased during the year.

(c) In the second half of 2005, UBM repurchased $234.6 million of the principal of the US Dollar convertible bond, and $179.3 million of the principal of the US dollar fixed rate unsecured notes. This charge reflects the premium paid and fees relating to these repurchases, and unamortised costs being written off.

(d) The convertible bond is separated into fixed rate debt and an equity derivative. This charge reflects the accretion of the debt to the value at maturity.

9. Taxation

Major components of income tax expense for the year ended 31 December 2005 are:

	2005 £m	2004 £m
Consolidated income statement		
Current tax:		
Current tax charge	29.0	29.2
Deferred tax:		
Origination and reversal of temporary differences	(3.2)	(0.5)
Income tax expense in the consolidated income statement	25.8	28.7
Less: income tax expense for discontinued operations	(1.0)	(5.6)
Income tax expense for continuing operations	24.8	23.1

9. Taxation (continued)

Factors affecting tax charge for the year

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory tax rate to tax expense for the year ended 31 December 2005 is as follows:

	2005 £m	2004 £m
Profit before tax from continuing operations	**232.2**	101.0
Profit before tax attributable to discontinued operations (note 31)	**271.1**	44.2
Profit before tax	**503.3**	145.2
Profit before tax multiplied by standard rate of corporation tax in UK of 30%	**151.0**	43.6
Effect of:		
Expenses not deductible for tax purposes	**10.6**	5.2
Tax effect of items not recognised in consolidated financial statements	**(21.4)**	(19.0)
Origination and reversal of temporary differences not recognised	**13.3**	3.2
Higher tax rates on overseas earnings	**5.1**	4.3
Additional profit relating to prior year disposals not taxable	**–**	(5.7)
Foreign exchange gains	**(2.5)**	–
Share of results from associates and joint ventures (after tax)	**(4.0)**	(1.8)
Profit on sale of discontinued operations and equity accounted investments	**(124.5)**	–
Other	**(1.8)**	(1.1)
	25.8	28.7
Income tax expense reported in the consolidated income statement	**24.8**	23.1
Income tax attributable to discontinued operations (note 31)	**1.0**	5.6
	25.8	28.7

Deferred income tax

Deferred income tax at 31 December 2005 relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2005 £m	2004 £m	2005 £m	2004 £m
Deferred tax liability				
Fair value adjustments on acquisitions	**22.6**	15.4	**(3.3)**	(0.9)
Other temporary differences	**1.4**	1.4	**0.1**	0.4
Deferred income tax income	**24.0**	16.8	**(3.2)**	(0.5)

At 31 December 2005, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries as the group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised amount in aggregate to £1.8 billion (2004: £1.6 billion).

There are no income tax consequences to the group attaching to the payment of dividends by the Company to its shareholders.

	2005 £m	2004 £m
The movement in the net deferred tax liability was as follows:		
Net liability at 1 January	**16.8**	–
Acquisition of subsidiaries (note 30)	**10.7**	16.3
Amounts charged to net profit	**(3.2)**	(0.5)
Exchange differences	**(0.3)**	1.0
Net liability at 31 December	**24.0**	16.8

The group has unrecognised deferred tax assets of £55.2 million relating to deductible temporary differences and £49.6 million relating to unused tax losses (2004: £47.1 million and £38.5 million respectively). No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profit streams.

10. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible bond) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible bond).

Adjusted earnings per share is calculated on the net profit for the year attributable to ordinary equity shareholders, less non-recurring items and deferred tax, divided by the weighted average number of ordinary shares outstanding during the year. Non-recurring items and deferred tax are excluded from this calculation, as due to their nature and the infrequency of the events giving rise to them, separate presentation allows shareholders to understand better the elements of financial performance for the year, so as to facilitate comparison with prior periods and to assess better the trends of financial performance.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2005 Earnings £m	2005 Weighted average no. of shares million	2005 Earnings per share pence	2004 Earnings £m	2004 Weighted average no. of shares million	2004 Earnings per share pence
From continuing and discontinued operations						
Adjusted group operating profit	141.9			132.9		
Net interest income	12.7			12.4		
Financing cost – pension schemes	(2.5)			(3.4)		
Adjusted profit before tax	152.1			141.9		
Taxation	(26.0)			(30.3)		
Minority interests	(1.9)			(1.8)		
B share dividend	(0.4)			(0.4)		
Adjusted earnings per share	123.8	302.5	40.9	109.4	334.4	32.7
Adjustments						
Amortisation of intangible assets	(11.4)		(3.8)	(3.1)		(0.9)
Deferred tax on amortisation of intangible assets	3.3		1.1	0.9		0.3
Non-recurring items	379.8		125.6	128.2		38.3
Taxation relating to non-recurring items	(1.2)		(0.4)	–		–
Net financing income – other than interest	(19.1)		(6.3)	–		–
Basic earnings per share	475.2	302.5	157.1	235.4	334.4	70.4
Dilution						
Options	–	3.3	(1.6)	–	4.6	(1.0)
Convertible bond	19.1	40.4	(12.7)	3.5	47.8	(7.6)
Diluted earnings per share	494.3	346.2	142.8	238.9	386.8	61.8
From continuing operations						
Adjusted group operating profit	141.9			132.9		
Operating profit from discontinued operations	(4.8)			(25.3)		
Net interest income	12.7			12.4		
Financing cost – pension schemes	(2.5)			(3.4)		
Adjusted profit before tax	147.3			116.6		
Taxation	(25.0)			(24.7)		
Minority interests	(1.9)			(1.8)		
B share dividend	(0.4)			(0.4)		
Adjusted earnings per share	120.0	302.5	40.0	89.7	334.4	26.8
Adjustments						
Amortisation of intangible assets	(11.4)		(3.8)	(3.1)		(0.9)
Deferred tax on amortisation of intangible assets	3.3		1.1	0.9		0.3
Non-recurring items	113.5		37.2	109.3		32.6
Taxation relating to non-recurring items	(1.2)		(0.4)	–		–
Net financing income – other than interest	(19.1)		(6.3)	–		–
Basic earnings per share	205.1	302.5	67.8	196.8	334.4	58.8
Dilution						
Options	–	3.3	(0.7)	–	4.6	(0.8)
Convertible bond	19.1	40.4	(2.4)	3.5	47.8	(6.2)
Diluted earnings per share	224.2	346.2	64.7	200.3	386.8	51.8

10. Earnings per share (continued)

The group has two categories of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year, and shares attributable to convertible debt. The impact of dilutive securities in 2005 would be to increase the profit by £19.1 million (2004: £3.5 million) for convertible debt and to increase weighted average shares by 3.3 million shares (2004: 4.6 million shares) for employee share options and 40.4 million shares (2004: 47.8 million shares) for convertible debt.

The weighted average number of shares excludes ordinary shares held by the ESOP and the QUEST. The weighted average number of shares was affected by the share consolidation on 20 June 2005, where 17 existing ordinary shares were converted to 14 new ordinary shares (refer to note 26).

11. Dividends

	2005 £m	2004 £m
Declared and paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2004 of 8.37p (2003: 5.7p)	28.1	19.2
Special dividend for 2005 of 89.0p	298.3	–
Interim dividend for 2005 of 4.00p (2004: 3.63p)	11.0	12.1
Equity dividends – B shares	0.4	0.4
	337.8	31.7
Proposed for approval at 2006 Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares		
Final dividend for 2005 of 11.0 p (2004: 8.37p)	30.6	28.1

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The B shares have a fixed coupon, and the dividends of £0.4 million owing as at 31 December 2005 have accordingly been accrued for.

12. Goodwill

	2005 £m	2004 £m
Cost		
At 1 January	583.8	431.4
Acquisitions (note 30)	93.5	157.1
Disposals (note 31)	(101.2)	–
Transfers from joint ventures	–	0.3
Currency translation	14.5	(5.0)
At 31 December	590.6	583.8

12. Goodwill (continued)

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to business segment. However, the Market Research entities (subsequently disposed of) are also identified on a geographical basis, to align with the reporting and organisational structure.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

A segment-level summary of the goodwill allocation is shown as follows:

	2005 £m	2004 £m
CMP Media	203.5	161.2
CMPMedica	182.7	159.7
CMP Asia	12.6	11.8
CMP Information	177.2	145.2
News Distribution	14.6	13.2
Market Research – UK	–	6.7
Market Research – US	–	65.5
Market Research – Europe	–	20.5
	590.6	583.8

Management tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of a CGU is determined based on the fair value less costs to sell of the CGU. The fair value is based on the best information available, and refers to the amount at which the CGU could be bought or sold in a current transaction between willing parties. The valuation methods are based on an earnings multiple based approach. The earnings multiple based approach uses precedent transaction multiples, obtained from comparable businesses in the publishing and media sector. The group uses external advisors to calculate the fair value less costs to sell of its CGUs.

Management does not re-compute the fair value of each CGU annually if all of the following criteria are met:

- The components of the CGU have not changed since the last fair value calculation;
- The previous fair value amount exceeded the carrying amount of the CGU by a substantial margin;
- No evidence exists to indicate that the current fair value of the CGU would be less than its current carrying amount.

13. Intangible assets

31 December 2005

	Brands £m	Software £m	Customer contracts & relationships £m	Subscription lists £m	Trade marks £m	Databases £m	Total £m
Cost							
At 1 January 2005	31.8	0.9	20.1	0.7	–	–	53.5
Acquisitions (note 30)	20.8	0.4	16.5	0.1	2.1	1.4	41.3
Exchange differences	(0.6)	–	(0.3)	–	–	–	(0.9)
At 31 December 2005	52.0	1.3	36.3	0.8	2.1	1.4	93.9
Amortisation							
At 1 January 2005	1.3	0.1	1.6	0.1	–	–	3.1
Charge for the period	4.8	0.2	5.4	0.1	0.2	0.2	10.9
Exchange differences	–	–	–	–	–	–	–
At 31 December 2005	6.1	0.3	7.0	0.2	0.2	0.2	14.0
Carrying value							
At 1 January 2005	30.5	0.8	18.5	0.6	–	–	50.4
At 31 December 2005	45.9	1.0	29.3	0.6	1.9	1.2	79.9

13. Intangible assets (continued)

31 December 2004

	Brands £m	Software £m	Customer contracts & relationships £m	Subscription lists £m	Trade marks £m	Databases £m	Total £m
Cost							
At 1 January 2004	–	–	–	–	–	–	–
Acquisitions	29.8	0.9	18.9	0.7	–	–	50.3
Exchange differences	2.0	–	1.2	–	–	–	3.2
At 31 December 2004	31.8	0.9	20.1	0.7	–	–	53.5
Amortisation							
At 1 January 2004	–	–	–	–	–	–	–
Charge for the period	1.3	0.1	1.6	0.1	–	–	3.1
Exchange differences	–	–	–	–	–	–	–
At 31 December 2004	1.3	0.1	1.6	0.1	–	–	3.1
Carrying value							
At 1 January 2004	–	–	–	–	–	–	–
At 31 December 2004	30.5	0.8	18.5	0.6	–	–	50.4

All amortisation charges in the year have been charged through operating expenses (note 5).

The average remaining useful lives for the brands and customer contracts and relationships' intangible assets are 9 years and 4 years respectively.

