

COMPANY NUMBER: 5810043

REED ELSEVIER (INVESTMENTS) PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007. This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

TRADING RESULTS AND DIVIDENDS

The profit before taxation for the year was £195,000 (2006: £270,000). No dividends were paid during the year and the retained profit of £195,000 (2006: £270,000) has been taken to reserves.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The company's principal activities are the funding of the UK activities of Reed Elsevier Group plc. 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
Mark Armour
Stephen Cowden
Paul Richardson

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

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 (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT (CONTINUED)

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.

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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

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

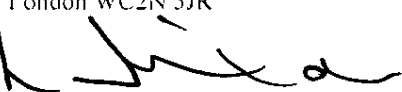
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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.

By Order of the Board
1-3, Strand
London WC2N 5JR



Secretary
L Dixon

22 July 2008

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 2007 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 adequate 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with 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

24 July 2008

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Note</u>	<u>2007</u> £'000	<u>2006</u> £'000
OPERATING PROFIT	2	-	-
Interest receivable and similar income	3	40,131	7,362
Interest payable and similar charges	4	(39,936)	(7 092)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>195</u>	<u>270</u>
Tax on profit on ordinary activities	5	-	-
PROFIT FOR THE YEAR	10	<u><u>195</u></u>	<u><u>270</u></u>
Retained profit brought forward		270	-
Retained profit carried forward	10	<u><u>465</u></u>	<u><u>270</u></u>

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 9 form part of these accounts.

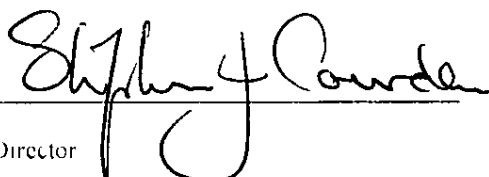
BALANCE SHEET AT 31 DECEMBER 2007

	<u>Note</u>	<u>2007</u> £'000	<u>2006</u> £'000
CURRENT ASSETS			
Debtors (amounts falling due within one year)	6	882,081	419,613
CREDITORS (amounts falling due within one year)	7	(436,313)	(19,343)
NET CURRENT ASSETS		<u>445,768</u>	<u>400,270</u>
CREDITORS (amounts falling due after one year)	8	(395,303)	(400,000)
NET ASSETS		<u><u>50,465</u></u>	<u><u>270</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Share premium	10	50,000	-
Profit and loss account	10	465	270
SHAREHOLDERS' FUNDS	10	<u><u>50,465</u></u>	<u><u>270</u></u>

These financial statements were approved by the board of directors on

22 July 2008

Signed on behalf of the board of directors


Director

The notes on pages 6 to 9 form part of these accounts

5. Tax on profit on ordinary activities

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>2007</u> £'000	<u>2006</u> £'000
Profit on ordinary activities before taxation	195	270
Tax charge at the standard rate of 30%	(59)	(81)
Group relief received for nil consideration	59	81
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>2007</u> £'000	<u>2006</u> £'000
Amounts owed by fellow subsidiary undertakings	-	27 663
Amounts owed by holding company	882,081	391 950
	<u>882 081</u>	<u>419 613</u>

7. Creditors (amounts falling due within one year)

	<u>2007</u> £'000	<u>2006</u> £'000
Amounts owed to fellow subsidiary undertakings	431,563	-
Amounts owed to Reed Elsevier PLC	165	40
Amounts owed to Reed Elsevier NV	125	41
Interest payable on borrowings	4,460	4 160
Borrowings - commercial paper	-	14 802
	<u>436 313</u>	<u>19 343</u>

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

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

	<u>2007</u>	<u>2006</u>
	£'000	£'000
<u>Borrowings (unsecured)</u>		
5.625% Public Notes 2016	395,303	400,000
	<u>395,303</u>	<u>400,000</u>

9. **Called up share capital**

	Authorised Number	£	Issued and fully paid Number	£
<u>Ordinary shares of £1 each</u>				
At 1 January 2007	50,000	50,000	2	2
Issue of ordinary shares			7	7
At 31 December 2007	<u>50,000</u>	<u>50,000</u>	<u>9</u>	<u>9</u>

During the year the company issued ordinary shares for a cash consideration of £50,000,000

Subsequent to the year end the company issued 49,991 ordinary shares to the existing shareholders for a cash consideration of £49,991

10. **Shareholders' funds**

	Share Capital	Share Premium	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2007	-	-	270	270
Issue of ordinary shares	-	50,000	-	50,000
Retained profit for the financial year	-	-	195	195
At 31 December 2007	<u>-</u>	<u>50,000</u>	<u>465</u>	<u>50,465</u>

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 2007 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)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2007

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. The accounting policies adopted below have been consistently applied in the current and prior period.

Debtors

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

Interest receivable/payable

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

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

The directors received no emoluments in respect of their services to the company. The auditors' remuneration for the year was £1,000 (2006: £1,000) and was borne by another group company. The company has no employees.

3. Interest receivable and similar income

	<u>2007</u> £'000	<u>2006</u> £'000
Interest receivable		
On amounts due from fellow subsidiary undertakings	-	5,112
On amounts due from holding company	40,131	1,950
	<u>40,131</u>	<u>7,062</u>

4 Interest payable and similar charges

	<u>2007</u> £'000	<u>2006</u> £'000
Interest payable		
On loans repayable after 5 years	23,318	4,625
On other borrowings repayable within 5 years not by installments	51	2,740
Guarantee fees payable to Reed Elsevier PLC	125	40
Guarantee fees payable to Reed Elsevier NV	125	40
Interest payable to fellow subsidiary undertakings	16,317	47
	<u>39,936</u>	<u>7,092</u>