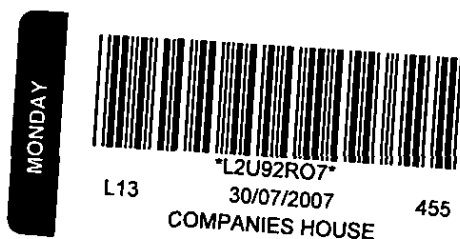


COMPANY NUMBER: 5810043

REED ELSEVIER (INVESTMENTS) PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006



DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements from incorporation on 9th May 2006 to 31 December 2006

TRADING RESULTS AND DIVIDENDS

The profit before taxation for the year since incorporation in May was £270,000. No dividends were paid during the year and the retained profit of £270,000 has been taken to reserves.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The company which was incorporated in May during the year has carried on the activities of a financing company and the Directors do not anticipate any change in these activities in the foreseeable future.

FINANCIAL RISKS

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risks are credit risk and liquidity risk. Interest rate risk is mitigated by issuing borrowings at fixed rates of interest.

Credit risk is attributable to amounts owed by the holding company and by fellow subsidiary undertakings, and therefore is not considered to be significant. Liquidity risk is not considered to be significant as the Company's borrowings are guaranteed by Reed Elsevier PLC and Reed Elsevier NV, and are largely matched by amounts receivable from the holding company.

DIRECTORS

The following served as Directors throughout the year:

Anne Joseph	appointed 09 May 2006
Mark Armour	appointed 09 May 2006
Stephen Cowden	appointed 09 May 2006
Paul Richardson	appointed 09 May 2006

Directors' indemnity insurance has been taken out by the company on the directors' behalf.

DIRECTORS' INTERESTS

No Director was beneficially interested at any time in the share capital of the Company or other group companies.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

DIRECTORS' REPORT CONTINUED

The Directors are responsible for keeping proper accounting records which 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 1985. 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.

The company has taken advantage of the exemption granted under s246(4)(a) of the Companies Act 1985 and has not produced an Enhanced Business Review.

DISCLOSURE OF INFORMATION TO AUDITORS

As part of the process of approving the 2006 financial statements, the directors have taken steps pursuant to section 234ZA of the Companies Act 1985 to ensure that they are aware of any relevant audit information and to establish that the company's auditors are aware of that information. In that context, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

AUDITORS

Deloitte & Touche LLP were appointed as auditors of the Company and have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Director

30 July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED ELSEVIER (INVESTMENTS) PLC

We have audited the financial statements of Reed Elsevier (Investments) plc for the period ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

30 July 2007

PROFIT AND LOSS ACCOUNT SINCE INCORPORATION ON 9TH MAY
TO 31 DECEMBER 2006

	<u>Note</u>	<u>2006</u> £'000
OPERATING PROFIT	2	-
Interest receivable and similar income	3	7,362
Interest payable and similar charges	4	(7,092)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 270
Tax on profit on ordinary activities	5	-
PROFIT FOR THE YEAR	10	<hr/> <hr/> 270

The activities of the Company are derived from continuing operations

The Company had no recognised gains or losses this year other than those reflected in the profit and loss account
Consequently, a separate statement of total recognised gains and losses is not provided

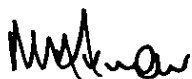
The notes on pages 6 to 8 form part of these accounts

BALANCE SHEET AT 31 DECEMBER 2006

	<u>Note</u>	<u>2006</u> <u>£'000</u>
CURRENT ASSETS		
Debtors (amounts falling due within one year)	6	419,613
CREDITORS (amounts falling due within one year)	7	(19,343)
NET CURRENT ASSETS		<u>400,270</u>
CREDITORS (amounts falling due after one year)	8	(400,000)
NET ASSETS		<u><u>270</u></u>
CAPITAL AND RESERVES		
Called up share capital	9	-
Profit and loss account	10	270
EQUITY SHAREHOLDERS' FUNDS	10	<u><u>270</u></u>

These financial statements were approved by the Board of Directors on 30 July 2007

Signed on behalf of the Board of Directors



Director

The notes on pages 6 to 8 form part of these accounts

NOTES TO THE ACCOUNTS - 31 DECEMBER 2006

1. Accounting policies

Compliance with accounting standards

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Debtors

Debtors are stated net of provisions for doubtful debts, returns and other allowances

Interest receivable/payable

All interest receivable/payable is recognised as incurred

Borrowings

Borrowings are initially recorded at nominal value less directly attributable issuance costs. Debt issuance costs are charged to the profit and loss account over the life of the related borrowings

Taxation

The current tax expense represents the sum of the tax payable on the current year taxable profits, and the movements on deferred tax that are recognised in the income statement. The tax payable on current year taxable profits is calculated using the applicable tax rates that have been enacted, or substantively enacted, by the balance sheet date. Deferred taxation is provided in full for timing differences using the liability method. Deferred tax assets are only recognised to the extent that they are considered recoverable in the short term. Deferred taxation balances are not discounted.

