

REED EXHIBITIONS LIMITED

Report and Financial Statements

31 December 2003



REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

REED EXHIBITIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Rusbridge (Chairman)
L Algoud
P N Forster
S J King
R C Rees
R Rigby-Hall (resigned 13 February 2004)
K Taylor (resigned 31 January 2004)

SECRETARY

S J King

REGISTERED OFFICE

Oriel House
26 The Quadrant
Richmond
Surrey
TW9 1DL

BANKERS

National Westminster Bank Plc
City of London Office
21 Lombard Street
London
EC3P 3AR

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The company's principal activity during the year was event organising.

DIVIDENDS AND TRANSFERS FROM RESERVES

The directors do not recommend payment of a dividend for the year ended 31 December 2003 (2002 - nil). The retained profit of £4,008,898 (2002 – loss of £7,149,093) is transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The membership of the board during the year is set out on page 1.

No director had, at any time in the year, any interest in the share capital of the company or any other companies within the Reed Elsevier Group plc group.

No director had, at any time during the year, any material interest in a contract with the company.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors intend to continue to strengthen the company's position in the industry by developing the company's existing shows, and acquiring shows that complement the existing portfolio.

EMPLOYEE PARTICIPATION

Employees are encouraged to become aware of the financial and economic factors that affect the company and its ability to compete in the marketplace. The individual contributions of staff are recognised as being essential to the future success of the business.

The Reed Elsevier Group plc SAYE Share Option Scheme enables employees to participate in the future prosperity of the company.

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.

CREDITOR PAYMENT POLICY

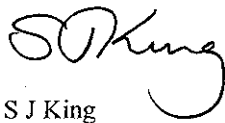
The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier. At 31 December 2003 the company's creditor days were 36 days (2002 – 41 days).

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'S J King', with a stylized flourish at the end.

S J King

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 accounting standards have been followed; 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED EXHIBITIONS LIMITED

We have audited the financial statements of Reed Exhibitions Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

13 September 2004

REED EXHIBITIONS LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2003**

	Note	2003 £	2002 £
TURNOVER			
Continuing operations		43,845,042	52,522,577
Acquisitions		<u>1,190,959</u>	<u>-</u>
	2	45,036,001	52,522,577
Staff costs	3	(12,041,281)	(11,549,089)
Depreciation and other amounts written off tangible and intangible fixed assets		(2,870,401)	(6,409,947)
Other operating charges		<u>(24,588,164)</u>	<u>(31,015,533)</u>
		<u>(39,499,846)</u>	<u>(48,974,569)</u>
OPERATING PROFIT			
Continuing operations		4,926,368	3,548,008
Acquisitions		<u>609,787</u>	<u>-</u>
	4	5,536,155	3,548,008
Profit on sale of discontinued operations		913,939	-
Income from shares in subsidiary undertakings		2,171,111	-
Interest receivable and similar income	5	-	6,492
Amounts written off subsidiary undertakings	11	(2,235,481)	-
Amounts written off other investments	11	<u>-</u>	<u>(8,037,781)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
		6,385,724	(4,483,281)
Tax on profit/(loss) on ordinary activities	6	<u>(2,376,826)</u>	<u>(2,665,812)</u>
RETAINED PROFIT/(LOSS) TRANSFERRED TO/(FROM) RESERVES			
	17	<u>4,008,898</u>	<u>(7,149,093)</u>

There are no recognised gains or losses other than the result for the financial years. Accordingly, no statement of total recognised gains and losses is given.

REED EXHIBITIONS LIMITED

BALANCE SHEET **31 December 2003**

	Note	2003	2002 (as restated note 7)
		£	£
FIXED ASSETS			
Intangible assets	9	9,340,295	9,078,715
Tangible assets	10	1,604,235	2,531,159
Investments	11	11,799,817	2,295,486
		<u>22,744,347</u>	<u>13,905,360</u>
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	12	13,889,927	16,564,584
Amounts falling due after more than one year	12	14,779,532	5,540,532
Cash at bank and in hand		446,659	60,790
		<u>29,116,118</u>	<u>22,165,906</u>
CREDITORS: amounts falling due within one year	13	<u>(33,872,356)</u>	<u>(38,831,055)</u>
NET CURRENT LIABILITIES		<u>(4,756,238)</u>	<u>(16,665,149)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,988,109	(2,759,789)
CREDITORS: amounts falling due after more than one year	14	<u>(9,812,840)</u>	<u>(573,840)</u>
NET ASSETS/(LIABILITIES)		<u>8,175,269</u>	<u>(3,333,629)</u>
CAPITAL AND RESERVES			
Called up share capital	16	538,760	531,260
Share premium account	17	8,034,840	542,340
Profit and loss account – deficit	17	(398,331)	(4,407,229)
TOTAL SHAREHOLDERS' FUNDS	18	<u>8,175,269</u>	<u>(3,333,629)</u>
Attributable to equity shareholders		7,649,269	(3,859,629)
Attributable to non-equity shareholders		526,000	526,000
		<u>8,175,269</u>	<u>(3,333,629)</u>

These financial statements were approved by the Board of Directors on 2 September 2004
Signed on behalf of the Board of Directors

R C Rees
Director



NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are presented for the company as an individual undertaking. The company is not required to prepare group financial statements 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 its parent undertaking prepares group accounts. Accordingly these financial statements present information about this company as an individual undertaking and not as a group.

