NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

at 31 December 2005

1. Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. In preparing the financial statements for the current year, the company has adopted FRS 21 'Events after the balance sheet date', FRS 23 'The Effect of Changes in Foreign Exchange Rates', FRS 25 'Financial Instruments: Presentation and Disclosure', and FRS 26 'Financial Instruments: Recognition and Measurement'.

Adoption of FRS 21 means that proposed dividends that are not declared before the balance sheet date cannot be accrued as a liability at the year-end. The 2004 comparative numbers have been restated to reflect the change in accounting policy due to the adoption of FRS 21. The impact of adopting FRS 21 at 31 December 2004 is to increase shareholders' funds by £28.1 million.

The main impact of the adoption of FRS 25 and 26 is to recognise the embedded derivative within the convertible bond on transition to these standards at 1 January 2005. The embedded derivative within the convertible bond is required to be at fair value on transition, and subsequent movements in fair value are recognised through the income statement.

2. Significant accounting policies

Investments

Investments in subsidiaries are stated at cost or nominal value of shares issued where merger relief is taken, less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. Exchange differences are taken to the profit and loss account.

Financial instruments

Financial instruments in the scope of FRS 26 are classified as either financial assets or liabilities 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.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for taxable gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period on which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Cash flow statement

The company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. The cash flow statement has been prepared in the group financial statements.

Related party transactions

In accordance with Financial Reporting Standard Number 8: Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the UBM group, or investees of the group qualifying as related parties, as it is a parent publishing consolidated financial statements.

3. Profit for the year

As permitted by section 230 of the Companies Act 1985 the company has elected not to present its own profit and loss account for the year. United Business Media plc reported a profit for the financial year ended 31 December 2005 of £387.7 million (2004: a loss of £89.5 million).

The auditors' remuneration for audit services to the company was £10,000 (2004: £10,000).

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".

4. Investments in subsidiary undertakings

	Shares In group companies £m	Loans to group companies £m	Total £m
Cost			
At 1 January 2005	3,004.9	1,006.4	4,011.3
Movement in loans	–	(57.8)	(57.8)
Additions	120.5	–	120.5
At 31 December 2005	3,125.4	948.6	4,074.0
Provision against investments			
At 1 January 2005	(661.5)	–	(661.5)
Charged for the year	–	–	–
At 31 December 2005	(661.5)	–	(661.5)
Net book amount			
At 31 December 2005	2,463.9	948.6	3,412.5
At 31 December 2004	2,343.4	1,006.4	3,349.8

The investments in subsidiary undertakings relate to the following companies:

Name	Country of incorporation and operation	Class of shares held	% of shares held	Activity
Blessmyth Limited	England and Wales	Ordinary	100%	Holding company
UN (Overseas) Limited	England and Wales	Ordinary	100%	Holding company
United Jersey Holdings Limited	England and Wales	Ordinary	92.7%	Holding company
United Business Media (Jersey) Limited	England and Wales	Ordinary	100%	Financing company
United Business Media Shelfco No.4 Limited	England and Wales	Ordinary	100%	Holding company
Miller Freeman Worldwide Limited	England and Wales	Ordinary	100%	Holding company
Nebulamart Limited	England and Wales	Ordinary	100%	Holding company

The remaining 7.3% shareholding in United Jersey Holdings Limited is held by another UBM group company.

5. Debtors

	2005 £m	2004 £m
Amounts falling due within one year:		
Prepayments and accrued income	2.3	1.4
Group relief receivable	59.9	140.5
	62.2	141.9

6. Creditors: amounts falling due within one year

	2005 £m	As restated 2004 £m
Accruals and deferred income	1.2	5.7
Other creditors	1.2	–
Embedded derivative in convertible bond	31.5	–
Non-equity dividends – group	0.3	0.4
	34.2	6.1

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.

7. Bank and other loans due after more than one year

	2005 £m	2004 £m
Other loans	3.3	130.2

8. Other creditors due after more than one year

	2005 £m	2004 £m
Amounts owed to group companies	1,730.5	1,999.4

9. Called up 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	B shares number
Allotted and fully paid		
In issue at 1 January 2005	336,185,328	5,446,789
Allocated in respect of share option schemes and other entitlements	1,996,673	–
Shares repurchased and cancelled	(250,000)	–
At 20 June 2005 (Per-share consolidation)	337,932,001	5,446,789
Share consolidation	(59,635,059)	–
B shares purchased by the company	–	(615,866)
Shares repurchased and cancelled	(2,760,000)	–
Allocated in respect of share option schemes and other entitlements	2,685,178	–
In issue at 31 December 2005	278,222,120	4,830,923

9. Called up share capital (continued)

	Ordinary Shares £m	B Shares £m	Total £m
Issued and fully paid			
At 1 January 2005	84.1	0.4	84.5
Allocated in respect of share option schemes and other entitlements	1.3	–	1.3
Shares repurchased and cancelled	(0.9)	–	(0.9)
B shares purchased by the company	–	–	–
In issue at 31 December 2005	84.5	0.4	84.9

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.

As at 31 December 2005, there were 4,830,923 B shares outstanding, with an aggregate cost of repurchase of £11.8 million.

The B shares are irredeemable however, the company has the authority to convert, 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. 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.

10, Share premium account and reserves

	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2005	310.8	42.9	83.3	834.8	1,271.8
Changes in accounting policy relating to adoption of FRS 21, 25 & 26	–	–	–	(47.9)	(47.9)
Restated at 1 January 2005	310.8	42.9	83.3	786.9	1,223.9
Retained profit for the year	–	–	–	387.7	387.7
Premium on shares issued	16.9	–	–	–	16.9
Shares repurchased and cancelled	–	0.9	–	(16.8)	(15.9)
Convertible bond accounting	–	–	–	32.9	32.9
Foreign exchange differences	–	–	–	(22.1)	(22.1)
At 31 December 2005	327.7	43.8	83.3	1,168.6	1,623.4
Non-distributable	327.7	43.8	83.3	–	454.8
Distributable	–	–	–	1,168.6	1,168.6

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.