

Company Registration No. 1982084

Elsevier Limited

Annual Report and Financial Statements

31 December 2019

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Elsevier Limited

Report and financial statements 2019

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Elsevier Limited

Report and financial statements 2019

Officers and professional advisers

Directors

K. Bayazit (appointed 15 February 2019)
L Crespi
A Kitson
R Mobed (resigned 15 February 2019)
S Whayman

Secretary

RE Secretaries Limited
1-3 Strand
London
WC2N 5JR
United Kingdom

Registered Office

The Boulevard
Langford Lane
Kidlington
Oxford
OX5 1GB
United Kingdom

Bankers

HSBC Bank Plc
8 Canada Square
London
E14 5HQ
United Kingdom

Auditor

Ernst & Young
Chartered Accountants and Statutory Auditor
1 More London Place
London
SE1 2AF
United Kingdom

Elsevier Limited

Strategic report

The purpose of the Strategic Report is to inform members of Elsevier Ltd., “the Company”, and help them assess how the directors have performed their duty under Section 172 of the Companies Act 2006.

Directors Duties and Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way that he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company’s employees;
- need to foster the company’s business relationships with suppliers, customers and others;
- impact of the company’s operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our duties we have regard to the factors set out above. In addition, we have regard for other factors which we consider relevant to a decision being made. Those factors, for example, include the interests and views of our parent company, RELX (UK) Limited, our ultimate parent company, RELX PLC, and the wider RELX group of companies (the “Group”). We aim to ensure that our decisions support the Group’s approved purpose, vision and values, together with its strategic priorities.

As part of Board meetings held, Directors receive information on section 172 matters when making relevant decisions. For example, in each year we make an assessment of the strength of the Company’s balance sheet and future prospects, and having considered these, make a decision about the payment of a dividend. In 2019, we recommended a final dividend of £250 million for the financial year ended 31 December 2019. In making our decision, we considered a range of factors. These included the long-term viability of the company; its expected cash flow and financing requirements; and the expectations of our sole shareholder and its return on investment in the company. Having considered the factors, the Board approved a dividend payment and in doing so promoted the success of the company.

Many policies or processes which cover areas listed above are set and approved by the RELX PLC Board or central functions. For example, the Company’s approach to Inclusion and Diversity, Corporate Responsibility, Employee Engagement, the internal and external audit of the Company and its financial reporting, are all set at that level and apply across the Group.

The Group operates a number of policies such as the RELX Code of Ethics and Business Conduct which sets out the standards for our corporate and individual conduct and, among key issues, covers fair competition, anti-bribery, conflicts of interest and other information. The group also operates a Whistleblowing helpline which is a group wide approach which is aimed at reporting improprieties within the workplace and reinforces the importance of this channel as a means to flag unethical behaviour.

The Group also operates a zero-tolerance approach to modern slavery and human trafficking. The group is committed to acting ethically and with integrity in all of our business relationships. We work closely with our business partners, suppliers and supply chains to ensure there is no place for modern slavery and human trafficking in any area of our business. As part of this process we regularly review our processes and controls to prevent modern slavery and human trafficking. In addition, the Group also operates a Supplier Code of Conduct which is available in 16 languages, which we ask suppliers to sign and display prominently in the workplace. It commits them to following applicable laws and best practice in areas such as human rights, labour and the environment.

The views and the impact of the Company’s activities on the Company’s stakeholders (including its workforce, customers and suppliers) are an important consideration for the company when making relevant decisions. In some instances, the Board will judge that it should engage directly with certain stakeholder groups on certain issues, the size and spread of both the stakeholders and the Group means that generally stakeholder engagement best takes place at an operational or group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an

Elsevier Limited

Strategic report

individual company. For further details on some of the engagement that has taken place with the Company's stakeholders, please see the RELX Annual Report and Financial Statements 2019.

Business review and future developments

The Company is a global information analytics business that helps institutions and professionals advance healthcare, open science, and improve performance for the benefit of humanity. The Company serves the needs of scientific, technical and medical ("STM") markets by organizing the review, editing and disseminating of primary research, reference and professional education content, as well as by providing a range of database and decision tools. These activities are focused on three main disciplines: life and medical sciences; physical and engineering sciences; and social and behavioural sciences, including economics. A number of journals are published on behalf of learned societies. The Company has maintained its position as a global leader in scientific, technical and medical reference markets, providing authoritative and current professional reference content. The Company's products are well regarded in their chosen fields and, as a result of the ongoing significant levels of investment, the directors remain confident that those products will continue to be successful going forward. A significant portion of the Company's revenue comes from government and academic institutions, universities, hospitals and libraries.

As shown in the Company's Statement of Comprehensive Income on page 11, the Company's revenue increased by 15% to £693m. Profit before tax decreased by 1.4% to £240m.

The Balance Sheet on page 12 shows the Company's financial position at the end of the year. Capital and Reserves were £590m, down £22m from the prior year principally reflecting the total recognised income for the year net of dividends declared.