Under the provisions of Financial Reporting Standard 1 – (Revised) Cash Flow Statements, the company has not prepared a cash flow statement because its ultimate parent undertaking has prepared consolidated accounts which include the accounts of the company for the year and which contain a cash flow statement.

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

Turnover

Turnover represents the invoice value of space sold and other revenue received in respect of exhibitions held during the year, excluding value added tax.

Intangible assets

Exhibition titles and rights are stated at fair value on acquisition and are not subsequently revalued. Provision is made for any permanent impairment in value. Internally developed intangibles are not carried on the balance sheet.

In accordance with Financial Reporting Standard 10 - Goodwill and Intangible Assets, intangible assets are amortised over their estimated useful lives up to a maximum period of 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on a basis that will write off the book value of fixed assets on a straight-line basis over their expected lives. The rates of depreciation are as follows:

Vehicles and equipment	10% to 33%
Leasehold land and buildings	Over the unexpired lease term
Leasehold improvements	20%

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment.

Deferred expenditure

The amount included in debtors for deferred expenditure represents expenses incurred on future exhibitions.

Deferred income

The amount included in creditors for deferred income represents revenue received on future exhibitions. The company has adopted a new accounting policy of not netting off the deferred expenditure incurred on future exhibitions against this amount. Deferred expenditure is now shown in debtors. Comparatives have been restated to reflect this change in accounting policy – see note 7.

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES (continued)

Deferred taxation

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.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Rentals under operating leases are charged as incurred to the profit and loss account over the lease term. The company does not hold any assets under finance leases.

Pensions

The Reed Elsevier Pension Scheme (a defined benefit scheme) is administered on a Reed Elsevier Group plc group basis and total contributions are assessed by a qualified actuary, based on the cost of providing pensions across all participating Reed Elsevier Group plc 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.

2. TURNOVER

The geographical analysis of the company's turnover is as follows:

	2003 £	2002 £
United Kingdom	27,890,821	27,673,847
Europe	8,570,414	15,381,710
Rest of the world	8,574,766	9,467,020
	<u>45,036,001</u>	<u>52,522,577</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	2002
	No	No
Average number of persons employed		
Administration/organising	100	112
Sales/marketing	138	154
	<u>238</u>	<u>266</u>
Staff costs (including directors)	£	£
Wages and salaries	10,870,289	10,507,134
Social security costs	1,137,067	990,479
Pension contributions	33,925	51,476
	<u>12,041,281</u>	<u>11,549,089</u>
Directors' emoluments	£	£
Other remuneration	1,371,782	1,262,803
Pension contributions	51,664	51,476
	<u>1,423,446</u>	<u>1,314,279</u>
	No	No
Number of directors who are members of a defined benefit pension scheme	<u>6</u>	<u>7</u>
	£	£
Remuneration of the highest paid director		
Other remuneration	443,080	445,084
Pension contributions	18,820	17,743
	<u>461,900</u>	<u>462,827</u>
Accrued pension benefits	<u>124,454</u>	<u>109,780</u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) :

	2003 £	2002 £
Rentals under operating leases		
Hire of plant and machinery	13,615	51,679
Land and buildings	1,062,417	1,030,247
Depreciation on owned assets	1,072,428	1,210,513
Amortisation on intangible assets	1,797,973	5,199,434
Profit on disposal of tangible fixed assets	(49,943)	(45,229)
Loss on foreign currency exchange	304,463	18,755
Auditors' remuneration		
Audit fees	37,642	41,091
Non audit fees	-	-
	<u> </u>	<u> </u>

Analysis of profit and loss account between continuing operations:

	Continuing operations		Total
	2003	Acquisitions 2003	2003
	£	£	£
TURNOVER	43,845,042	1,190,959	45,036,001
Staff costs	(12,041,281)	-	(12,041,281)
Depreciation and other amounts written off tangible and intangible fixed assets	(2,664,446)	(205,955)	(2,870,401)
Other operating charges	(24,212,947)	(375,217)	(24,588,164)
OPERATING PROFIT	<u>4,926,368</u>	<u>609,787</u>	<u>5,536,155</u>

5. INTEREST

	2003 £	2002 £
Interest receivable and similar income		
Other interest receivable	-	6,492
	<u> </u>	<u> </u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2003**