14. Property, plant and equipment

31 December 2005

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Group			
Cost			
At 1 January 2005	65.2	122.2	187.4
Additions	1.2	8.5	9.7
Acquisitions of subsidiary undertakings and businesses	0.7	0.8	1.5
Disposals	(4.8)	(35.7)	(40.5)
Disposal of subsidiary undertakings and businesses	(2.8)	(25.3)	(28.1)
Exchange differences	2.0	5.7	7.7
At 31 December 2005	61.5	76.2	137.7
Depreciation			
At 1 January 2005	32.1	110.3	142.4
Charge for the year	2.2	8.2	10.4
Disposals	(4.0)	(34.0)	(38.0)
Disposal of subsidiary undertakings and businesses	(1.5)	(18.3)	(19.8)
Exchange differences	1.5	4.5	6.0
At 31 December 2005	30.3	70.7	101.0
Carrying value			
At 31 December 2005	31.2	5.5	36.7
At 31 December 2004	32.9	12.1	45.0

14. Property, plant and equipment (continued)

31 December 2004

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Group			
Cost			
At 1 January 2004	71.0	128.6	199.6
Additions	1.2	7.3	8.5
Acquisitions of subsidiaries	0.4	1.5	1.9
Disposals	(1.3)	(11.2)	(12.5)
Transfer to assets classified as held for sale	(5.1)	–	(5.1)
Exchange differences	(1.0)	(4.0)	(5.0)
At 31 December 2004	65.2	122.2	187.4
Depreciation			
At 1 January 2004	31.0	114.1	145.1
Charge for the year	2.7	10.2	12.9
Disposals	(0.6)	(10.0)	(10.6)
Transfer to assets classified as held for sale	–	–	–
Exchange differences	(1.0)	(4.0)	(5.0)
At 31 December 2004	32.1	110.3	142.4
Carrying value			
At 1 January 2004	40.0	14.5	54.5
At 31 December 2004	32.9	12.1	45.0

	2005 £m	2004 £m
Land and buildings at net book amount comprise:		
Freehold	**14.8**	15.8
Long leasehold	**0.8**	0.5
Leasehold improvements	**15.6**	16.6
Carrying value	**31.2**	32.9

The carrying values above are not materially different to the fair values of the assets.

15. Assets classified as held for sale

As at 31 December 2005, there are no non-current assets classified as held for sale.

As at 31 December 2004, freehold property with a carrying value of £5.1 million is classified as held for sale. A buyer was identified for this property before the year-end, and the sale was completed in August 2005.

The property classified as held for sale at 31 December 2004, was included in the segment assets for CMP Information in note 3.

16. Investments accounted for using the equity method

(a) Carrying amount	Joint Ventures £m	Associates £m	Total £m
At 1 January 2005	9.4	44.8	54.2
Share of profit	3.3	9.4	12.7
Exchange differences	0.8	–	0.8
Dividends received	(2.8)	–	(2.8)
Disposals (note 30)	–	(43.2)	(43.2)
Other movements in share of net assets	–	0.5	0.5
At 31 December 2005	10.7	11.5	22.2

Investments in joint ventures and associates at 31 December 2005 include goodwill of £6.4 million and £1.7 million respectively (2004: £6.4 million and £1.7 million respectively). Investments in joint ventures include amortisation of intangible assets of £0.5 million (2004: £nil).

(b) Joint ventures	2005 £m	2004 £m
The following represents the aggregate amount of the group's interests in joint ventures' assets, liabilities, income and expenses:		
Current assets	7.7	7.1
Non-current assets	4.1	3.8
Current liabilities	2.3	1.8
Non-current liabilities	–	–
Income	16.6	15.3
Expenses	13.3	11.8

The principal joint ventures at 31 December 2005 are as follows:

Company	Division	Type of business	Country/Region of incorporation and operation	Class of shares held	Share holding/ interest	Accounting year end
Canada Newswire Limited	News Distribution	News Distribution	Canada	Ordinary	50%	31 December
ANP Pers Support BV	News Distribution	News Distribution	Netherlands	Ordinary	50%	31 December
EMedia Asia Limited	CMP Media	Exhibition and publications	Barbados/Asia	Ordinary	39.9%	31 December
CMP Weka Verlag Gmbh	CMP Media	Publications	Germany	Ordinary	50%	31 December
Cybermedia LLC	CMP Media	Publications	India	Ordinary	50%	31 December

(c) Associates	2005 £m	2004 £m
The following represents the aggregate amount of the group's interests in associated companies' assets, liabilities, income and expenses:		
Current assets	11.7	89.4
Non-current assets	8.4	33.6
Current liabilities	10.2	55.6
Non-current liabilities	9.6	233.6
Income	27.7	155.9
Expenses	26.8	153.4
The following represents the summarised gross financial information of the group's associated companies' assets, liabilities, income and expenses:		
Current assets	52.3	275.6
Non-current assets	31.7	109.0
Current liabilities	44.3	185.1
Non-current liabilities	47.8	665.4
Income	121.7	534.1
Expenses	117.5	520.0

16. Investments accounted for using the equity method (continued)

Details of the group's associates at 31 December 2005 are as follows:

Company	Division	Type of business	Country of incorporation/ registration	Class of shares held	Share holding/ interest	Accounting year end
Axilog S.A.	CMPMedica	Publications	France	Ordinary	25.1%	31 December
Paperloop.com, Inc.	Corporate operations	Internet business	USA	Ordinary	37.2%	31 December
Independent Television News Limited	Corporate operations	Broadcasting	Great Britain	Ordinary	20.0%	31 December

Details of the group's associates disposed of during the year are as follows (see note 30):

Company	Division	Type of business	Country of incorporation/ registration	Class of shares held	Share holding/ interest	Accounting year end
Channel 5 Television Group Limited	Corporate operations	Broadcasting	Great Britain	Ordinary	35.37%	31 December
SDN Limited	Corporate operations	Multiplex Operator	Great Britain	Ordinary	33.05%	31 December
Satellite Information Services (Holdings) Ltd	Corporate operations	News distribution	Great Britain	Ordinary	20.0%	31 March

17. Other Investments

	2005 £m	2004 £m
Shares – unlisted	**4.8**	4.7
Shares – listed	**0.2**	1.2
Other	**–**	42.0
Total investments	**5.0**	47.9

The unlisted investments for 2005 above are listed at cost as there is no market value in an active market and the fair value cannot be reliably measured. The listed investments are recorded at fair value.

At 31 December 2004, the group had outstanding $80 million of credit linked notes from a number of counterparties, these notes having similar maturities to the US dollar loan notes. The notes paid interest at an average rate of LIBOR plus 266 basis points per annum. These were sold during 2005.

18. Inventories

	2005 £m	2004 £m
Raw materials and consumables – paper stock	**3.5**	2.6
Work in progress – short term market research contracts	**–**	6.2
Work in progress – other	**3.3**	4.2
Finished goods and goods for resale	**2.6**	1.9
Total inventories	**9.4**	14.9

The cost of inventories recognised as an expense and included in cost of sales amounted to £55.6 million (2004: £128.2 million).

The total write-down of inventories included in cost of sales is £nil million (2004: £0.7 million).

19. Trade and other receivables

	2005 £m	2004 £m
Trade debtors	110.6	133.5
Less: provision for impairment on receivables	(4.1)	(5.5)
Trade debtors – net	106.5	128.0
Other debtors	44.0	38.4
Prepayments and accrued income	19.5	38.4
Pension prepayments – defined contribution schemes	2.5	1.6
Receivables from related parties	–	50.1
Loans to related parties	–	49.6
	172.5	306.1

Concentrations of credit risk with respect to trade debtors are limited due to the group's customer base being large and unrelated.

The receivables and loans from related parties as at 31 December 2004 of £50.1 million and £49.6 million respectively were receivable from Channel 5 Television Group Limited. These amounts were repaid in September 2005 with the disposal of the group's investment in Channel 5 Television Group Limited.

20. Cash and cash equivalents

	2005 £m	2004 £m
Cash at bank and in hand	99.0	147.2
Short term liquid funds	390.4	192.2
	489.4	339.4

The effective interest rate on the short-term liquid funds range between 0% and 5% for 2005 and 2004, and these liquid funds have an average maturity of less than 3 months. The carrying amount of these assets approximates to fair value.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at December:

	2005 £m	2004 £m
Cash at bank and in hand	99.0	147.2
Short term liquid funds	390.4	192.2
	489.4	339.4
Bank overdrafts (note 21)	(6.8)	(2.8)
	482.6	336.6

21. Borrowings

	2005 £m	2004 £m
Convertible bond		
Current	93.7	–
Derivative financial liabilities	31.5	–
	125.2	–
Non-current	–	208.7
	125.2	208.7

United Business Media (Jersey) Limited, a wholly owned subsidiary of the company, issued in 2001 a 5 year $400 million 2.375% fixed convertible bond with a coupon payable semi-annually. The bonds are convertible into Preference Shares of United Business Media (Jersey) Limited at any time up to the seventh calendar day before the date fixed for redemption, 19 December 2006. The Preference Shares would, in turn, be exchangeable immediately for a total of 47.8 million Ordinary Shares in the company.

United Business Media (Jersey) Limited may redeem all of the $400 million bonds at their principal amount, together with accrued interest:

(a) at any time after 19 December 2004 if the market price per Ordinary Share on each of the dealing days in any period of 30 days ending not earlier than 14 days prior to the giving of the notice of redemption has been at least 130 per cent of the Sterling Exchange Price (577p) on such dealing day; or

(b) at any time if 85 per cent or more of the aggregate principal amount of the bonds originally issued shall have been previously purchased and cancelled, redeemed or converted.

No options in relation to puts or calls have been exercised.

Between August and December 2005 United Business Media (Jersey) Limited repurchased and cancelled a total of $234.6 million of the outstanding $400 million bonds for consideration of $285.4 million.

$165.4 million of the convertible bonds remain outstanding which can be exchanged into approximately 19.8 million Ordinary Shares in the company.

Other borrowings

	2005 £m	2004 £m
Current		
Unsecured bank overdrafts	6.8	2.8
Other loans	138.8	140.0
	145.6	142.8
Non-current		
Other loans	3.3	96.1
	148.9	238.9

In May 2005 the company arranged a five year £325 million syndicated bank facility. This facility replaced the £500 million syndicated bank facility due to mature in August 2006, which was cancelled at the company's request.

Other loans (current) for 2005 are £138.8 million of borrowing under the group's £325 million syndicated bank facility. The five-year stand-by £325 million syndicated bank credit facility has a maturity of May 2010. All conditions precedent to the committed borrowing facilities were met at 31 December 2005.

At the end of 2004 the company had in issue $185.0 million of US dollar fixed rate senior unsecured notes, net of repurchases of $65.0 million. In the second half of 2005 the company undertook a tender offer for any or all of the outstanding notes. A total of $244.3 million of notes were cancelled leaving $5.7 million outstanding at 31 December 2005.

22. Financial instruments

Objectives, policies and procedures

The group's treasury department manages the group's funding, liquidity and exposure to currency and interest rate risk. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board and are subject to internal control procedures. The objective of the framework is to provide flexibility whilst minimising risk and prohibiting speculative transactions or positions to be taken.

The group's principal financial instruments, other than derivatives, comprise bank loans and overdraft, the convertible bond, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the group's operations and its sources of finance.

The main risks arising from the group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing these risks and they are summarised below. The group's accounting policies in relation to derivatives are set out in note 2.

Further detail on policies for managing funding requirements, investment of surplus funds and management of risks can be found in the Financial Review.

Cash flow interest rate risk

The group's exposure to risk for changes in market interest rates relates primarily to the group's debt obligations and the group's cash and cash equivalents.

The group's policy is to manage interest exposure using a mix of fixed and variable debt instruments, floating rate cash and derivatives. The group aims at balancing the estimated running cost of borrowing and investing and the risk of significant impact on earnings. At 31 December 2005, after the impact of interest rate swaps, 100% of the group's borrowings are at a fixed rate of interest. At 31 December, after the impact of interest rate swaps, approximately 60% of the group's cash and cash equivalents are at a fixed rate of interest. The swaps are designated to hedge underlying debt obligations.

Foreign currency risk

The group has significant operations in the US and Europe. Prior to 2005 the group looked to mitigate the effect foreign currency translation had on the group balance sheet by borrowing in US dollars as well as euro. Following asset disposals in 2005, the group repaid the majority of the US dollar borrowing held for this purpose from the cash received. With regards to euro operations, the group mitigates the effect of its balance sheet currency exposure by borrowing in euro. Approximately 75% of the group's investments in euro operations are hedged in this way.

The group does not currently have material transactional currency exposures. Where such exposures do arise they are from sales or purchases by operating divisions in currencies other than the division's functional currency. The group requires all of its operating divisions to use forward foreign exchange contracts to eliminate the currency exposures on any firm commitment for sale or purchases on individual transactions in excess of £50,000. At the end of 2005 the group had hedged £0.5m of foreign currency transactions from January to September 2006.

Commodity price risk

The group's exposure to price risk is minimal. The group is exposed to movements in the raw material prices of paper, oil, and postage.

Credit risk

There are no significant concentrations of credit risk within the group. With respect to credit risk arising from cash and cash equivalents, and certain derivatives, the group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The group uses a number of major banks and financial institutions with investment decisions based on the creditworthiness of the counterparty.

