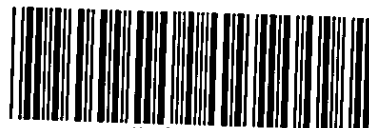


**Reed Elsevier (Investments) plc**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2008**

THURSDAY



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COMPANIES HOUSE

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Directors**

Anne Joseph  
Mark Armour  
Stephen Cowden  
Paul Richardson

### **Secretary**

Les Dixon

### **Registered Office**

1-3 Strand  
London  
WC2N 5JR

### **Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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

### **Trading results and dividends**

The profit before taxation for the year was £198,000 (2007: £195,000). No dividends were paid during the year (2007: nil) and the retained profit of £198,000 (2007: £195,000) has been taken to reserves.

### **Principal activities and future developments**

The company's principal activities are the funding of the 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 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; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

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

## DIRECTORS' REPORT (Continued)

### 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 LLP were appointed as auditors for 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

2 July 2009

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

We have audited the financial statements of Reed Elsevier (Investments) plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 2008 and of its profit for the year 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 LLP.*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*2 July*

2009

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2008**

|                                                                                | Note | 2008<br>£'000 | 2007<br>£'000 |
|--------------------------------------------------------------------------------|------|---------------|---------------|
| <b>Operating profit</b>                                                        | 2    | -             | -             |
| Interest receivable and similar income                                         | 5    | 50,562        | 40,131        |
| Interest payable and similar charges                                           | 6    | (50,364)      | (39,936)      |
|                                                                                |      | <u>198</u>    | <u>195</u>    |
| <b>Profit on ordinary activities before taxation</b>                           |      | 198           | 195           |
| Tax on profit on ordinary activities                                           | 7    | -             | -             |
|                                                                                |      | <u>198</u>    | <u>195</u>    |
| <b>Profit on ordinary activities after<br/>taxation for the financial year</b> | 12   | <u>198</u>    | <u>195</u>    |
| <b>Statement of retained earnings</b>                                          |      |               |               |
| Retained profit brought forward                                                | 12   | 465           | 270           |
| Profit taken to reserves                                                       | 12   | 198           | 195           |
|                                                                                |      | <u>663</u>    | <u>465</u>    |
| <b>Retained profit carried forward</b>                                         | 12   | <u>663</u>    | <u>465</u>    |

The historical cost profits and losses are not materially different from the results disclosed above.

The activities of the company are derived from continuing operations.

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

Notes on pages 7 to 10 form part of these accounts.

**BALANCE SHEET**  
**As at 31 December 2008**

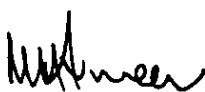
|                                                 | Note | 2008<br>£'000  | 2007<br>£'000  |
|-------------------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                           |      |                |                |
| Debtors (amounts falling due within one year)   | 8    | 932,693        | 882,081        |
| <b>Current liabilities</b>                      |      |                |                |
| Creditors (amounts falling due within one year) | 9    | (486,176)      | (436,313)      |
| <b>Net current assets</b>                       |      | <u>446,517</u> | <u>445,768</u> |
| <b>Non-current liabilities</b>                  |      |                |                |
| Borrowings                                      | 10   | (395,804)      | (395,303)      |
| <b>Net assets</b>                               |      | <u>50,713</u>  | <u>50,465</u>  |
| <b>Capital and reserves</b>                     |      |                |                |
| Called up share capital                         | 11   | 50             | -              |
| Share premium                                   | 12   | 50,000         | 50,000         |
| Profit and loss account                         | 12   | 663            | 465            |
| <b>Shareholders' funds</b>                      |      | <u>50,713</u>  | <u>50,465</u>  |

Notes on pages 7 to 10 form part of these accounts.

Approved by the board of directors on

2 July 2009.

Signed on behalf of the board of directors



Director

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 2008**

**1. Accounting policies**

**Compliance with accounting standards**

These financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards. The accounting policies adopted below have been consistently applied in the current and prior year.

**Going concern**

The entity principally provides funding for the activities of Reed Elsevier Group plc for which management has assessed the relevant factors surrounding going concern and considers the basis of accounting preparation appropriate.

**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 profit and loss account. 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 (2007: nil) in respect of their services to the company.

**3. Auditors' remuneration**

Auditors' remuneration for the audit of the company's annual accounts was £1,000 (2007: £1,000) and was borne and not recharged by another group company for the current and preceding year.

