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 principle 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

	Note	2007 £'000	2006 £'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		195	270
Tax on profit on ordinary activities	5	-	-
PROFIT FOR THE YEAR	10	195	270
Retained profit brought forward		270	-
Retained profit carried forward	10	465	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 9 form part of these accounts

BALANCE SHEET AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'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		445,768	400 270
CREDITORS (amounts falling due after one year)	8	(395,303)	(400 000)
NET ASSETS		50,465	270
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Share premium	10	50,000	-
Profit and loss account	10	465	270
SHAREHOLDERS' FUNDS	10	50,465	270

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

	2007 £'000	2006 £'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)

	2007 £'000	2006 £'000
Amounts owed by fellow subsidiary undertakings	-	27 663
Amounts owed by holding company	882,081	391 950
	882 081	419 613

7. Creditors (amounts falling due within one year)

	2007 £'000	2006 £'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
	436 313	19 343

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)

	2007	2006
Borrowings (unsecured)	£'000	£'000
5 625% Public Notes 2016	395,303	400 000
	395,303	400 000

9. Called up share capital

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

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	-	50,000	465	50 465

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

Interest receivable	2007 £'000	2006 £'000
On amounts due from fellow subsidiary undertakings	-	5 112
On amounts due from holding company	40,131	1 950
	40,131	7 362

4 Interest payable and similar charges

Interest payable	2007 £'000	2006 £'000
On loans repayable after 5 years	23,318	4 625
On other borrowings repayable within 5 years not by installments	51	2 340
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
	39,936	7 092