Principal risk and uncertainties

The Company has identified and evaluated its major risks, the controls in place to manage those risks and the level of residual risk accepted. Risk management and control procedures are embedded into the operations of the business and include the monitoring of progress in areas for improvement that come to management and board attention. The major risks identified include: general economic and market conditions; changes in law and legal interpretations affecting our intellectual property rights; the availability of third party content and data; demand for our products and services; competitive factors in the industry in which the Company operates; the realisation of anticipated benefits from acquisitions; technology failure, data security; supply chain dependencies and availability of appropriately skilled talent; breach of generally accepted ethical business standards and failure to manage our environmental impact.

The Company takes out forward exchange contracts with affiliated companies to match the anticipated timing of foreign currency payments and receipts. Forward exchange contracts are not entered into on a speculative basis. The Company is financed by other companies in the RELX Group and has no third-party debt. It therefore has no material interest rate exposure.

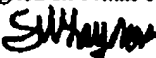
COVID-19

Our priority during the COVID-19 pandemic remains the health and safety of our colleagues, our customers, and the wider community in which we operate, whilst continuing to operate our businesses and provide services to our customers. Given the electronic nature of our business, almost all our staff are able to work from home and the business has been able to operate with service delivery and product quality being maintained at high levels.

Important specific risks affecting RELX Group are discussed in the RELX Group Annual Reports and Financial Statements 2019 (available on www.relx.com) which does not form part of this report.

The Company's ultimate parent undertaking is RELX PLC.

Approved by the Board of Directors on *26th October 2020*
and signed on behalf of the Board by


Stuart Whayman
Director

Elsevier Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the audited financial statements and supporting notes and the auditor's report for the year ended 31 December 2019. Details of future developments can be found in the Strategic Report on page 2.

Dividends and transfer to/from reserves

The Company's profit for the financial year of £225m (2018 - £196m) has been transferred to reserves. A dividend of £250m was paid in 2019 (nil – 2018).

Employee relations

The Company is fully committed to the concept of employee involvement and participation. Where appropriate major announcements are communicated to employees through internal briefings. Information on performance, development, organisational changes and other matters of interest is communicated through briefings and electronic bulletins. The RELX Group Save As You Earn Share-Option Scheme enables employees to participate in the future prosperity of the Company. The Company is an equal opportunity employer. It does not discriminate on the grounds of race, sex, religion, physical handicap or marital status in its recruitment or employment policies. All judgements about people for the purpose of recruitment, development and promotion are made solely on the basis of their ability and potential in relation to the needs of the job.

Disabled persons

It is the policy of the Company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy, and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

Going concern

The directors of Elsevier Limited, having made appropriate enquiries, considered that adequate resources exist for the Company to continue in operational existence for the foreseeable future and considers the basis of accounting preparation appropriate.

The directors of Elsevier Limited have considered the impact of COVID-19 as part of the going concern assessment and have concluded that this will not impact the company's ability to continue as a going concern. Management has stress tested the going concern assumption by the scenario in which all liquidity would be eliminated and has deemed such scenario to be extremely remote.

The Company has considerable financial resources and has made a profit and positive operating cash flow in each of the last two years. The Company has been self-funding projects for a number of years, has no long-term debt, and has received a letter of parental support. These factors were all considered in the directors' assessment of the Company's ability to continue as a going concern. As a result of the subscription nature of significant parts of the Company's business, the forecast profitability of the Company going forward, the current net assets position existing at the balance sheet date and the parental support received, the directors believe that the Company is well placed to manage its business risks successfully..

For these reasons, the directors of Elsevier Limited have concluded that it is appropriate to prepare these accounts on a going concern basis.

Elsevier Limited

Directors' report

Directors

The directors who served during the year and those holding office are set out below. Directors' indemnity insurance has been taken out by the Company on the directors' behalf.

K Bayazit (appointed 15 February 2019)

L Crespi

A Kitson

R Mobed (resigned 15 February 2019)

S Whayman

Elsevier Limited

Directors' report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s485 of the Companies Act 2006 the auditor is deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board of Directors on *26th October 2020*
and signed on behalf of the Board by



Stuart Whyman
Director

Elsevier Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 reduced disclosure framework (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELSEVIER LIMITED

Opinion

We have audited the financial statements of Elsevier Limited for the year ended 31 December 2019 which comprise of the Statement of comprehensive income, the Statement of financial position, and the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure of effects of COVID-19

We draw attention to Note 1 Going concern section of the financial statements, which describes the economic consequences the company is facing as a result of COVID-19 which may impact consumer demand and financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial
- statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELSEVIER LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELSEVIER LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Jonathan Gill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 October 2020

Elsevier Limited

Statement of comprehensive income Year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	692,785	600,343
Cost of sales		<u>(112,224)</u>	<u>(107,709)</u>
Gross profit		580,561	492,634
Distribution costs		(1,367)	(3,015)
Administrative expenses		(364,789)	(283,023)
Other operating (expenses)/income		<u>(66)</u>	<u>383</u>
Operating profit	3	214,339	206,979
Net finance costs	4	(4,569)	(2,720)
Income from Interest in Partnership		<u>29,947</u>	<u>38,982</u>
Profit before tax		239,717	243,241
Tax expense	5	<u>(50,900)</u>	<u>(44,454)</u>
Net profit for the year		188,817	198,787
Other comprehensive gain/(loss)	18	<u>36,204</u>	<u>(2,584)</u>
Total comprehensive income for the year		225,021	196,203

All results relate to continuing operations.