Liquidity risk

The group guarantees sufficient liquidity at all times by efficient cash management by placing surplus funds in short term liquid investments. The group also maintains flexibility by keeping committed and uncommitted credit lines available. Committed credit facilities total £325 million.

22. Financial instruments (continued)

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments that are carried in the financial statements at other than fair values.

Market values obtained from third parties have been used to determine the fair value of interest rate swaps, credit linked notes, forward foreign contracts, the fixed rate convertible bonds and the US dollar senior loan. The fair value of cash at bank and deposits approximates to their book value due to their short maturity. Listed investments are valued at market rate. For all other financial assets and liabilities the carrying amount has been used.

	Carrying amount 2005 £m	Fair value 2005 £m
Financial assets		
Cash	489.4	489.4
Trade debtors	106.5	106.5
Other financial assets (non-current)	5.0	5.0
Interest rate swap	2.8	2.8
Forward currency contracts	0.1	0.1
	603.8	603.8
Financial liabilities		
Convertible bond	93.7	93.7
Embedded derivative in convertible bond	31.5	31.5
Other borrowings (current)	145.6	145.6
Other borrowings (non-current)	3.3	3.6
Forward currency contracts	–	–
Trade creditors	59.0	59.0
Other financial liabilities (current)	17.8	17.8
Other financial liabilities (non-current)	29.2	29.2
	380.1	380.4

Interest rate risk

The following tables set out the carrying amount, by maturity, of the group's financial instruments that are exposed to interest rate risk:

31 December 2005

	Within 1 year £m	Between 1 – 2 years £m	Between 2 – 3 years £m	Between 3 – 4 years £m	Between 4 – 5 years £m	Over 5 years £m	Total £m
Fixed rate							
Convertible bond	(93.7)	–	–	–	–	–	(93.7)
Borrowing facility	(138.8)	–	–	–	–	–	(138.8)
Loan notes	–	–	–	(3.3)	–	–	(3.3)
Floating rate							
Cash	489.4	–	–	–	–	–	489.4
Bank overdraft	(6.8)	–	–	–	–	–	(6.8)

The fair value of the embedded derivative contained in UBM's 2.375% 2006 Convertible Bond is calculated with the assistance of a major investment bank using a combination of UBM's share price, the Sterling / US Dollar exchange rate, Sterling and US Dollar interest rates and UBM's credit spread. These levels when modelled with volatility, time to maturity and the issuer soft call at £7.50, enable the value of the option contained within the convertible to be calculated. The effective interest rate of the convertible bond is 5.07%.

The effect of the group's Euro interest rate swaps is to classify as fixed rate all £138.8 million of the Euro borrowing under the £325 million revolving syndicated facility at a fixed rate. This debt has been swapped to 2.97% for with a maturity of May 2010.

The group has £300m of interest rate swaps, which are not designated as cash flows hedges. These swaps have the effect of the group receiving cash flow based on 4.65% and paying the monthly floating rate until November 2006.

22. Financial instruments (continued)

Other floating rate financial liabilities comprise of borrowings, which bear interest at rates based on the LIBOR plus a margin for each relevant currency.

Non-interest bearing financial assets comprise mainly other investments for which there is no maturity.

The carrying amounts of the group's financial instruments are denominated in the following currencies:

	2005 Financial assets	2005 Financial liabilities
Sterling	**448.8**	**42.4**
US dollar	**92.8**	**177.4**
Euro	**51.2**	**160.3**
Other currencies	**11.0**	**–**
	603.8	**380.1**

2004 Financial Instruments

As IAS 32 and 39 were adopted prospectively from 1 January 2005, the group's 2004 financial instrument disclosures are shown in the format required under UK GAAP and Financial Reporting Standard 13 'Derivative and Other Financial Instruments: Disclosure'.

Financial liabilities

The interest rate risk profile of the group's financial liabilities at 31 December 2004 was:

Currency	Total 2004 £m	Floating rate financial liabilities 2004 £m	Fixed rate financial liabilities 2004 £m	Financial liabilities on which no interest is paid 2004 £m	Fixed rate liabilities Weighted average interest rate 2004 %	Fixed rate liabilities Weighted average period for which rate is fixed 2004 Years
Sterling	26.7	–	–	26.7	–	–
US dollar	332.2	23.6	281.1	27.5	3.8	2.6
Euro	142.9	142.8	0.1	–	5.7	3.5
Other currencies	–	–	–	–	–	–
Total	501.8	166.4	281.2	54.2		

The maturity profile of the carrying amount of the group's financial liabilities at 31 December 2004 was:

Maturity Group	Debt 2004 £m	Other financial liabilities 2004 £m	Total 2004 £m
Within one year, or on demand	142.8	14.3	157.1
Between one and two years	208.7	7.4	216.1
Between two and five years	96.1	13.8	109.9
Over five years	–	18.8	18.8
Total	447.6	54.3	501.9
Finance charges allocated to future periods			
Unamortised issue costs	2.7	–	2.7

22. Financial instruments (continued)

Equity B shares of £0.5 million have been excluded from the above tables as they have no fixed maturity date.

At 31 December 2004, the effect of the group's dollar interest rate swaps is to classify as floating rate in the above table £23.6 million of the outstanding £96.1 million 2009 US dollar fixed rate senior unsecured notes. This debt has been swapped into six month US dollar LIBOR plus 2.7% to the maturity date of the debt.

Other floating rate financial liabilities comprise of borrowings which bear interest at rates based on the LIBOR plus a margin for each relevant currency for periods between one and six months.

Other financial liabilities include £4.6 million of other creditors falling due after more than one year and £48.6 million of provisions with an average maturity of 4.4 years.

Financial assets

The interest rate risk profile of the group's financial assets at 31 December 2004 was:

Currency	Total 2004 £m	Cash at bank and deposits 2004 £m	Other financial assets 2004 £m	Floating rate 2004 £m	Fixed rate 2004 £m	Non interest bearing Total 2004 £m
Sterling	304.3	50.2	254.1	89.1	70.0	145.2
US dollar	196.4	69.0	127.4	156.5	29.9	10.0
Euro	18.1	17.7	0.4	16.6	–	1.5
Other currencies	7.8	7.7	0.1	6.6	–	1.2
Total	526.6	144.6	382.0	268.8	99.9	157.9

The group's two US dollar senior unsecured loan notes carry interest rates that are significantly in excess of market rates. As stated in the Financial Review, the group has redeemed $75 million of these bonds early in order to reduce the group's net interest exposure. Additionally, to achieve a higher level of redemption without making a significant early redemption payment, the group has entered into the following transactions that have a similar economic effect to redeeming the bonds.

At 31 December 2004, the group holds $160 million of credit linked notes from a number of counterparties, these notes having similar maturities to the US dollar loan notes. The notes pay interest at an average rate of LIBOR plus 266 basis points per annum.

In return for paying interest on the credit linked notes at rates in excess of LIBOR, the final redemption to be received by the company is determined by certain circumstances related to the credit risk of the company. These circumstances arise if there has been a "credit event" as defined in the terms of the note, in which case the counterparties may redeem the notes at less than par value. A credit event arises in the event of any of the following circumstances:

a bankruptcy of the company;

- if the group is required by any of its lenders to accelerate repayment of borrowings;
- if the group fails to make payment under any of its borrowings;
- if the group restructures any of its borrowings in order to avoid default; and
- if any of its borrowings are repudiated, disaffirmed or rejected or subject to any moratorium.

If a credit event should take place, the credit linked note may not necessarily be redeemed for cash. The company may receive its own bonds or debt obligations with a par value equivalent to the amount of the credit linked notes from the counterparties in settlement of redemption of the note.

22. Financial instruments (continued)

Fixed rate financial assets have the following weighted average interest rates and periods for which that rate is fixed:

Currency	Fixed rate financial assets Weighted average interest rate 2004 %	Fixed rate financial assets Weighted average period for which rate is fixed 2004 Years
Sterling	4.0	0.1
US dollar	6.8	0.1
Euro	–	–

The effect of the group's swaps was to classify £70 million of floating rate cash in the above tables as fixed rate, however, these swaps matured in January 2005.

Non-interest bearing financial assets comprise mainly other fixed asset investments for which there is no maturity.

Fair values of financial assets and financial liabilities

The following tables provide a comparison by category of the carrying amounts and the fair values of the group's financial assets and financial liabilities at 31 December 2004. The fair value of US dollar private placements (included in long-term borrowings) was calculated by discounting expected future cash flows at risk adjusted interest rates. Market values obtained from third parties have been used to determine the fair value of interest rate swaps, credit linked notes, forward foreign exchange contracts, the fixed rate convertible bonds and the US dollar senior loan. The fair value of cash at bank and deposits approximates to their book value due to their short maturity. Listed investments are valued at market value. For all other financial assets and liabilities the carrying amount has been used.

	Book value 2004 £m	Fair value 2004 £m
Primary financial instruments held or issued to finance the group's operations:		
Financial liabilities:		
– Short-term borrowings (up to two years)	(351.5)	(390.4)
– Long-term borrowings (over two years)	(96.1)	(109.2)
– Other financial liabilities	(54.3)	(54.3)
Financial assets:		
– Cash at bank and deposits	144.6	144.6
– Other financial assets	382.0	385.8
Derivative financial instruments held to manage the interest rate profile:		
Interest rate swaps		
– assets	–	1.9
– liabilities	–	(3.3)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales:		
Forward foreign currency contracts		
– assets	–	0.1
– liabilities	–	–

22. Financial instruments (continued)

Hedges

The group's policy is to hedge interest rate risk using fixed rate borrowings and financial instruments such as interest rate swaps. Net foreign transaction risks are hedged as they arise, generally using forward foreign exchange contracts, whilst foreign currency borrowings are used to provide an economic hedge against investments in overseas territories. The group's policy for accounting for hedges can be found in the "Group Accounting Policies" section of this report.

The tables below show the extent to which the group has unrecognised gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Unrecognised gains £m	Unrecognised losses £m	Total net gains £m
Unrecognised gains and losses on hedges at 1 January 2004	7.9	(0.5)	7.4
Arising in previous years included in 2004 income	6.9	(0.5)	6.4
Gains and losses not included in 2004 income			
Arising before 1 January 2004	1.0	–	1.0
Arising in 2004	1.0	(3.3)	(2.3)
Gains and losses on hedges at 31 December 2004	2.0	(3.3)	(1.3)
Of which			
Gains and losses expected to be included in 2005 income	1.4	(1.8)	(0.4)
Gains and losses expected to be included in 2006 income or later	0.6	(1.5)	(0.9)

Currency exposures

As outlined in the Financial Review, the group policy is to hedge, where possible, in all material respects exposures on monetary assets and liabilities.

The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their functional currency.

	Net foreign currency monetary assets/(liabilities)				
31 December 2004 **Functional currency of group operation**	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Sterling	–	49.5	(143.2)	1.4	(92.3)
US dollar	–	–	0.3	2.7	3.0
Euro	0.1	2.0	–	3.6	5.7
Other currencies	–	–	–	–	–
Total	0.1	51.5	(142.9)	7.7	(83.6)

23. Trade and other payables

	2005 £m	2004 £m
Current		
Trade creditors	59.0	60.4
Other creditors	34.1	26.7
Deferred consideration	3.8	4.8
Other taxes and social security	14.2	13.6
Accruals and deferred income	207.7	189.9
	318.8	295.4
Non-current		
Accruals and deferred income	1.8	1.6
Other creditors	3.8	3.0
	5.6	4.6

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

24. Provisions

31 December 2005	Reorganisation and restructuring £m	Property £m	Former financial services £m	Total £m
At 1 January 2005	–	47.7	0.9	48.6
Arising during the year	28.4	8.8	–	37.2
Utilised in the year	(7.2)	(12.7)	–	(19.9)
Transfer	–	1.4	–	1.4
Exchange differences	0.9	1.8	–	2.7
At 31 December 2005	22.1	47.0	0.9	70.0
Current	21.0	17.8	–	38.8
Non-current	1.1	29.2	0.9	31.2
At 31 December 2005	22.1	47.0	0.9	70.0

31 December 2004	Reorganisation and restructuring £m	Property £m	Former financial services £m	Total £m
At 1 January 2004	–	60.5	2.6	63.1
Arising during the year	–	–	–	–
Utilised in the year	–	(14.2)	–	(14.2)
Transfer	–	1.4	(1.4)	–
Exchange differences	–	–	(0.3)	(0.3)
At 31 December 2004	–	47.7	0.9	48.6
Current	–	12.7	–	12.7
Non-current	–	35.0	0.9	35.9
At 31 December 2004	–	47.7	0.9	48.6

24. Provisions (continued)

Liabilities on property

The group has lease obligations in respect of the continuing costs of vacant property, the quantification of which depends upon the ability to exit the leases early or sublet the properties, and for dilapidations on certain leasehold properties which are dependent principally on actual reinstatement costs on expiry of the leases. The provision in respect of these obligations at 31 December 2005 has been determined following external professional advice and will be utilised over the period of the leases in question, which range from one to 12 years. The provision is discounted using a current pre-tax rate that reflects, as appropriate, the risks specific to the liability.