**4. Staff costs**

The company has no employees (2007: nil).

**5. Interest receivable and similar income**

|                                   | 2008<br>£'000 | 2007<br>£'000 |
|-----------------------------------|---------------|---------------|
| Interest due from holding company | <u>50,562</u> | <u>40,131</u> |



**NOTES TO THE ACCOUNTS**  
For the year ended 31 December 2008

**6. Interest payable and similar charges**

|                                                                 | 2008<br>£'000 | 2007<br>£'000 |
|-----------------------------------------------------------------|---------------|---------------|
| On loans repayable after five years                             | 23,053        | 23,318        |
| On other borrowings repayable within 5 years not by instalments | 2,215         | 51            |
| Guarantee fees payable to Reed Elsevier PLC                     | 139           | 125           |
| Guarantee fees payable to Reed Elsevier NV                      | 139           | 125           |
| Interest payable to fellow subsidiary undertakings              | 24,818        | 16,317        |
|                                                                 | <u>50,364</u> | <u>39,936</u> |

**7. Tax on profit on ordinary activities**

The rate of current tax for the year is 28.5% (2007: 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:

|                                               | 2008<br>£'000 | 2007<br>£'000 |
|-----------------------------------------------|---------------|---------------|
| Profit on ordinary activities before taxation | 198           | 195           |
| Tax charge at the standard rate               | 56            | 59            |
| Group relief received for nil consideration   | (56)          | (59)          |
| Current tax charge                            | <u>-</u>      | <u>-</u>      |

**8. Debtors (falling due within one year)**

|                                 | 2008<br>£'000 | 2007<br>£'000 |
|---------------------------------|---------------|---------------|
| Amounts owed by holding company | 932,693       | 882,081       |

**9. Creditors (falling due within one year)**

|                                                | 2008<br>£'000  | 2007<br>£'000  |
|------------------------------------------------|----------------|----------------|
| Amounts owed to fellow subsidiary undertakings | 481,273        | 431,562        |
| Amounts owed to Reed Elsevier PLC              | 304            | 165            |
| Amounts owed to Reed Elsevier NV               | 139            | 126            |
| Interest payable on borrowings                 | 4,460          | 4,460          |
|                                                | <u>486,176</u> | <u>436,313</u> |

**NOTES TO THE ACCOUNTS**  
For the year ended 31 December 2008

**10. Borrowings – unsecured (falling due after one year)**

|                          | 2008<br>£'000  | 2007<br>£'000  |
|--------------------------|----------------|----------------|
| 5.625% Public Notes 2016 | <u>395,804</u> | <u>395,303</u> |

**11. Share capital**

|                                   | Authorised    |               | Called up, issued and fully paid |               |
|-----------------------------------|---------------|---------------|----------------------------------|---------------|
|                                   | Number        | £             | Number                           | £             |
| <i>Ordinary shares of £1 each</i> |               |               |                                  |               |
| At 1 January 2008                 | 50,000        | 50,000        | 9                                | 9             |
| Issue of ordinary shares          | -             | -             | 49,991                           | 49,991        |
| <b>At 31 December 2008</b>        | <u>50,000</u> | <u>50,000</u> | <u>50,000</u>                    | <u>50,000</u> |

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

**12. Shareholders' funds**

|                                        | Share capital<br>£'000 | Share premium<br>£'000 | Profit and loss account<br>£'000 | Total<br>'000 |
|----------------------------------------|------------------------|------------------------|----------------------------------|---------------|
| At 1 January 2008                      | -                      | 50,000                 | 465                              | 50,465        |
| Issue of ordinary shares               | 50                     | -                      | -                                | 50            |
| Retained profit for the financial year | -                      | -                      | 198                              | 198           |
| <b>At 31 December 2008</b>             | <u>50</u>              | <u>50,000</u>          | <u>663</u>                       | <u>50,713</u> |

**13. Group accounts and cash flow statement**

The company is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member State of the European Union and the parent undertaking prepares group accounts. Accordingly these financial statements present information about this company as an individual undertaking and not as a group. Similarly, a cash flow statement is not required under Financial Reporting Standard 1(Revised) (Cash Flow Statements).

**14. 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 2008 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**  
**For the year ended 31 December 2008**

**15. 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.

**16. Post balance sheet event**

In March 2009 the company issued term debt of £300 million paying a coupon of 7% and maturing in 2017.