As reflected in the movements in the Hedge Reserve disclosed in Note 18, the other comprehensive gain relates to fair value movements on cash flow hedges and transfers from hedge reserves to net profit, both net of tax.


The notes on pages 14 to 32 form part of these financial statements.

Elsevier Limited

Statement of Financial Position As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	10	135,543	132,553
Intangible assets	11	237,394	272,111
Property plant and equipment	12	12,113	13,317
Right of use asset	20	13,044	15,224
Investments	13	21,489	21,489
		<u>419,583</u>	<u>454,694</u>
Current assets			
Inventory	14	24,468	21,879
Trade and other receivables	15	909,104	667,013
Cash		4,720	4,690
Deferred tax assets	5	3,536	11,149
		<u>941,828</u>	<u>704,731</u>
Total assets		1,361,411	1,159,425
Non-current liabilities			
Lease liability	20	14,000	16,314
Current liabilities			
Trade and other payables	16	757,401	530,695
		<u>184,427</u>	<u>174,036</u>
Net current assets		184,427	174,036
Total liabilities		771,401	547,009
Net assets		590,010	612,416
Capital and reserves			
Called up share capital	17	1,150	1,150
Share premium account		59,050	59,050
Total other reserves	18	529,810	552,216
		<u>590,010</u>	<u>612,416</u>
Total equity		590,010	612,416

The financial statements of Elsevier Limited (registered number 1982084) were approved by the Board of Directors on **26 October 2020**

Signed on behalf by  Stuart Whayman
Director

Elsevier Limited

Statement of changes in equity As at 31 December 2019

	Share capital	Share premium	Other reserves	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	1,150	59,050	355,233	415,433
Total comprehensive income for the year	-	-	196,203	196,203
Increase in share based remuneration reserve (net of tax)	-	-	780	780
Balance at 1 January 2019	1,150	59,050	552,216	612,416
Total comprehensive income for the year	-	-	225,021	225,021
Increase in share based remuneration reserve (net of tax)	-	-	2,573	2,573
Dividends paid	-	-	(250,000)	(250,000)
Balance at 31 December 2019	<u>1,150</u>	<u>59,050</u>	<u>529,810</u>	<u>590,010</u>

Elsevier Limited

Notes to the financial statements

Year ended 31 December 2019

1. Accounting policies

Basis of preparation

Elsevier Limited (the "Company") is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The Company is a private Company limited by shares and meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of RELX Group. The group accounts of RELX Group are available to the public and can be obtained as set out in note 23.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. The accounting policies below are applied throughout the financial statements and are unchanged from those applied in preparing the consolidated financial statements for the ended 31 December 2019 and 2018.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

1. Accounting policies (continued)

Going concern

The directors of Elsevier Limited, having made appropriate enquiries, considered that adequate resources exist for the Company to continue in operational existence for the foreseeable future and considers the basis of accounting preparation appropriate.

The directors of Elsevier Limited have considered the impact of COVID-19 as part of the going concern assessment and have concluded that this will not impact the company's ability to continue as a going concern. Management has stress tested the going concern assumption by the scenario in which all liquidity would be eliminated and has deemed such scenario to be extremely remote.

The Company has considerable financial resources and has made a profit and positive operating cash flow in each of the last two years. The Company has been self-funding projects for a number of years, has no long-term debt, and has received a letter of parental support. These factors were all considered in the directors' assessment of the Company's ability to continue as a going concern. As a result of the subscription nature of significant parts of the Company's business, the forecast profitability of the Company going forward, the current net assets position existing at the balance sheet date and the parental support received, the directors believe that the Company is well placed to manage its business risks successfully.

For these reasons, the directors of Elsevier Limited have concluded that it is appropriate to prepare these accounts on a going concern basis.

Translation of foreign currencies into Sterling

Profit and loss items are translated at the exchange rates ruling at transaction date. Monetary assets and liabilities are translated at rates ruling at the balance sheet dates or contracted rates where applicable. All gains and losses arising from the translation of foreign currencies are charged to the profit and loss account.

Revenue

Revenue arises from the provision of products and services under contracts with customers. In all cases, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and is recognised when the customer obtains control of the good or service.

Revenue is stated at the transaction price, which includes allowance for anticipated discounts and returns and excludes customer sales taxes and other amounts to be collected on behalf of third parties.