Liabilities arising from former financial services activities

A subsidiary of the group was formerly engaged in the selling of personal pensions prior to 1996. As a result of the industry-wide review into pension misselling by the Personal Investment Authority, the group is exposed to actual and potential future claims by investors in respect of policies found to have been missold. Although work continues to progress with respect to the identification and review of all pension policies sold, the number and amount of such claims can not be finally determined until all potential compensation costs have been agreed. The amount of the provisions at 31 December 2005 has been determined on the basis of independent financial advice.

Liabilities for restructuring

As discussed in note 7, during 2005 the group implemented a number of restructuring and reorganisation projects. With the exception of amounts relating to vacant properties (see liabilities on property above), the provision is expected to be substantially utilised within one year.

25. Retirement benefit obligation

The group operates a number of defined benefit and defined contribution pension schemes in the UK and overseas. In 2005, the pension schemes included in the calculations were the United Pension Plan, the United Magazines Final Salary Scheme, the defined benefit section of the United Group Pension Scheme, The Builder Group Pension Scheme, the CMP Media LLC Cash Balance Retirement Plan, the United News Executive Pension Scheme, and the CMP Post Retirement Medical Plan. Two of these plans were included for the first time in 2004 – these are CMPMedica schemes in Australia and France.

The most recent actuarial valuations were carried out at various dates in 2005 and updated to 31 December 2005 by independent qualified actuaries using the projected unit method.

The amounts recognised in the balance sheet are determined as follows:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Fair value of plan assets	**411.2**	**27.4**	**438.6**	365.3	23.0	388.3
Benefit obligation	**(453.2)**	**(32.2)**	**(485.4)**	(449.5)	(29.8)	(479.3)
	(42.0)	**(4.8)**	**(46.8)**	(84.2)	(6.8)	(91.0)
Irrecoverable surplus due to IAS 19 para. 58b	**(5.5)**	**–**	**(5.5)**	(5.0)	–	(5.0)
Liability in the balance sheet	**(47.5)**	**(4.8)**	**(52.3)**	(89.2)	(6.8)	(96.0)

Pension plan assets include equities, bonds, insurance policies and cash.

25. Retirement benefit obligation (continued)

The amounts recognised in the income statement are as follows:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Current service cost	1.1	2.5	3.6	1.9	2.3	4.2
Past service cost	0.4	–	0.4	–	–	–
Settlements and curtailments	(0.7)	–	(0.7)	–	–	–
	0.8	2.5	3.3	1.9	2.3	4.2
Interest cost	23.1	1.3	24.4	22.3	1.5	23.8
Expected return on plan assets	(20.4)	(1.5)	(21.9)	(17.8)	(1.5)	(19.3)
	2.7	(0.2)	2.5	4.5	–	4.5
Acquisitions and disposals	(0.4)	(0.1)	(0.5)	–	–	–
Total pension charge	3.1	2.2	5.3	6.4	2.3	8.7

Of the total charge, £3.3 million and £2.5 million (2004: £5.3 million and £3.4 million) were included in 'Operating expenses' and 'Financing cost – pension schemes' respectively.

The actual return on plan assets was £59.0 million (2004: £30.3 million).

The expected return on plan assets reflects the investments currently held to provide for the pension benefit obligations as at 31 December 2005. Plan assets chiefly consist of equity instruments and fixed income investments. The expected rate of return on equities was based on expected long-term out performance of equities over government bonds of 3.5% p.a.

The assumptions used for post retirement mortality in the UK are the mortality tables PA92B1936 for pensioners and PA92B1954 for non-pensioners. In the US, RP 2000 tables are used. For UK schemes, the PA92B1936 mortality table indicates an average life expectancy for a 65-year-old male of 20.6 years.

Additional pension contributions of £17.2 million were made to the UK schemes during the year, and additional contributions of £5.0 million are expected to be contributed in 2006.

The movement in the liability recognised in the balance sheet is as follows:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Beginning of the year	(89.2)	(6.8)	(96.0)	(78.4)	(6.3)	(84.7)
Acquisitions	–	(1.1)	(1.1)	–	(0.6)	(0.6)
Total expenses charged in the income statement	(3.1)	(1.1)	(4.2)	(6.4)	(2.3)	(8.7)
Net actuarial gains recognised in the year	24.1	0.9	25.0	(13.8)	(1.1)	(14.9)
Contributions paid	20.7	3.6	24.3	9.5	3.0	12.5
Exchange differences	–	(0.3)	(0.3)	(0.1)	0.5	0.4
End of the year	(47.5)	(4.8)	(52.3)	(89.2)	(6.8)	(96.0)

25. Retirement benefit obligation (continued)

The principal actuarial assumptions used in determining pension obligations for the group's plan are shown below:

	UK Schemes 2005 %	Other schemes 2005 %	UK Schemes 2004 %	Other schemes 2004 %
Discount rate	4.90	5.38	5.40	5.71
Expected return on plan assets	5.92	7.49	6.17	7.49
Future salary increases	4.20	3.74	4.25	3.97
Future pension increases	2.70	n/a	2.75	n/a
Inflation assumption	2.70	2.44	2.75	2.44

The UK schemes are closed to new members, hence under the projected unit method, the current service cost (expressed as a percentage of salary) will increase as the members of the scheme approach retirement.

The reconciliation of the defined benefit obligation is as follows:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Defined benefit obligation at 1 January	449.5	29.8	479.3	414.9	27.0	441.9
Service cost	1.1	2.5	3.6	1.9	2.3	4.2
Interest cost	23.1	1.3	24.4	22.3	1.5	23.8
Employee contributions	0.4	–	0.4	0.4	–	0.4
Curtailment (gain)/loss	(0.8)	–	(0.8)	–	–	–
Settlement	(15.4)	–	(15.4)	–	–	–
Benefit payments	(17.9)	(2.1)	(20.0)	(16.6)	(1.8)	(18.4)
Acquisitions	–	1.5	1.5	–	1.1	1.1
Disposals	0.4	(2.8)	(2.4)	–	–	–
Past service cost	0.4	–	0.4	–	–	–
Actuarial loss/(gain) on liabilities	12.4	(0.8)	11.6	26.6	1.5	28.1
Exchange rate loss/(gain)	–	2.8	2.8	–	(1.8)	(1.8)
Defined benefit obligation at 31 December	453.2	32.2	485.4	449.5	29.8	479.3

The reconciliation of the plan assets is as follows:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Assets at 1 January	365.3	23.0	388.3	341.5	20.7	362.2
Employer contributions	20.7	3.6	24.3	9.5	3.0	12.5
Employee contributions	0.4	–	0.4	0.4	–	0.4
Settlement	(14.7)	–	(14.7)	–	–	–
Acquisitions	–	0.4	0.4	–	0.5	0.5
Disposals	–	(1.6)	(1.6)	–	–	–
Benefit payments	(17.9)	(2.1)	(20.0)	(16.6)	(1.8)	(18.4)
Actual return on assets	57.4	1.6	59.0	30.5	1.9	32.4
Exchange rate gain/(loss)	–	2.5	2.5	–	(1.3)	(1.3)
	411.2	27.4	438.6	365.3	23.0	388.3

25. Retirement benefit obligation (continued)

Statement of recognised income and expenses during 2005:

	UK Schemes 2005 £m	Other Schemes 2005 £m	Total 2005 £m	UK Schemes 2004 £m	Other Schemes 2004 £m	Total 2004 £m
Experience (gains)/losses on plan liabilities	(22.8)	(0.2)	(23.0)	4.7	–	4.7
Actuarial losses/(gains) on plan liabilities due to assumptions	35.2	(0.6)	34.6	21.9	1.5	23.4
Experience (gains)/losses on plan assets	(37.0)	(0.1)	(37.1)	(12.7)	(0.4)	(13.1)
Effect of limit in para. 58b	0.5	–	0.5	–	–	–
Total (gain)/loss	(24.1)	(0.9)	(25.0)	13.9	1.1	15.0

	UK Schemes 2005 %	Other Schemes 2005 %	Total 2005 %	UK Schemes 2004 %	Other Schemes 2004 %	Total 2004 %
Experience (gains)/losses on plan liabilities	(5.1)	(0.7)	(4.8)	1.0	–	1.0
Experience (gains)/losses on plan assets	(10.1)	(0.4)	(9.6)	(3.5)	(1.7)	(3.4)

The asset categories are as follows:

	UK Schemes 2005 %	Other Schemes 2005 %	Total 2005 %	UK Schemes 2004 %	Other Schemes 2004 %	Total 2004 %
Equity	51.0	62.0	52.0	49.0	61.0	51.0
Bonds	46.0	38.0	45.0	49.0	39.0	48.0
Cash	1.0	–	1.0	–	–	–
Annuity contracts	2.0	–	2.0	2.0	–	1.0
	100.0	100.0	100.0	100.0	100.0	100.0

26. Share capital

	2005 £m	2004 £m
Authorised		
400,936,636 (2004: 486,851,630) Ordinary shares of 30 and 5/14 pence each (2004: 25 pence each)	121.7	121.7
375,417,690 (2004: 375,417,690) B shares of 8 and 23/44 pence each (2004: 8 and 23/44 pence each)	32.0	32.0
	153.7	153.7

	Ordinary shares number	Ordinary shares £m	B shares number	B shares £m	Total £m
Issued and fully paid					
At 1 January 2005	336,185,328	84.1	5,446,789	0.4	84.5
Allocated in respect of share option schemes and other entitlements	1,996,673	0.5	–	–	0.5
Shares repurchased and cancelled	(250,000)	(0.1)	–	–	(0.1)
At 20 June 2005 (Pre-share consolidation)	337,932,001	84.5	5,446,789	0.4	84.9
Share consolidation	(59,635,059)	–	–	–	–
B shares purchased by the company	–	–	(615,866)	–	–
Shares repurchased and cancelled	(2,760,000)	(0.8)	–	–	(0.8)
Allocated in respect of share option schemes and other entitlements	2,685,178	0.8	–	–	0.8
At 31 December 2005	278,222,120	84.5	4,830,923	0.4	84.9

26. Share capital (continued)

The return of capital to shareholders undertaken in 2001 took the form of a subdivision and consolidation of the existing United ordinary shares. On 23 April 2001, each of the existing 507,901,885 ordinary shares of 25 pence then in issue were sub-divided into one share of 8 $^{23}/_{44}$ pence (B Shares) and one share of 16 $^{21}/_{44}$ pence and immediately following such sub-division every issued share of 16 $^{21}/_{44}$ pence was sub-divided into 29 shares of $^{25}/_{44}$ pence. Every 44 shares of $^{25}/_{44}$ pence each resulting from such sub-division were then consolidated into one ordinary share of 25 pence. The subdivision created a class of B shares with a total value of approximately £1.25 billion. UK shareholders had the option to sell these shares for 245 pence per share, to receive a single dividend of 245 pence per share, or to retain the B shares and receive a continuing dividend. During the year ended 31 December 2004, 766,030 B shares were purchased by the company for consideration of £1.8 million. Cumulatively to 31 December 2005, 370,586,767 B shares have been purchased by the company for consideration of £907.9 million. At 31 December 2005, 4,830,923 B shares remain in issue.

The B shares are irredeemable however, the company has the authority to convert into ordinary shares, at its option, all remaining B shares in issue after 23 April 2011, if the number is less than 125 million. The conversion into ordinary shares will be based on the market price of ordinary shares at the time of the conversion.