2. Operating profit and loss

The Directors received no emoluments in respect of their services to the Company. The auditors' remuneration for the year was £1,000 and was borne by another group company. The Company has no employees.

3. Interest receivable and similar income

	<u>2006</u> £'000
Interest receivable	
On amounts due from fellow subsidiary undertakings	5,412
On amounts due from holding company	1,950
	<u>7,362</u>

4. Interest payable and similar charges

	<u>2006</u> £'000
Interest payable	
On loans repayable after 5 years	4,625
On other borrowings repayable within 5 years not by installments	2,340
Interest payable to fellow subsidiary undertakings	127
	<u>7,092</u>

5. **Tax on profit on ordinary activities**

	<u>2006</u> <u>£'000</u>
United Kingdom corporation tax	-

The standard rate of current tax for the year and prior period is 30%, based on the UK standard rate of corporation tax. A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows

	<u>2006</u> <u>£'000</u>
Profit on ordinary activities before taxation	270
Tax charge at the standard rate of 30%	(82)
Group relief received for nil consideration	82
Current tax charge	-

The Reed Elsevier Group plc group of companies has agreed that to the extent that there are any transfer pricing adjustments relating to intercompany balances between group companies in the UK, any resulting income will be sheltered by group relief received for nil consideration

6. **Debtors: amounts falling due within one year**

	<u>2006</u> <u>£'000</u>
<u>Amounts falling due within one year</u>	
Amounts owed by fellow subsidiary undertakings	27,663
Amounts owed by holding company	391,950
	<u>419,613</u>

7. **Creditors (amounts falling due within one year)**

	<u>2006</u> <u>£'000</u>
Amounts owed to Reed Elsevier PLC	40
Amounts owed to Reed Elsevier NV	41
Interest payable on borrowings	4,460
Borrowings - Commercial paper	14,802
	<u>19,343</u>

8. **Creditors (amounts falling due after one year)**

	<u>2006</u> <u>£'000</u>
<u>Borrowings (unsecured)</u>	
5 625% Public Notes 2016	400,000
	<u>400,000</u>

9. Called up share capital

	Authorised Number	£	Issued and fully paid Number	£
<u>Ordinary shares of £1 each</u>				
At 31 December 2006	50,000	50,000	2	2

10. Shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
Ordinary shares allotted and issued	-	-	-
Retained profit for the financial year	-	270	270
At 31 December 2006	-	270	270

11. Cash flow statement

A cash flow statement is not required under Financial Reporting Standard 1(Revised)(Cash Flow Statements) because its parent undertaking is established under the law of a member State of the European Union and the parent undertaking prepares group accounts which contain a cash flow statement

12. Ultimate parent company

The Company's ultimate parent undertaking and controlling entity is Reed Elsevier Group plc, a company incorporated in Great Britain. The smallest and largest group into which the accounts of the Company for the year ended 31 December 2006 are consolidated is Reed Elsevier Group plc. Copies of the consolidated accounts of Reed Elsevier Group plc may be obtained from its registered office at 1-3 Strand, London WC2N 5JR. Reed Elsevier Group plc is jointly owned by Reed Elsevier PLC (a company incorporated in Great Britain) and Reed Elsevier NV (a company incorporated in the Netherlands).

13. Related party transactions

The Company has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) not to disclose transactions with entities that are part of Reed Elsevier Group plc as the consolidated financial statements of Reed Elsevier Group plc, in which the Company is included, are publicly available.

The fellow associated undertakings of the Company's ultimate parent undertaking are Elsevier Reed Finance BV and its subsidiaries. Elsevier Reed Finance BV is incorporated in the Netherlands and is jointly owned by Reed Elsevier PLC and Reed Elsevier NV. The Elsevier Reed Finance BV group provides a range of treasury services to the Reed Elsevier Group plc group.