Where the goods or services promised within a contract are distinct, they are identified as separate performance obligations and are accounted for separately. Where separate performance obligations are identified, total revenue is allocated on the basis of relative stand-alone selling prices or management's best estimate of relative value where stand-alone selling prices do not exist. Management estimates may include a cost-plus method or comparable product approach but must be supported by objective evidence. A "residual" method may be applied where it is not possible to derive a reliable management estimate for a specific component.

Revenue is recognised for the various categories as follows:

Subscriptions-revenue comprises income derived from the periodic (including annual) distribution or update of a product. Subscription revenue is generally invoiced in advance and recognised systematically over the period of the subscription. Recognition is either on a straight-line basis where the transaction involves the transfer of goods and services to the customer in a consistent manner over a specific period of time; or based on the value received by the customer where the goods and services are not delivered in a consistent manner.

Transactional revenue is recognised when control of the product is passed to the customer or the service has been performed. Exhibitions revenue comprises income from exhibitors and attendees at exhibitions and is recognised on occurrence of the exhibition.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

Advertising revenue is recognised on publication or over the period of online display.

1. Accounting policies (continued)

Share based remuneration

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that are expected to vest. Market based performance criteria are taken into account when determining the fair value at the date of grant. Non market-based performance criteria are taken into account when estimating the number of shares expected to vest. The fair value of share-based remuneration is determined by use of a binomial or Monte Carlo simulation model as appropriate. The Company's share-based remuneration is equity settled by the ultimate holding company RELX PLC, and is accounted for as if equity settled by the Company.

Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited to net profit except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside net profit (either in other comprehensive income, directly in equity, or through a business combination) in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible and is calculated using tax rates and laws that were enacted or substantively enacted at the date of the statement of financial position. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company reports cross-border transactions undertaken between RELX Group subsidiaries on an arm's-length basis in tax returns in accordance with OECD guidelines. There are complex tax issues that require management to exercise judgement in making tax determinations. Discussions with tax authorities relating to cross-border transactions and other matters are ongoing in each of our major trading jurisdictions. The timing and the amount of final resolution of some uncertain tax positions cannot be reliably predicted which may result in an increase or decrease of the tax charge in future periods.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

1. Accounting policies (continued)

Interest receivable/payable

All interest receivable/payable is recognised on an accrual basis.

Financial instruments

Financial instruments comprise trade receivables, cash and cash equivalents, payables and accruals, borrowings and derivative financial instruments.

Trade receivables are carried in the statement of financial position at invoiced value less allowance for expected credit losses. Expected credit losses are estimated based on the historical experience, ageing of trade receivables and circumstance.

Borrowings and payables are recorded initially at fair value and subsequently carried at amortised cost other than fixed rate borrowings in designated hedging relationships for which the carrying amount of the hedged portion of the borrowings is subsequently adjusted for the gain or loss attributable to the hedged risk.

Derivative financial instruments are used to hedge foreign exchange risks. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised (net of tax) directly in equity in the hedge reserve. If a hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time that the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the net profit in the same period in which the hedged item affects net profit or loss. Any ineffective portion of hedges is recognised immediately in the net profit.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is either retained in equity until the firm commitment or forecasted transaction occurs, or, where a hedged transaction is no longer expected to occur, is immediately credited or expensed in the net profit.

Derivative financial instruments that are not designated as hedging instruments are classified as held for trading and recorded in the statement of financial position at fair value, with changes in fair value recognised in the net profit.

The fair values of forward foreign exchange contracts represent the replacement costs calculated using observable market rates of interest and exchange.

Goodwill and intangible assets

On the acquisition of a business, the purchase consideration is allocated between the net tangible and intangible assets on a fair value basis, with any excess purchase consideration representing goodwill. Goodwill arising on acquisition also includes amounts corresponding to deferred tax liabilities recognised in respect of acquired intangible assets.

Intangible assets are stated in the balance sheet at their fair value as at the acquisition date, less accumulated amortisation and impairment losses. Intangible assets comprise publishing rights and titles, databases and other intangible assets. Acquired intangible assets with finite useful lives are amortised systematically over their estimated useful lives, up to a maximum of 20 years. Intangible assets are reviewed for impairment at least annually, and any impairment losses are immediately charged to the profit and loss account.

Internally generated intangible assets are stated in the balance sheet at the directly attributable cost of creation of the asset less accumulated amortisation and typically comprise software and systems development where an identifiable asset is created that is probable to generate future economic benefit. Internally generated intangible assets with a finite useful life are amortised systematically over their estimated useful lives between 3 to 10 years.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

1. Accounting policies (continued)

Goodwill and intangible assets (continued)

Goodwill is stated in the balance sheet at its fair value as at the acquisition date and is reviewed for impairment at least annually with any impairment losses immediately charged to the profit and loss account.

The Company has used a true and fair view override in respect of the non-amortisation of goodwill. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Property, plant and equipment

Depreciation is provided on cost at the following annual rates on a straight-line basis intended to write off the assets over their estimated useful lives:

Buildings	2%
Plant and equipment	20%

Short leasehold property and improvements are amortised over the period of the lease. No depreciation is provided on freehold land.