B shares

B shareholders are entitled to a non-cumulative preference dividend. On winding up, the B shareholders are entitled to 245 pence per share and the relevant proportion of the dividends outstanding. B shareholders do not have any voting entitlements except in a resolution relating to a winding up of the company or if the B share dividend has been outstanding for more than six months.

Share repurchases and consolidation

The group repurchased and cancelled 3,010,000 of its own ordinary shares during the year at an average price of 508.3p. The total amount paid to acquire the ordinary shares was £15.3 million, and £1.5 million was paid to acquire B shares.

On 20 June 2005, in conjunction with the special dividend of 89.0 pence per share, a share consolidation was carried out to convert 17 existing ordinary shares with a nominal value of 25 pence each to 14 new ordinary shares with a nominal value of 30 and $^{5}/_{14}$ pence each. The share consolidation converted the 337,932,001 existing issued and fully paid ordinary shares into 278,296,942 new issued and fully paid ordinary shares. The weighted average number of shares used in the calculation of earnings per share reflects the share consolidation (refer to note 10).

27. Share premium

	2005 £m	2004 £m
In issue at 1 January	**310.8**	309.4
Premium on shares issued, net of costs	**16.9**	1.4
In issue at 31 December	**327.7**	310.8

The company received £16.9 million (2004: £1.4 million) on the issue of shares in respect of the exercise of options awarded under various share option plans, of which £16.9 million (2004: £1.4 million) is payable by employees to the group for the issue of these shares.

28. Share-based payments

An Employee Share Ownership Plan (the "United ESOP") was established by the company on 24 June 1996. The United ESOP has purchased in the open market, UBM shares which are held on trust for employees participating in the plans listed below. The purchase of shares in the open market is financed through contributions in cash by the company and, for awards under the Senior Executive Equity Participation Plan, through bonuses sacrificed by senior executives.

The group maintains seven share-based payment arrangements: 2000 Executive Share Option Scheme, 2000 Senior Executive Equity Participation Plan, UK Save As You Earn Option Scheme, International Save As You Earn Scheme, Medium Term Incentive Plan, Performance Plan and Bonus Investment Plan.

As at 31 December the holdings over the United ESOP and the QUEST were as follows:

	Number of UBM shares 2005	Number of UBM shares 2004
United ESOP		
Ordinary shares	**1,925,921**	2,066,589
B shares	**34,918**	279,484
QUEST		
Ordinary shares	**216,993**	205,060

2000 Executive Share Option Scheme

On 18 April 2000 the group established a share option programme for full-time directors and certain employees. All participants in the 2000 Executive Share Option Scheme (the "Executive scheme") must be employed by United Business Media or one of its subsidiaries at the time of granting the options. The number of options granted to a participant under the Executive scheme is at the discretion of the Remuneration Committee, being the committee established by the Board of Directors as such.

The number of ordinary shares which may be placed under option under the Executive scheme in any year may not be more than 25,264,262 shares (being 5% of the ordinary share capital on issue at the date of establishment of the Executive scheme. The exercise price to be paid by a participant when exercising options granted will be determined by the Remuneration Committee. The price shall not be lower than the closing middle market price of shares of that class as listed on the London Stock Exchange Daily Official List on the day prior to the Grant date or the average closing middle market price of shares of that class on the three days prior to the Grant date (if so decided by the Remuneration Committee).

Options may be exercised after the third anniversary of the Grant date subject to satisfactory completion of performance conditions. Options must normally be exercised before the expiry of 10 years from the date of the grant. Options may be exercised earlier in the event of death.

Share options outstanding at the end of the year have the following exercise prices:

Exercise price (p)	**2005 Weighted average remaining life (years)**	**2005 Number of shares m**	2004 Weighted average remaining life (years)	2004 Number of shares m
247.3 – 277.2	**7.1**	**3,361,696**	8.0	5,754,000
449.3 – 595.7	**7.5**	**8,742,566**	7.7	9,503,000
607.0 – 753.0	**4.9**	**2,033,999**	5.4	2,490,132
754.5 – 867.2	**4.7**	**2,086,611**	5.6	2,424,311

28. Share-based payment (continued)

2000 Senior Executive Equity Participation Plan

On 18 April 2000 the group established a share option programme for certain directors and employees. All participants in the 2000 Senior Executive Equity Participation Plan ("SEEPP") must be employed by United Business Media or one of its subsidiaries at the time of granting the options. Shares are purchased on the open market and financed through bonuses sacrificed by senior executives (the 'Bonus Option') under the terms of SEEPP. The number of options granted to a participant under SEEPP is dependent on the level of the annual bonus awarded. The Remuneration Committee may then exercise its discretion to grant an equal number of shares (the 'Matching Option') as granted under the Bonus Option.

The number of ordinary shares which may be placed under option under SEEPP in any year may not be more than 50,528,525 shares, being 10% of the ordinary share capital on issue at the date of establishment of the plan. There is no monetary consideration payable for the options granted under the plan to directors and employees, these are granted by Deed only. The Remuneration Committee is also able to grant shares or options to the Trustees of the United Business Media Employee Share Ownership Trust ('ESOP Trust'). If shares of the class issued are listed on the London Stock Exchange, the exercise price shall not be lower than the closing middle market price of shares of that class as listed on the London Stock Exchange Daily Official List on the day prior to the date that the options are granted or on the date of issue of shares.

Options may be exercised after the fourth anniversary of the Grant date subject to satisfactory completion of performance conditions. One-third of Matching options vest subject to earnings per share ('EPS') growth exceeding retail price index ('RPI') growth plus 3%; one-third of options vest subject to EPS growth exceeding RPI growth plus 5% per annum over 4 years; the final third is not subject to performance criteria. Options must normally be exercised before the expiry of 10 years from the date of the grant. Options may be exercised earlier in the event of death.

Share options outstanding at the end of the year have an exercise price of nil, and an average weighted remaining life of 8 years.

The SEEPP has now been closed and no further grants will be made under the scheme.

Save As You Earn Option Schemes

On 6 May 2004, the group established the Sharesave Scheme (‘SAYE') for directors and certain employees. UBM previously operated a SAYE scheme established in 1994. Under these schemes all participants in the SAYE scheme must be employed by United Business Media or one of its subsidiaries at the time of granting the options. The number of options granted to a participant under the SAYE scheme is at the discretion of the Board of Directors.

The number of ordinary shares which may be placed under option under the SAYE scheme in any year may not be more than 10% of the ordinary share capital on issue at the time of granting options. The exercise price to be paid by a participant when exercising options granted will be determined by the Directors and shall not be less than the greater of 80% of market value of the shares at the date of invitation to enter the SAYE scheme or the nominal value of unissued shares.

Options may be exercised after either the third or fifth anniversary of the Grant date in accordance with each employee's Savings Contract. Options must normally be exercised within 6 months of the date the options are exercisable or within 12 months in the case of death. Options may be exercised earlier in the event of death, or ceasing to be employed due to retirement, injury, disability or, at the absolute discretion of the board, redundancy.

Share options outstanding at the end of the year have the following exercise prices:

Exercise price (p)	2005 Weighted average remaining life (years)	2005 Number of shares m	2004 Weighted average remaining life (years)	2004 Number of shares m
160.5	2.2	1,510,859	3.1	2,764,272
412.3 – 497.0	2.8	462,170	2.7	523,699
514.8 – 632.7	0.3	4,418	1.2	10,515

28. Share-based payment (continued)

Medium Term Incentive Plan

Medium Term Incentive Plan ('MTIP') participants must be employed by United Business Media or one of its subsidiaries at the time of granting the options. The number of options granted to a participant under the MTIP is at the discretion of the Remuneration Committee. The MTIP is to be discontinued after 2006.

Only market-purchased shares may be used for awards under the MTIP. The number of ordinary shares which may be placed under option under the MTIP scheme in any year depends on the monetary value of a bonus awarded to an employee during the year. The number is calculated by dividing the monetary value of the bonus by the average December share price in the year preceding the year of performance measurement. There is no monetary consideration payable for the options granted (and shares subsequently acquired) under the plan to directors and employees, these are granted by Deed only.

Options may be exercised in two stages: 50% of options may be exercised in January of the second financial year after the year in which they were granted; the remaining 50% may be exercised in January of the third financial year after the options were granted. Options may only be granted subject to satisfactory completion of performance conditions. Options must normally be exercised before the expiry of 7 years from the date of the grant. Options may be exercised earlier in the event of death or ceasing to be employed due to retirement, injury, disability or redundancy.

The exercise price of the share options outstanding as at 31 December 2005 is nil, and the weighted average life of the share options is six years.

Awards outstanding at the end of the year expiring on 25 March 2011 and 31 March 2012 were 0.4 million and 0.3 million respectively.

Performance Share Plan

On 26 September 2005 the group established an incentive plan for full-time directors and senior executives. All participants in the Performance Share Plan (“PSP”) must be employed by United Business Media or one of its subsidiaries at the time of granting the awards. The value of awards granted to a participant under the performance plan is at the discretion of the Remuneration Committee.

The PSP provides a share based award which requires United Business Media’s total shareholder return (“TSR”) to outperform a comparator group of companies over a three year period. 25% of the award will vest if TSR is at median position (subject to a maximum value of 25% of base salary) and 100% if TSR is in the top decile. In between these positions, the award will vest on a straight line basis.

The awards are made in the form of options exercisable on payment of a nominal value of £1.

The number of ordinary shares over which an award is made is calculated by dividing the monetary value of the award by the price of UBM ordinary shares at the time of grant.

The number of ordinary shares over which awards may be granted under the PSP may not result in more than 10% of the ordinary share capital being issued or issuable under the company’s incentive plans in any ten year period. It is expected that market purchased shares will generally be used for awards under the PSP.

Awards outstanding at the end of the year expiring on 12 October 2015 and 7 November 2015 were 0.4 million and 0.4 million respectively.

Bonus Investment Plan

On 26 September 2005 the group established the Bonus Incentive Plan (BIP), which replaces the SEEPP. This enables participants to defer part of their annual bonus into United Business Media ordinary shares and provides the opportunity to earn further shares. 25% of any annual bonus award will be automatically deferred into shares to be held for three years, and the participant may also elect to defer up to a further 25% into shares for the same period. At the end of three years the participant could receive up to two additional shares for every share held if the company’s earnings per share have grown by more than an average of at least 7% per annum above UK retail price index growth over the three year period. A lower ratio of matching shares may be earned if earnings per share have grown by more than 3% per annum above UK retail price index growth.

Awards are made in the form of options which are exercisable on payment of a nominal £1.

The number of ordinary shares which may be placed under option under the BIP depends on the monetary value of the bonus awarded to an employee during the year. For the element which is mandatorily paid in shares, the number is calculated by dividing 25% of the monetary value of the bonus by the average December share price in the year preceding the year of performance measurement. For any further element which the employee elects to defer into shares, the number is calculated by dividing the relevant monetary value by the share price at the time of the award.

Options, once vested, must normally be exercised before the expiry of ten years from the date of grant. Options may be exercised earlier in the event of death, or ceasing to be employed due to retirement, injury, disability or redundancy.

The first awards under the BIP are expected to be made in March 2006.