Investments

Investments in subsidiary and associate undertakings are stated at cost less provision, if appropriate, for any impairment in value. Income from fixed asset investments is recognised when the Company has an unconditional right to receive it.

Inventory

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and estimated net realisable value.

Leases

All leases where the Company is the lessee (with the exception of short term and low value leases) are recognised in the statement of financial position. A lease liability is recognised based on the present value of the future lease payments, and a corresponding right-of-use asset is recognised. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

Low value items and short-term leases with a term of 12 months or less are not required to be recognised on the balance sheet and payments made in relation to these leases are recognised on a straight-line basis in the net profit.

The leases held relate solely to property/non property.

Pensions

The Reed Elsevier Pension Scheme (a defined benefit scheme) is administered on a RELX Group basis and total contributions are assessed by a qualified actuary, based on the cost of providing pensions across all participating RELX Group companies. Costs are not determined separately for each participating Company, hence contributions are charged to the profit and loss account in the period on the basis of amounts payable.

The expense in respect of the RELX Group, Group Personal Pension Plan, a defined contribution scheme, is charged to profit and loss as incurred.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The most significant accounting policies in determining the financial condition and results of the Company, and those requiring the most subjective or complex judgement, relate to the *development spend*.

Development spend embraces investment in new products and other initiatives, ranging from the building of online delivery platforms, to launch costs of new services, to building new infrastructure applications. Launch costs and other ongoing operating expenses of new products and services are expensed as incurred. The costs of building product applications, platforms and infrastructure are capitalised as *intangible assets*, where the investment they represent has demonstrable value and the technical and commercial feasibility is assured. Costs eligible for capitalisation must be incremental, clearly identified and directly attributable to a particular project. The resulting assets are amortised over their estimated useful lives. Impairment reviews are carried out at least annually. Judgement is required in the assessment of the potential value of a development project, the identification of costs eligible for capitalisation and the selection of appropriate asset lives.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

2. Revenue

	2019 £'000	2018 £'000
Geographical area		
United Kingdom	35,073	32,144
Continental Europe	140,998	122,962
USA, Canada and South America	276,237	249,820
Rest of the World	240,477	195,417
	<u>692,785</u>	<u>600,343</u>

Revenue relates primarily to one class of business.

3. Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging the following:		
Depreciation of property, plant and equipment	1,713	2,227
Depreciation of right of use assets	2,828	2,050
Amortisation of intangible assets	48,295	35,793
Other operating lease rentals	265	953
Exchange gain/(loss)	3,789	(4)
	<u>56,690</u>	<u>43,023</u>

4. Net finance costs

Interest receivable:

	2019 £'000	2018 £'000
Bank interest receivable and similar income	<u>9</u>	<u>6</u>
Finance income	9	6
Interest payable:		
Elsevier Swiss Holdings SA group	(2,600)	(2,092)
RELX Finance Ltd	(1,325)	-
Interest on lease liabilities	(653)	(634)
	<u>(4,578)</u>	<u>(2,726)</u>
Finance costs	(4,578)	(2,726)
Net Finance costs	(4,569)	(2,720)

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

5. Taxation

	2019	2018
	£'000	£'000
Current tax	50,515	37,401
Deferred tax	385	7,053
Tax expense	50,900	44,454

The rate of UK corporation tax for the year is 19% (2018: 19%). Set out below is a reconciliation of the difference between tax expense for the year and the theoretical expense calculated by multiplying accounting profit by the applicable tax rate.

	2019	2018
	£'000	£'000
Profit on ordinary activities before taxation	244,172	243,241
Tax at applicable rate	46,392	46,215
Non-Taxable income	(5,690)	(12,748)
Expenses not deductible for tax purposes	3,748	3,661
Other adjustments in respect of prior periods	6,466	7,715
Group relief claimed for nil consideration	-	(3)
Deferred tax effect of changes in tax rates	(16)	(386)
Tax expense	50,900	44,454

The standard rate of corporation tax in the UK was 19% with effect from 1 April 2017. Accordingly, the Company's profits for the accounting period are taxed at an effective rate of 19%. A further reduction to the Corporation tax rate, from 19% to 17% with effect from 1 April 2020, was substantively enacted in September 2016. However, it was announced in March 2020 that the corporation tax rate will remain at 19% instead of reducing to 17%. It is expected that this will be enacted as part of the next Finance Act.

The Group has measured its UK deferred tax assets and liabilities at the end of the reporting period at 17% (2018: 17%), which has resulted in recognition of a deferred tax expense of £385k for the period.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

5. Taxation (continued)

The following tax has been recognised in other comprehensive income or directly in equity during the year:

	2019 £'000	2018 £'000
Tax on items that may be reclassified to profit or loss		
Tax on fair value movements on cash flow hedges	(7,415)	529
Tax on share based remuneration recognised directly in equity	(454)	(760)
	2019 £'000	2018 £'000
Deferred tax assets	3,536	11,149
Total	3,536	11,149

	IFRS 15 £'000	Leased Assets IFRS 16 £'000	Share based payments £'000	Property, plant and equipment £'000	Other temporary differences £'000	Total £'000
Deferred tax asset at 1 January 2018	3,057	697	2,464	3,105	4,937	14,260
Credit/(charge) to profit	(3,057)	(34)	29	(238)	-	(3,300)
Credit/(charge) to equity/other comprehensive income	-	-	(340)	-	529	189
Deferred tax asset at 1 January 2019	-	663	2,153	2,867	5,466	11,149
(Charge)/credit to profit	-	(12)	(132)	(242)	-	(386)
(Charge)/credit to equity/other comprehensive income	-	-	188	-	(7,415)	(7,227)
Deferred tax asset at 31 December 2019	-	651	2,209	2,625	(1,949)	3,536

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

6. Personnel

The average weekly number of persons (including executive directors) employed during the year was:

	2019 No.	2018 No.
By area:		
Administration, overhead, and technology	743	719
Selling and distribution	122	124
Publishing	560	596
	<u>1,425</u>	<u>1,439</u>

	2019 £'000	2018 £'000
Staff costs (for the above persons):		
Wages and salaries	102,966	92,458
Social security costs	12,532	11,358
Defined benefit pension contribution	5,228	4,607
Other pension costs	5,343	3,024
Share based and related remuneration	2,813	4,109
	<u>128,882</u>	<u>115,556</u>

7. Share based remuneration

Elsevier Limited directors and employees participate in a number of RELX Group share based remuneration schemes. The principal share based remuneration schemes are the Executive Share Option Schemes (ESOS), the Long-Term Incentive Plan (LTIP), the Retention Share Plan (RSP), the Bonus Investment Plan (BIP) and the Save As You Earn scheme (SAYE). Share options granted under ESOS are exercisable after three years and up to 10 years from the date of grant at a price equivalent to the market value of the respective shares at the date of grant. Conditional shares granted under LTIP, RSP and BIP are exercisable after three years for nil consideration if conditions are met.

Share based remuneration awards are, other than upon retirement or in exceptional circumstances, subject to the condition that the employee remains in employment at the time of exercise. Conditional shares granted under LTIP, RSP and BIP between 2014 and 2019 are subject to the achievement of growth targets of the RELX Group's adjusted earnings per share measured at constant exchange rates as well as the achievement of a targeted percentage return on invested capital of the RELX Group. LTIP grants between 2014 and 2019 and RSP grants in 2014 and 2019 are also variable subject to the achievement of a total shareholder return performance target.

The weighted average fair value per award is based on full vesting on achievement of non-market related performance conditions and stochastic models for market-related components. The conditional shares and option awards are recognised in net profit over the vesting period, being between three and five years, on the basis of expected performance against the non-market-related conditions, with the fair value related to market-related components unchanging. Further details of performance conditions are given in the RELX Group Annual Reports and Financial Statements 2019.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

7. Share based remuneration (continued)

The weighted average share price at the date of exercise of share options and vesting of conditional shares during 2019 was 1,856p (2018: 1,640p) for RELX PLC ordinary shares.

	2019		2018	
	Number of shares under option '000	Weighted average remaining period until expiry (years)	Number of shares under option '000	Weighted average remaining period until expiry (years)
Range of exercise prices for outstanding share options				
RELX PLC ordinary shares (pence)				
4.01-5	8	0.4	10	1.4
5.01-6	23	2	36	2.3
6.01-7	-	0	-	-
7.01-8	33	2.6	64	1.3
9.01-10	35	2.6	41	1.6
10.01-11	31	1.3	128	1
11.01-12	141	2.6	161	3.2
12.01-13	125	2.1	161	3.2
13.01-14	178	3.2	-	-
14.01-15	115	7.5	112	7.9
16.01-17	2	8.6	2	9.6
17.01-18	108	9.2	-	-
Total	799	4.2	715	3.2
RELX PLC ordinary shares (€)				
5.01-6.00	37	1.6	46	2.6
6.01-7.00	-	-	7	0.1
7.01-8.00	-	-	-	-
8.01-9.00	30	3.2	44	3.4
10.01-11.00	21	4.1	29	4.4
14.01-15.00	-	-	39	4.3
15.01-16.00	72	5.5	68	5.9
16.01-17.00	127	7.3	124	8.1
Total	287	5.5	357	5.5

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

8. Pensions and similar obligations

The Company participates in the Reed Elsevier Pension Scheme, the legacy UK defined benefit scheme. This scheme is of the defined benefit type providing benefits to current and former employees of RELX Group plc, and its assets are held separately from the group's assets.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore RELX Group plc, the scheme guarantor recognises the whole of the scheme surplus or deficit in its financial statements. In accordance with IAS 19 – Employee Benefits, the Company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2019 was £5,228 (2018: £4,607).