28. Share-based payment (continued)

A reconciliation of option movements over the year for all plans is as follows:

	2005 2000 Executive Number of options m	2005 2000 Executive Weighted average exercise price (p)	2005 2000 SEEPP Number of options m	2005 2000 SEEPP Weighted average exercise price (p)	2005 SAYE Number of options m	2005 SAYE Weighted average exercise price (p)	2005 MTIP Number of options m	2005 MTIP Weighted average exercise price (p)	2005 PSP Number of options m	2005 PSP Weighted average exercise price (p)
At 1 January	20.2	512.3	0.4	–	3.2	206.0	0.5	–	–	–
Granted	2.1	562.5	0.1	–	0.3	433.3	0.3	–	0.8	–
Forfeited	–	–	–	–	(0.4)	331.6	(0.1)	–	–	–
Exercised	(3.7)	378.3	–	–	(0.2)	217.8	–	–	–	–
Expired	(2.3)	581.8	–	–	(0.9)	209.3	–	–	–	–
	16.3	539.8	0.5	–	2.0	223.9	0.7	–	0.8	–
Exercisable at 31 December	5.8	603.9	–	–	–	514.8	–	–	–	–

	2004 2000 Executive Number of options m	2004 2000 Executive Weighted average exercise price (p)	2004 2000 SEEPP Number of options m	2004 2000 SEEPP Weighted average exercise price (p)	2004 SAYE Number of options m	2004 SAYE Weighted average exercise price (p)	2004 MTIP Number of options m	2004 MTIP Weighted average exercise price (p)	2004 PSP Number of options m	2004 PSP Weighted average exercise price (p)
At 1 January	18.8	537.6	0.7	–	3.6	203.6	–	–	–	–
Granted	4.1	495.8	–	–	0.3	412.3	0.5	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–	–
Exercised	(0.1)	388.3	(0.2)	–	(0.1)	342.9	–	–	–	–
Expired	(2.6)	494.5	(0.1)	–	(0.6)	299.9	–	–	–	–
	20.2	512.3	0.4	–	3.2	206.0	0.5	–	–	–
Exercisable at 31 December	2.3	562.5	–	–	0.1	485.7	–	–	–	–

Valuation of share-based payments

Options were valued using the Black-Scholes or Monte Carlo option-pricing models as appropriate. The following table provides the assumptions made during the year ended 31 December 2005:

	2005	2004
Dividend yield	2.2%	2.8%
Expected volatility	28.0%	28.0%
Risk-free rate	4.48%	4.81%
Forfeiture assumptions:		
2000 Executive scheme	0%	–
SAYE	10.0%	–
Expected life:		
2000 Executive scheme and US SEEPP options (Mar/Apr 2005)	Equal to vesting period plus 2 years	Equal to vesting period plus 2 years
2000 Executive scheme (August/Nov 2005)	Equal to vesting period	–
SAYE options	Equal to vesting period	Equal to vesting period

The expected volatility is not based on historical volatility as this is considered to be unrepresentative of future trends. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to the employee share–based payment plans was £6.4 million (2004: £4.0 million), all of which related to equity-settled share-based payment transactions. Of the £6.4 million, £1.4 million relates to discontinued activities and non-recurring costs (2004: £nil). There are no cash alternatives for the schemes.

The group has adopted the exemption in IFRS 2 'Share-based payments' to fair value options granted from 7 November 2002 onwards.

29. Other reserves

	Merger reserve £m	Capital redemption reserve £m	Foreign currency translation reserve £m	ESOP Reserve £m	Other reserve £m	Total other reserves £m	Retained earnings £m	Minority interests £m	Total £m
Balance at 1 January 2004	31.3	42.9	–	(7.8)	125.0	191.4	(461.6)	1.0	(269.2)
Changes in accounting policy relating to first-time adoption of IFRS (note 37)	–	–	–	–	–	–	15.2	0.3	15.5
Restated balance at 1 January 2004	31.3	42.9	–	(7.8)	125.0	191.4	(446.4)	1.3	(253.7)
Total recognised income and expense for the year	–	–	2.1	–	–	2.1	220.9	1.6	224.6
B shares purchased by the company	–	–	–	–	–	–	(1.8)	–	(1.8)
Share-based payment	–	–	–	–	–	–	1.5	–	1.5
Equity dividend	–	–	–	–	–	–	(31.7)	–	(31.7)
Minority interest dividend	–	–	–	–	–	–	–	(0.3)	(0.3)
Own shares purchased by the company	–	–	–	(4.1)		(4.1)	–	–	(4.1)
Restated balance at 31 December 2004	31.3	42.9	2.1	(11.9)	125.0	189.4	(257.5)	2.6	(65.5)
Changes in accounting policy relating to first-time adoption of IAS 32 and 39 (note 37)	–	–	–	–	–	–	(41.0)	–	(41.0)
Restated balance at 1 January 2005	31.3	42.9	2.1	(11.9)	125.0	189.4	(298.5)	2.6	(106.5)
Total recognised income and expense for the year	–	–	(3.9)	–	–	(3.9)	500.6	2.2	498.9
Shares repurchased and cancelled by the company	–	0.9	–	–	–	0.9	(16.8)	–	(15.9)
Share-based payment	–	–	–	–	–	–	2.6	–	2.6
Special dividend	–	–	–	–	–	–	(298.3)	–	(298.3)
Equity dividend	–	–	–	–	–	–	(39.5)	–	(39.5)
Minority interest dividend	–	–	–	–	–	–	–	(2.1)	(2.1)
Own shares purchased by the company	–	–	–	(7.4)	–	(7.4)	–	–	(7.4)
Balance at 31 December 2005	31.3	43.8	(1.8)	(19.3)	125.0	179.0	(149.9)	2.7	31.8

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments of foreign operations.

30. Acquisitions and disposals

UBM has completed 12 acquisitions during the year.

On 1 February 2005, UBM acquired Tissue World, an events and publication business, from Paperloop.com, Inc. The purchase price was $4.8 million.

On 7 February 2005, UBM acquired the licensed trade sector publishing and events assets of Quantum Business Media ('Quantum') for £21.0 million.

On 31 March 2005, UBM acquired the medical trade press and other professional healthcare business information services in France from MediMedia. The purchase price was €36.0 million in cash.

On 4 April 2005, UBM acquired DotNetJunkies.com and SqlJunkies.com for $0.2 million.

On 10 May 2005, UBM acquired ABI Building Data Limited for £12.0 million.

On 7 July 2005, UBM acquired ICMI for cash consideration of $3.75 million.

On 18 August 2005, UBM acquired Light Reading Inc, Informex, and Tech Online for $27 million, $24 million, and $5.5 million respectively.

On 23 August 2005, UBM completed the acquisition of "Theme" magazine and the "Bar" exhibition from Mondiale Publishing. The purchase price was £5 million in cash.

On 16 November 2005, UBM acquired Black Hat and Japan Jewellery Fair for cash consideration of $10 million and $2.7 million respectively.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group in respect of the acquisition of businesses during the year:

	2005 Fair value to group £m	2005 Acquiree's carrying value £m
Intangible assets	41.3	22.8
Property, plant and equipment	1.5	1.5
Other non-current assets	0.2	0.2
Cash and cash equivalents	3.5	3.5
Stocks	0.6	0.6
Debtors and other current assets	21.9	21.5
	69.0	50.1
Creditors and other current liabilities	(37.0)	(36.0)
Deferred tax liability	(10.7)	–
Pension liability	(1.1)	–
	(48.8)	(36.0)
Fair value of net assets	20.2	
Goodwill arising on acquisition	93.5	
	113.7	

30. Acquisitions and disposals (continued)

	2005 £m
Consideration:	
Cash paid	109.9
Deferred consideration	3.8
Total consideration	113.7

The group also paid £9.2 million of deferred consideration during the year in relation to the 2001 acquisition of Allison-Fisher International, Inc. Under the earn out arrangement, if certain profit targets over the period of acquisition until 30 June 2004 were met, additional consideration was payable.

From the date of acquisition to 31 December 2005, the acquisitions have contributed £4.7 million to the net profit of the group. If these had taken place at the beginning of the year, the acquisitions would have contributed £11.0 million to the net profit of the group, and £79.9 million to revenue.

The goodwill of £93.5 million recognised above relates to certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include customer loyalty and a skilled workforce.

The aggregate cash flow effect of acquisitions was as follows:

	2005 £m
Net cash acquired with the subsidiary	(3.5)
Cash paid	109.9
Deferred consideration on 2001 acquisition	9.2
Net cash outflow on acquisitions	115.6

The intangible assets acquired as part of the acquisitions can be analysed as follows:

	2005 £m
Brands	20.8
Software	0.4
Customer contracts and relationships	16.5
Subscription lists	0.1
Trademarks	2.1
Databases	1.4
Total	41.3

30. Acquisitions and disposals (continued)

Disposals

On 27 April 2005, UBM completed the sale of its associate SDN Limited for net proceeds of £31.5 million. A profit of £26.5 million arose on the disposal of SDN Limited, being the proceeds of disposal less the carrying amount of the associate's net assets and costs of disposal.

On 2 September 2005, UBM announced the sale of its 20% shareholding in Satellite Information Services (Holdings) Ltd to Catalyst Media Group plc for £23.0 million, and the sale of its 35.4% shareholding in Channel 5 Television Group Ltd to the RTL Group for £247.6 million. Profits on sale for these disposals were £11.9 million and £112.3 million respectively.

The profits from these disposed investments have been included in 'Corporate operations' for segmental reporting purposes.

The assets and liabilities disposed of as part of the disposals can be analysed as follows:

	SDN £m	**SIS £m**	**Channel 5 £m**	**Total £m**
Non-current assets	**3.3**	**10.9**	**29.1**	**43.3**
Current assets	**–**	**–**	**105.0**	**105.0**
Net assets	**3.3**	**10.9**	**134.1**	**148.3**

The group also disposed of its market research business, and Exchange & Mart and Auto Exchange titles, during the year. Refer to note 31.

31. Discontinued operations

On 15 April 2005, UBM announced the sale of its market research business, NOP World, to GfK Aktiengesellschaft for £383.0 million. The disposal was completed on 1 June 2005, on which date control of NOP World passed to the acquirer. A profit of £235.8 million arose on the disposal of NOP World, being the proceeds of disposal less the carrying amount of the subsidiary's net assets, attributable goodwill and directly attributable costs.

On 16 September 2005, UBM announced the sale of Exchange & Mart and Auto Exchange to Newsquest Media Group Ltd for £50.3 million. A profit of £30.5 million arose on the sale of these titles.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	NOP 2005 £m	**Exchange & Mart and Auto Exchange 2005 £m**	**Total 2005 £m**	NOP 2004 £m	Exchange & Mart and Auto Exchange 2004 £m	Total 2004 £m
Revenue	**76.9**	**23.0**	**99.9**	222.4	35.8	258.2
Share of profit from equity accounted investments	**–**	**–**	**–**	–	–	–
Operating expenses	**(72.5)**	**(22.6)**	**(95.1)**	(202.1)	(30.9)	(233.0)
Profit before tax	**4.4**	**0.4**	**4.8**	20.3	4.9	25.2
Interest income	**–**	**–**	**–**	0.1	–	0.1
Profit before tax attributable to discontinued operations	**4.4**	**0.4**	**4.8**	20.4	4.9	25.3
Attributable taxation	**(0.9)**	**(0.1)**	**(1.0)**	(4.5)	(1.1)	(5.6)
Profit after tax attributable to discontinued operations	**3.5**	**0.3**	**3.8**	15.9	3.8	19.7
Profit from disposal of discontinued operations	**235.8**	**30.5**	**266.3**	–	–	18.9
Attributable tax expense	**–**	**–**	**–**	–	–	–
Net profit attributable to discontinued operations	**239.3**	**30.8**	**270.1**	15.9	3.8	38.6
Earnings per share for discontinued operations						
Basic			**89.3p**			11.5p
Diluted			**78.0p**			10.0p

In December 2004, UBM agreed a settlement of £32 million from Granada in respect of outstanding items relating to the 2000 disposals of the television assets. The additional profit on disposal taken in 2004 represents this settlement, after deduction of interest, costs, and the offset of recorded receivables. This amount was received in January 2005.

31. Discontinued operations (continued)

	NOP At date of disposal £m	Exchange & Mart and Auto Exchange At date of disposal £m	Total At date of disposal £m
Goodwill	94.9	6.3	101.2
Property, plant and equipment	6.6	1.7	8.3
Trade and other receivables	53.1	–	53.1
Inventories	23.4	–	23.4
Cash and cash equivalents	–	–	–
	178.0	8.0	186.0
Trade and other payables	60.4	–	60.4
Provisions	0.6	–	0.6
	61.0	–	61.0
Net assets attributable to discontinued operations	117.0	8.0	125.0

	NOP At date of disposal £m	Exchange & Mart and Auto Exchange At date of disposal £m	Total At date of disposal £m
Net cash flows from operating activities	(5.0)	0.4	(4.6)
Net cash flows from investing activities	–	–	–
Net cash flows from financing activities	–	–	–
Net cash flows attributable to discontinued operations	(5.0)	0.4	(4.6)

32. Commitments

Operating lease commitments – group as lessee

The group has entered into commercial property and machinery leases under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments payable under non-cancellable property operating leases are as follows:

	Land & Buildings 2005 £m	Land & Buildings 2004 £m
Within 1 year	28.4	35.2
Later than 1 year and not later than 5 years	91.6	108.1
Later than 5 years	64.6	87.0
	184.6	230.3

The future minimum lease payments payable under non-cancellable other operating leases are as follows:

	Other 2005 £m	Other 2004 £m
Within 1 year	0.5	0.2
Later than 1 year and not later than 5 years	0.3	0.2
Later than 5 years	–	–
	0.8	0.4

32. Commitments (continued)

Operating lease commitments – group as lessor

The group has entered into commercial property leases under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2005 £m	2004 £m
Within 1 year	2.9	4.2
Later than 1 year and not later than 5 years	8.9	9.7
Later than 5 years	3.1	4.1
	14.9	18.0

Capital commitments

Capital expenditure contracted for but not provided in the financial statements amounts to £1.3 million (2004: £1.2 million).