Further details of the RELX pension schemes are disclosed on pages 140 to 143 of the consolidated financial statements of the ultimate parent company, which are available as disclosed in note 23 below.

9. Directors' emoluments

Emoluments paid to directors in respect of services to the Company are set out below and exclude amounts recharged to other RELX Group plc subsidiary companies.

	2019 £'000	2018 £'000
Emoluments	1,137	652
Number of directors who:		
- are members of a defined benefit pension scheme	-	1
- exercised options over shares	1	-
- had awards receivable in the form of shares under a long-term incentive scheme	4	3
Highest paid director's remuneration:		
Emoluments	429	320

The highest paid director did not exercise share options but had awards receivable under a long-term incentive scheme.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

10. Goodwill

	2019 £'000	2018 £'000
At 1 January	132,553	10,070
Additions	2,990	122,483
At 31 December	<u>135,543</u>	<u>132,553</u>

Increase in goodwill is a result of transfer of assets from Elsevier Information Systems GmbH.

11. Intangible assets

	Internally generated intangible assets £'000	Publishing- rights and titles £'000	Total £'000
Cost			
At 1 January 2019	116,028	550,307	666,335
Additions	16,803	174,747	191,550
Disposals	(27,894)	(132)	(19,052)
At 31 December 2019	<u>104,937</u>	<u>724,922</u>	<u>829,859</u>
Amortisation			
At 1 January 2019	78,930	315,294	394,224
Additions	-	171,433	171,433
Charge for the year	8,057	40,238	48,295
Disposals	(21,356)	(131)	(21,487)
At 31 December 2019	<u>65,631</u>	<u>526,834</u>	<u>592,465</u>
Net book value			
At 31 December 2019	<u>39,306</u>	<u>198,088</u>	<u>237,394</u>
At 31 December 2018	<u>37,098</u>	<u>235,013</u>	<u>272,111</u>

Amortisation expense is included in Administrative expenses in the Statement of comprehensive income.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

12. Property, plant, and equipment

	Fixtures, fittings and equipment £'000	Freehold land and buildings £'000	Total £'000
Cost			
At 1 January 2019	46,653	21,684	68,337
Additions	509	-	509
Disposals	(424)	-	(424)
At 31 December 2019	<u>46,738</u>	<u>21,684</u>	<u>68,422</u>
Depreciation			
At 1 January 2019	42,709	12,311	55,020
Charge for the year	1,166	547	1,713
Disposals	(424)	-	(424)
At 31 December 2019	<u>43,451</u>	<u>12,858</u>	<u>56,309</u>
Net book value			
At 31 December 2019	<u>3,287</u>	<u>8,826</u>	<u>12,113</u>
At 31 December 2018	<u>3,944</u>	<u>9,373</u>	<u>13,317</u>

The cost of the freehold land, which is not depreciated, is £2,011k (2018: £2,011k).

Amounts relating to right of use assets under IFRS 16 can be found in note 20.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

13. Investments

Details of the subsidiary undertakings and partnership interests at 31 December 2019 are set out below:

	£'000
At 31 December 2019	21,489
At 31 December 2018	<u>21,489</u>

The Company's subsidiary undertakings and partnership interests are as follows:

	Country of incorporation	Proportion of shares held	Status
Elsevier Life Sciences IP Limited	United Kingdom	100%	Dormant
Newsflo Ltd	United Kingdom	100%	Dormant
AGRM Solutions CV	Netherlands	33%	Active

Investments in subsidiary and associate undertakings are stated at cost less provision, if appropriate, for any impairment in value.

14. Inventory

	2019 £'000	2018 £'000
Work in progress	6,770	776
Finished goods and goods for resale	<u>17,698</u>	<u>21,103</u>
	<u>24,468</u>	<u>21,879</u>

Inventory is stated at the lower of cost and estimated net realisable value.

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

15. Trade and other receivables

	2019 £'000	2018 £'000
<i>Amounts falling due within one year:</i>		
Trade receivables	31,170	33,022
Amounts owed by fellow subsidiaries	848,859	598,322
Dividend receivable	7,963	27,071
VAT recoverable	1,087	3,047
Other receivables	80	2,709
Derivative financial instruments	12,150	1,750
Prepayments and accrued income	7,794	1,092
	<u>909,103</u>	<u>667,013</u>

The fair value of receivables is equivalent to book value.

16. Trade and other payables

	2019 £'000	2018 £'000
Bank loans and overdraft	7,924	3,935
Subscriptions received in advance	343,123	251,736
Trade creditors	12,655	13,285
Amounts owed to fellow subsidiaries	273,781	115,869
Corporate tax	93,335	77,609
Other creditors	413	8,936
Derivative financial instruments	46	30,971
Accruals	27,303	28,354
	<u>758,580</u>	<u>530,695</u>

The fair value of payables is equivalent to book value.

17. Called up share capital and share premium

	2019 £'000	2018 £'000
Authorised, allotted, called up and fully paid:		
1,150,002 (2018: 1,150,002) ordinary shares of £1 each	<u>1,150</u>	<u>1,150</u>

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

18. Other reserves

	Hedge reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	(26,692)	29,248	549,660	552,216
Fair value movements on cash flow hedges (net of tax)	14,151	-	-	14,151
Transfers from hedge reserves to net profit (net of tax)	22,053	-	-	22,053
Increase in share based payment reserve	-	2,658	-	2,658
Retained profit for the year	-	-	187,378	187,378
Dividends equivalent on salaries clean-up	-	(85)	-	(85)
Dividends paid	-	-	(250,000)	(250,000)
At 31 December 2019	<u>9,512</u>	<u>31,821</u>	<u>487,038</u>	<u>528,371</u>

19. Hedge reserve

Elsevier enters into one type of cash flow hedge: foreign exchange derivatives which fix the exchange rate on a portion of future currency subscription revenues forecast for up to 50 months.

Movements on the hedge reserve (pre-tax) in 2019 and 2018, comprising gains and losses on foreign exchange cash flow hedging instruments, were as follows:

	2019 £'000	2018 £'000
Hedge reserve at start of year: losses pre deferred tax	(32,159)	(29,044)
Gains/(losses) arising in the year	17,049	(29,243)
Gains recognised in revenue	<u>26,570</u>	<u>26,128</u>
Hedge reserve at end of year: gains/(losses) pre deferred tax	<u>11,460</u>	<u>(32,159)</u>

The pre-tax and post-tax hedge reserve balances at the end of 2019 and 2018 were as follows:

	2019 £'000	2018 £'000
Hedge reserve at end of year (pre-tax)	11,460	(32,159)
Tax charge deferred in hedge reserve	<u>(1,948)</u>	<u>5,467</u>
Hedge reserve at end of year (post-tax)	<u>9,512</u>	<u>(26,692)</u>

All cash flow hedges were highly effective throughout the two years ended 31 December 2019.

A tax credit of £4,517 (2018: £4,442) was recognised in net profit in relation to losses recognised in revenue.

The deferred profits on cash flow hedges at 31 December 2019 are currently expected to be recognised in the net profit in future years as follows:

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

19. Hedge reserve (continued)

Year deferred profits expected to be recognised

	Hedge reserve pre-tax £'000
2020	3,349
2021	2,689
2022	4,297
2023	1,125
	<u>11,460</u>
Gains deferred in hedge reserve at end of year	<u>11,460</u>

20. Leases

Right of use asset

	Non- Property £'000	Property £'000	2019 £000
At start of period	205	15,019	15,224
Additions	39	609	648
Disposals	-	-	-
Depreciation	(107)	(2,721)	(2,828)
At end of period	137	12,907	13,044

As at 31 December the lease liability balances and split between current and non-current were as follows:

	2019 £m	2018 £m
Current		
Non-property	(136)	(205)
Property	(2,746)	(2,605)
	<u>(2,882)</u>	<u>(2,810)</u>
Non-current		
Property	(14,000)	(16,314)
Total	<u>(16,882)</u>	<u>(19,124)</u>

Interest expense on the lease liabilities was £653k (2018: £634k).

The expense recognised in relation to short term and low value leases was £265k (2018: £953k).

Elsevier Limited
Notes to the financial statements (continued)
Year ended 31 December 2019

21. Forward foreign exchange commitments

The Company has outstanding forward foreign exchange contracts as at the balance sheet date, entered into in the normal course of business. All assets are categorised as Level 2 fair value measurements. The table below shows the notional amounts for the forward foreign exchange contracts (expressed in sterling) used to hedge expected future cash flows denominated in the foreign currency.

As at 31 December 2019, these amounts were as follows:

2019 US Dollar	2019 Euros	2019 Yen	2019 Total
<u>551,647</u>	<u>170,302</u>	<u>104,264</u>	<u>826,213</u>

As at 31 December 2018, these amounts were as follows:

2018 US Dollar	2018 Euros	2018 Yen	2018 Total
<u>518,673</u>	<u>176,713</u>	<u>91,220</u>	<u>786,606</u>

22. Consolidated group accounts

The Company is not required to prepare consolidated group accounts under s400 of the Companies Act 2006 because its parent undertaking is established under the law of a member State of the European Union and the ultimate parent undertaking prepares consolidated group accounts. Accordingly, these financial statements present information about this Company as an individual undertaking and not as a group.

23. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is RELX (UK) Ltd and the ultimate parent and controlling entity is RELX Group, a Company incorporated in Great Britain. The smallest and largest group into which the accounts of the Company for the year ended 31 December 2018 are consolidated is RELX Group plc. Copies of the consolidated accounts may be obtained from its registered office 1-3 Strand, London WC2N 5JR. RELX Group is owned by RELX PLC, a Company incorporated in Great Britain and registered in England and Wales.

24. Related party information

The Company is exempt under the terms of FRS 101 paragraph 8(k) from disclosing related party transactions with entities that are part of RELX Group. There were no other related party transactions in the current or prior year.