33. Contingent liabilities

The company acts as guarantor over a net overdraft facility of £60 million and a foreign exchange line of £50 million that are available to subsidiary undertakings. The company also acts as guarantor over the fixed interest payable on interest rate swaps taken out by a subsidiary undertaking, and acts as guarantor over the convertible bonds disclosed in note 21.

UBM are in dispute with HMRC with regards to a technical matter arising in relation to the Sale of Regional Newspapers in 1998. It is expected that the issue will be heard by the Special Commissioners later in 2006 although no date has been set. The tax in dispute is estimated at £80 million.

UBM remains confident that no tax will ultimately be payable and has obtained extensive and strong support for its technical position both at the time of the transaction and subsequently. Due to the uncertainty of litigation UBM continues to make a prudent assessment in its group accounts for this and other matters. UBM does not expect the matter to be finally resolved until 2007 at the earliest.

34. Principal subsidiaries

The consolidated financial statements include the financial statements of United Business Media plc and the principal subsidiaries listed in the table below.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings the results or financial position of which, in the opinion of the directors, principally affect the figures of the group.

	Country of incorporation and operation	Percentage interest at 31 December 2005
CMP Asia Ltd	Hong Kong	100
CMP Europe Ltd	Great Britain	100
CMP Information Ltd	Great Britain	100
CMP Media, LLC	USA	100
CMPi Group Ltd (formerly Aprovia (UK) Ltd)	Great Britain	100
CMPMedica Asia Pte Ltd	Singapore	100
CMPMedica Holding France	France	100
Expoconsult B.V.	Netherlands	100
Light Reading, Inc.	USA	100
Medizinische Medien Informations GmbH	Germany	100
PR Newswire Association, Inc.	USA	100
PR Newswire Europe Ltd	Great Britain	100
United Advertising Publications plc	Great Britain	100
United Business Media Finance, Inc.	USA	100
United Business Media Group Ltd	Great Britain	100
United Business Media (Jersey) Ltd	Jersey	100
United Entertainment Media, Inc.	USA	100
United Finance Ltd	Great Britain	100
VIDAL (OVP) S.A.	France	100

All companies stated as being incorporated in Great Britain are registered in England and Wales. None of the above subsidiaries are held directly by the company, with the exception of United Business Media (Jersey) Ltd.

35. Related party transactions

The group entered into the following transactions with related parties during the year:

Transactions with related parties	Nature of relationship	Nature of transactions	Balances (owed by)/ due to the group at 31 December 2005 £m	Value of transactions 2005 £m	Balances (owed by)/ due to the group at 31 December 2004 £m	Value of transactions 2004 £m
Asia Pacific Leather Fair	Subsidiary < 90%	Loans and Management fees	0.1	1.8	(0.9)	1.7
Canada Newswire Ltd	Joint Venture	Newswire Service	0.1	1.1	–	0.4
Channel 5 Television Group Limited	Associate	Loans and interest receivable	–	22.7	198.8	9.8
SDN Limited	Associate	Loans and interest receivable	–	–	3.9	2.7
Xinhua Finance Limited	Investment	Newswire Service	0.2	0.5	–	–
CMP Weka Verlag	Joint Venture	Licensing Revenue	0.1	0.2	–	–
ANP Pers Support	Joint Venture	Distribution Sales	0.1	0.1	–	–
Cosmoprof Asia Limited	Subsidiary < 90%	Commission and Management fees	0.1	1.4	–	–
PRN do Brasil	Associate	Newswire Service	–	0.1	–	–
PRN Asia	Subsidiary < 90%	Receivable	0.3	–	–	–
CMP Media (Thailand)	Subsidiary < 90%	Commission	0.9	(0.2)	–	–

Merrill Lynch is one of the company's stockbrokers and also provides treasury services. During 2005, Merrill Lynch also acted for the group on the sale of Exchange & Mart and Auto Exchange. Adair Turner, a non-executive director of UBM, is vice-chairman of Merrill Lynch Europe plc.

IQ Resource, a strategic outsourcing company specialising in business media and information services, provides services to the group for which the group paid fees of $240,000 in 2005. Jonathan Newcomb, a non-executive director of UBM, holds an option over equity shares in IQ Resource.

UBM has engaged the corporate finance firm LongAcre Partners Limited to assist in the possible disposal of a number of small assets. John Botts, UBM's senior independent director, is chairman of LongAcre.

Leaders' Quest, a non-profit organisation, organised a management conference for the group during the year, for a fee of £43,000. Lindsay Levin, wife of David Levin, is a partner of Leaders' Quest.

On 1 February 2005, UBM acquired Tissue World for a purchase price of $4.8 million, from Paperloop.com, Inc. Paperloop.com, Inc is a 37.2% owned associate of the group.

Transactions with related parties are made at arm's length. Outstanding balances at year-end are unsecured and settlement occurs in cash. There are no bad debt provisions for related party balances as at 31 December 2005, and no related party transactions have been written off during the year.

Compensation of key management personnel of the group

The following is the compensation of directors and key management:

	2005 £m	2004 £m
Short-term employee benefits	5.8	5.0
Post-employment benefits	0.3	0.6
Other long-term benefits	–	–
Termination benefits	0.3	–
Share-based payments	1.6	1.2
	8.0	6.8

36. Post balance sheet events

On 11 January 2006, UBM also announced that it acquired the events assets of MediaLive International, Inc. for a cash consideration of US$65 million. The transaction adds more than 20 IT and telecoms-related events in the US, Japan, and Europe.

On 11 January 2006, UBM announced that it acquired Shorecliff Communications LLC, a US events business, for a cash consideration of US$12.3 million. Shorecliff's four principal events focus on the high growth technology markets of radio frequency identification, broadband services, wireless infrastructure and telecoms television/internet protocol television.

37. First-time adoption of International Financial Reporting and Accounting Standards

In the current year, the group has adopted International Financial and Reporting Standards for the first time.

The group has applied IFRS 1 First Time Adoption of International Financial Reporting and Accounting Standards to provide a starting point for reporting under International Financial Reporting and Accounting Standards. The date of transition to International Financial Reporting and Accounting Standards was selected as 1 January 2004 and all comparative information in these financial statements has been restated to reflect the group's adoption of International Financial Reporting and Accounting Standards.

The adoption of International Financial Reporting and Accounting Standards has resulted in changes to the group's accounting policies, as stated in note 2.

Reconciliation of equity at 1 January 2004

	Footnote	As reported under UK GAAP £m	Effect of transition to IFRS £m	Reported under IFRS £m
Assets				
Non-current assets				
Goodwill	14	430.8	0.7	431.5
Intangible assets		–	–	–
Property, plant and equipment		54.5	–	54.5
Investments accounted for using the equity method	4,14	11.4	45.8	57.2
Other investments	4,9	168.9	(36.8)	132.1
Deferred tax assets		–	–	–
		665.6	9.7	675.3
Current assets				
Inventories	5,12	20.4	(8.8)	11.6
Trade and other receivables	4,12,14	158.5	112.9	271.4
Cash and cash equivalents	9,14	611.1	(112.7)	498.4
		790.0	(8.6)	781.4
Assets classified as held for sale		–	–	–
Total assets		1,455.6	1.1	1,456.7
Current liabilities				
Borrowings		241.6	–	241.6
Convertible bond		221.1	–	221.1
Trade and other payables	8,10,14	305.4	(15.3)	290.1
Current tax liabilities		308.5	–	308.5
		1,076.6	(15.3)	1,061.3
Non-current liabilities				
Borrowings		101.9	–	101.9
Convertible bond		–	–	–
Retirement benefit obligation	6	83.9	0.9	84.8
Deferred tax liabilities		–	–	–
Trade and other payables		5.4	–	5.4
Provisions		63.1	–	63.1
		254.3	0.9	255.2
Total liabilities		1,330.9	(14.4)	1,316.5
Shareholders' equity				
Ordinary shares		84.5	–	84.5
Share premium		309.4	–	309.4
Other reserves		191.4	–	191.4
Retained earnings	5,6,8,10	(461.6)	15.2	(446.4)
Minority interest	14	1.0	0.3	1.3
Total equity		124.7	15.5	140.2
Total liabilities and equity		1,455.6	1.1	1,456.7

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Reconciliation of equity at 31 December 2004

The effect of the changes to the group's accounting policies on the equity of the group at the date of the last financial statements presented under previous GAAP, 31 December 2004, was as follows.

	Footnote	As reported under UK GAAP £m	Effect of transition to IFRS £m	Reported under IFRS £m
Assets				
Non-current assets				
Goodwill	2,14	495.8	88.0	583.8
Intangible assets	2	–	50.4	50.4
Property, plant and equipment		50.1	(5.1)	45.0
Investments accounted for using the equity method	4,14	10.7	43.5	54.2
Other investments	4,9	146.8	(98.9)	47.9
		703.4	77.9	781.3
Current assets				
Inventories	5,12	22.8	(7.9)	14.9
Trade and other receivables	4,12	198.0	108.1	306.1
Cash and cash equivalents	9	378.8	(39.4)	339.4
		599.6	60.8	660.4
Assets classified as held for sale	13	–	5.1	5.1
Total assets		1,303.0	143.8	1,446.8
Current liabilities				
Borrowings		142.8	–	142.8
Trade and other payables	8,10,14	317.3	(21.9)	295.4
Current tax liabilities		208.0	–	208.0
		668.1	(21.9)	646.2
Non-current liabilities				
Borrowings		96.1	–	96.1
Convertible bond		208.7	–	208.7
Retirement benefit obligation	6	95.2	0.8	96.0
Deferred tax liabilities		–	–	–
Trade and other payables		4.6	–	4.6
Provisions		48.6	–	48.6
Deferred tax liabilities	7	1.4	15.4	16.8
		454.6	16.2	470.8
Total liabilities		1,122.7	(5.7)	1,117.0
Shareholders' equity				
Ordinary shares		84.5	–	84.5
Share premium		310.8	–	310.8
Other reserves	11	187.3	2.1	189.4
Retained earnings	1,2,3,4,5,6,8,10,11	(404.5)	147.0	(257.5)
Minority interest	14	2.2	0.4	2.6
Total equity		180.3	149.5	329.8
Total liabilities and equity		1,303.0	143.8	1,446.8

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Reconciliation of profit or loss for year ending 31 December 2004

The changes in accounting policies had the following effect on the profit reported for the year ended 31 December 2004.

	Footnote	As reported under UK GAAP £m	Effect of transition to IFRS £m	Reclassification to discontinued operations £m	Reported under IFRS £m
Continuing operations					
Revenue	12,14	809.6	5.9	(258.2)	557.3
Other operating income		9.1	–	–	9.1
Operating expenses	1,2,3,5,12,14	(822.1)	115.3	233.0	(473.8)
Income from investments	4	6.0	(0.8)	–	5.2
Share of profit from associates and joint ventures	4,14	3.7	2.3	–	6.0
Operating profit		6.3	122.7	(25.2)	103.8
Additional profit on prior year disposals		18.9	–	–	18.9
Amounts written off investments		(11.7)	–	–	(11.7)
Net interest income		12.5	–	(0.1)	12.4
Financing costs – pension schemes		(3.4)	–	–	(3.4)
Profit before tax		22.6	122.7	(25.3)	120.0
Tax expense	4,7	(30.8)	2.1	5.6	(23.1)
Non-recurring taxation credit		121.0	–	–	121.0
Profit for the year from continuing operations		112.8	124.8	(19.7)	217.9
Discontinued operations					
Profit for the year from discontinued operations		–	–	19.7	19.7
Net profit/(loss) for the year		112.8	124.8	–	237.6
Attributable to:					
Equity shareholders – ordinary	1,2,3,4,5,7,12	110.9	124.5	–	235.4
Equity shareholders – B shares		0.4	–	–	0.4
Minority interests	14	1.5	0.3	–	1.8
		112.8	124.8	–	237.6

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Notes to the IFRS adjustments

1. Goodwill

Under IFRS 3, goodwill on acquisitions is no longer amortised, but is held at its UK GAAP carrying value at the transition date and is then subject to an annual impairment review. No impairment was identified as at 1 January 2004 or as at 31 December 2004 following our review. An adjustment of £126.0 million was made to the income statement to reflect the reversal of amortisation under UK GAAP during 2004. Of the £126.0 million adjustment, £124.5 million increased the carrying value of goodwill on the balance sheet, and the £1.5 million of amortisation relating to goodwill in joint ventures increased the carrying value of investments accounted for using the equity method on the balance sheet.

2. Intangible assets

IFRS 3 requires separable intangible assets that are acquired as part of a business acquisition to be identified separately from goodwill. These assets are amortised over their useful lives. United has taken advantage of the transition exemption which allows the identification of intangible assets to be applied only to those acquisitions which have taken place since the transition date.

The adjustment made represents the £53.5 million of intangible assets acquired as part of the CMPMedica acquisition, transferring this amount from goodwill to intangible assets. Amortisation of £3.1 million has been charged on these intangible assets during 2004.

3. Share-based payments

Under IFRS 2, the fair value of share options and other share-based payments is recognised as an expense through the profit and loss account over the expected period through to the expected date of exercise. The Standard requires recognition of the fair value of all share-based payments granted from November 2002 onwards. In determining the impact on the profit and loss account for 2004, the cost of £4.0 million as calculated under IFRS 2 has been partially offset by the reversal of the £2.5 million charge made in respect of the group's incentive plans under UK GAAP, leaving a net adjustment of £1.5 million.

4. Investments accounted for using equity method

Certain investments, which have been accounted for by the group as fixed asset investments under UK GAAP since 2001, will be equity accounted under IAS 28. IAS 28 defines an associate based on the ability to exert significant influence, in contrast to UK GAAP where the influence has actually to be exerted.

Due to the change in treatment for certain investments, a reclassification of £151.3 million was made to 'Other investments' at transition date to reclassify amounts relating to investments that are now equity accounted under IAS 28. This amount was reclassified to 'Investments accounted for using the equity method', and 'Trade and other receivables', for £46.4 million and £104.9 million respectively. This adjustment groups long-term loans with the historical cost of investment in accordance with IAS 28. The UK GAAP carrying value of these investments becomes deemed cost on transition under IFRS, and classifies short-term loans separately in receivables. The net share of profit in these associates of £2.5 million was also recorded as an adjustment in 2004, which increases the carrying value of the investment on the balance sheet at 31 December 2004.

For equity accounted investments, IAS 28 requires the share of post tax profit or loss to be shown in a separate line on the face of the income statement, compared to UK GAAP, which recognises the share of pre tax profit or loss and the share of taxation separately. An adjustment of £1.2 million was made on the income statement, to transfer the share of tax for investments equity accounted under UK GAAP, from the taxation line to the share of profit from associates and joint ventures line on the face of the income statement.

5. Work in progress valuation

Under UK GAAP, it is acceptable for the valuation of work in progress to include attributable overheads. Under IAS 11, the valuation of work in progress is restricted to direct costs incurred. An adjustment of £1.3 million was made on transition, to transfer the attributable overheads included in the work in progress balance as at 1 January 2004 to retained earnings. A further adjustment of £0.4 million was made at 31 December 2004, to transfer the attributable overheads at year-end to operating expenses in the income statement.

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Notes to the IFRS adjustments (continued)

6. *Pension liability*

There are differences between the methodologies for the valuation of pension scheme assets under IAS 19 compared to FRS 17; under IAS 19, equity investments are valued on a bid value basis, whereas FRS 17 uses the mid-point valuation. The adjustment of £0.9 million was made to the transition balance sheet at 1 January 2004, to recognise the additional pension costs under the IAS 19 valuation on transition compared to the FRS 17 valuation under UK GAAP. An adjustment of £0.1 million was also made as at 31 December 2004, to reduce the retired benefit obligation liability as at 31 December 2004 to recognise the difference in the 2004 pension charge.

7. *Deferred Taxation*

Under IAS 12, a deferred tax liability is recognised on the difference between the balance sheet amount of intangible assets acquired as part of the group's 2004 acquisitions and the tax base of the intangible assets. Goodwill is grossed up by an equivalent amount and there is therefore no adjustment to net assets on recognition.

The adjustment of £15.4 million was made in 2004, to recognise a deferred tax liability on the intangible assets acquired as part of the CMPMedica acquisition and gross up goodwill accordingly. £0.9 million of the deferred tax liability was then released to the profit or loss, for the tax effect on the amortisation of the CMPMedica intangible assets in 2004.

8. *Dividend creditor not accrued under IFRS*

Under IAS 37, the liability for dividends is not recognised until a formal obligation arises. As a result, the final dividend in 2004 of £28.1 million that was accrued under UK GAAP has been reversed under IFRS.

9. *Cash and cash equivalents*

Under IAS 1, cash comprises cash on hand and demand deposits with banks or other financial institutions. This is the same as UK GAAP.

However, under IFRS the cash balance also includes amounts for 'cash equivalents'. Cash equivalents are short-term liquid investments, and IFRS defines that cash equivalents are normally held for the purpose of meeting short-term commitments rather than investment purposes, and normally have a maturity date less than 3 months. UK GAAP does not recognise the concept of 'cash equivalents', or the requirement for a maturity date of less than 3 months.

As at 1 January 2004 and as at 31 December 2004, adjustments of £114.5 million and £42.0 million respectively, were made to reclassify the credit link notes with maturities greater than 3 months at the acquisition date from cash and cash equivalents to other investments.

10. *Holiday pay accrual*

Under IAS 19, all accumulating employee compensated absences that are unused at the balance sheet date must be recognised as a liability. There is no similar requirement under UK GAAP. An adjustment of £1.8 million was made at the transition date to recognise the holiday pay obligation at 1 January 2004, and a further £1.3 million was recognised on the acquisition of CMPMedica, to recognise the holiday pay obligations at the acquisition date. This adjustment increased the CMPMedica goodwill on acquisition. An accrual of £3.1 million was held at 31 December 2004.

11. *Translation of foreign operations*

Under IAS 21, the assets and liabilities of foreign operations are translated at the closing rate at the balance sheet date, and the income and expenses for each income statement are translated at the average rate for the period. The resulting exchange differences must be recognised as a separate component of equity, until disposal of the foreign operation when the accumulated exchange differences will be recognised in profit or loss when the gain or loss on disposal is recognised. This is different from UK GAAP, where all exchange differences are taken directly to retained earnings.

An adjustment of £3.1 million was made at 31 December 2004, to reclassify the translation differences for foreign operations from retained earnings to other reserves. An adjustment was also made to recognise the translation difference on the deferred tax liability recognised for the CMPMedica acquisition of £1.0 million. This translation difference increased the deferred tax liability and reduced the total translation differences in other reserves.

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Notes to the IFRS adjustments (continued)

12. Recognition of revenue on market research contracts

Under IAS 11, the stage of completion method must be adopted for the recognition of revenue and expenditure on contracts where the outcome of the contract can be estimated reliably.

The adjustments of £7.5 million and £7.0 million as at 1 January 2004 and 31 December 2004 respectively relate to the revenue and corresponding expenditure to be recognised in the profit or loss on short-term market research contracts.

13. Assets classified as held for sale

The group adopted IFRS 5 early, from 1 January 2004.

Under IFRS 5, if the sale of a non-current asset is highly probable within one year from the balance sheet date, and the asset is available for immediate sale in its present condition, then it must be classified as held for sale. There is no requirement for this type of reclassification under UK GAAP.

The adjustment relates to a property with a carrying value of £5.1 million as at 31 December 2004 that is expected to be sold within the next 12 months.

14. Consolidation of investment equity accounted under UK GAAP

Under UK GAAP, control is defined as the ability to direct the financial and operating policies of an entity with the view to gaining economic benefits from activities. Under IAS 27, control is presumed to exist when the parent owns more than half of the voting power of an entity, unless there are exceptional circumstances to demonstrate that control does not exist.

An adjustment has been made to consolidate one of the group's subsidiaries, which was treated as an equity accounted investment under UK GAAP.

Explanation of material adjustments to the cash flow statement for 2004

Due to the reclassification of credit link notes with a maturity date of greater than 3 months at 31 December 2004, from 'cash and cash equivalents' to 'other investments', the movement in these credit link notes is now shown in the cash flow statement under investing activities.

There are no other material differences between the cash flow statement presented under IFRSs and the cash flow statement presented under UK GAAP.

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Financial Instruments

The effect of the changes to the group's accounting policies on the equity of the group at 1 January 2005 was as follows:

	Footnote	As restated under IFRS 31 December 2004 £m	Effect of adoption of IAS 32 and IAS 39 £m	IFRS 1 January 2005 £m
Assets				
Non-current assets				
Goodwill		583.8	–	583.8
Intangible assets		50.4	–	50.4
Property, plant and equipment		45.0	–	45.0
Investments accounted for using the equity method		54.2	–	54.2
Other investments		47.9	–	47.9
		781.3	–	781.3
Current assets				
Inventories		14.9	–	14.9
Trade and other receivables		306.1	–	306.1
Derivative financial assets	a	–	5.2	5.2
Cash and cash equivalents		339.4	–	339.4
		660.4	5.2	665.6
Assets classified as held for sale		5.1	–	5.1
Total assets		**1,446.8**	**5.2**	**1,452.0**
Current liabilities				
Borrowings		142.8	–	142.8
Convertible bond		–	–	–
Trade and other payables		503.4	–	503.4
		646.2	–	646.2
Non-current liabilities				
Borrowings	b	96.1	5.1	101.2
Convertible bond	c	208.7	(9.9)	198.8
Retirement benefit obligation		96.0	–	96.0
Trade and other payables		4.6	–	4.6
Provisions		48.6	–	48.6
Derivative financial liabilities	d	–	51.0	51.0
Deferred tax liabilities		16.8	–	16.8
		470.8	46.2	517.0
Total liabilities		**1,117.0**	**46.2**	**1,163.2**
Shareholders' equity				
Share capital		84.5	–	84.5
Share premium		310.8	–	310.8
Other reserves		189.4	–	189.4
Retained earnings	e	(257.5)	(41.0)	(298.5)
Total shareholders' equity		**327.2**	**(41.0)**	**286.2**
Minority interests		2.6	–	2.6
Total equity		**329.8**	**(41.0)**	**288.8**
Total equity and liabilities		**1,446.8**	**5.2**	**1,452.0**

37. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Financial instruments

The group adopted *IAS 32 Financial Instruments: Disclosure and Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement* on 1 January 2005 and undertook the exemption not to restate its comparative information for IAS 32 and IAS 39.

The following notes explain the adjustments made at 1 January 2005 to the group's balance sheet at 31 December 2004 to reflect the adoption of IAS 32 and IAS 39.

Adjustment to recognise listed investments at fair value. Under UK GAAP, these investments were recorded at cost.

		£m
(a)	*Derivative financial assets – non-current*	
	Recognition of interest rate swaps	5.1
	Recognition of derivative financial assets at fair value	0.1
	Total adjustment to derivative financial assets	5.2

		£m
(b)	*Borrowings*	
	Recognition of interest rate swaps	5.1
	Total adjustment to borrowings	5.1

Separation of the convertible bond into the debt component (fair valued on transition) and embedded derivative component (measured at fair value through profit and loss). Under UK GAAP, the bond was recorded as a liability at fair value.

		£m
(c)	*Convertible bond*	
	Separation of embedded derivative component	(9.9)
	Total adjustment to convertible bond	(9.9)

Recognition of fair values of derivative financial liabilities. These were not recognised under UK GAAP.

		£m
(d)	*Derivative financial liabilities – non-current*	
	Recognition of swaps at fair value on transition	2.9
	Recognition of the derivative component of the convertible bond at fair value	48.1
	Total adjustment to derivative financial liabilities	51.0

(e) The cumulative effect of all of the above adjustments has resulted in an increase in retained earnings at 1 January 2005 of £41.0 million.