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2003 £	2002 £
Current tax		
United Kingdom corporation tax	2,318,695	2,780,313
Adjustments in respect of prior years	98,619	(112,574)
Less: Relief for overseas taxation	(29,739)	(28,136)
	<u>2,387,575</u>	<u>2,639,603</u>
Overseas taxation	29,739	28,136
	<u>2,417,314</u>	<u>2,667,739</u>
Deferred taxation		
Origination and reversal of timing differences	(40,488)	(1,927)
Total tax charge	<u><u>2,376,826</u></u>	<u><u>2,665,812</u></u>

The standard rate of current tax for the year, based on the main UK rate of corporation tax is 30% (2002 - 30%). A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	<u>6,385,724</u>	<u>(4,483,281)</u>
Tax at standard rate	1,915,717	(1,344,984)
Non tax-deductible amortisation of goodwill and intangible assets	539,392	1,559,830
Prior year adjustments	98,619	(112,574)
Non taxable income	(651,333)	-
Non tax-deductible expenses	474,431	2,563,540
Reversal of timing differences	40,488	1,927
Current tax charge	<u><u>2,417,314</u></u>	<u><u>2,667,739</u></u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

7. PRIOR YEAR ADJUSTMENT

The company has changed its accounting policy on the presentation of amounts relating to future exhibitions. In previous years, deferred expenditure (i.e. expenditure incurred relating to future exhibitions) has been netted off deferred revenue (i.e. revenue received relating to future exhibitions). The policy now is to show deferred expenditure within debtors, and gross deferred revenue within creditors. This policy better reflects the nature of the assets/liabilities. As a result of this change in accounting policy the comparatives have been restated as follows:

	Debtors Amounts due within one year	Current Assets	Creditors (amounts falling due within one year)
	£	£	£
2002 as previously reported	10,969,027	16,570,349	(33,235,498)
Adoption of new accounting policy on deferred expenditure	<u>5,595,557</u>	<u>5,595,557</u>	<u>(5,595,557)</u>
2002 restated	<u>16,564,584</u>	<u>22,165,906</u>	<u>(38,831,055)</u>

8. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 8 January 2003, the company acquired 100% of the issued share capital of Storage Expo Limited (formerly Imago Communications Limited), at a cost of £2,240,483. On 31 August 2003, the business, trading assets and liabilities were transferred to the company for cash consideration of £2,107,072. The assets and liabilities transferred were:

	Book Value £	Adjustments £	Fair value to the company £
Exhibition title	-	2,059,553	2,059,553
Trade debtors and other debtors and prepayments	4,710	-	4,710
Cash at bank	71,443	-	71,443
Creditors and other liabilities	<u>(28,634)</u>	<u>-</u>	<u>(28,634)</u>
	<u>47,519</u>	<u>2,059,553</u>	<u>2,107,072</u>

The adjustment to book value reflects the underlying value of the exhibition titles and other intangibles not recognised prior to the acquisition.

The loss after tax of Storage Expo Limited for the period prior to acquisition (1 November 2002 to date of acquisition) was £36,098 and in the preceding 13 month period ended 31 October 2002 the profit was £225,257.

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2003**

9. INTANGIBLE FIXED ASSETS

	Exhibition titles and rights £
Cost	
At 1 January 2003	38,206,647
Additions	2,059,553
Disposals	(1,029,829)
	<hr/>
At 31 December 2003	39,236,371
Accumulated amortisation	
At 1 January 2003	29,127,932
Amortisation during the year	1,797,973
Disposals	(1,029,829)
	<hr/>
At 31 December 2003	29,896,076
Net book amount	
At 31 December 2003	9,340,295
	<hr/>
At 31 December 2002	9,078,715
	<hr/>

10. TANGIBLE FIXED ASSETS

	Short term leasehold land and buildings £	Vehicles And Equipment £	Total £
Cost			
At 1 January 2003	632,707	7,396,696	8,029,403
Additions	-	349,130	349,130
Disposals	(99,969)	(636,993)	(736,962)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	532,738	7,108,833	7,641,571
Accumulated depreciation			
At 1 January 2003	314,209	5,184,035	5,498,244
Charge for the year	46,719	1,025,709	1,072,428
Disposals	(99,969)	(433,367)	(533,336)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	260,959	5,776,377	6,037,336
Net book amount			
At 31 December 2003	271,779	1,332,456	1,604,235
	<hr/>	<hr/>	<hr/>
At 31 December 2002	318,498	2,212,661	2,531,159
	<hr/>	<hr/>	<hr/>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

11. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings at cost £	Shares in associated undertakings at cost £	Other investments at cost £	Total £
Cost				
At 1 January 2003	18,222,331	297,757	13,737,781	32,257,869
Additions	11,739,812	-	-	11,739,812
Disposals	-	-	-	-
At 31 December 2003	29,962,143	297,757	13,737,781	43,997,681
Provisions				
At 1 January 2003	16,224,602	-	13,737,781	29,962,383
Provided in the year	2,235,481	-	-	2,235,481
At 31 December 2003	18,460,083	-	13,737,781	32,197,864
Net book value				
At 31 December 2003	11,502,060	297,757	-	11,799,817
At 31 December 2002	1,997,729	297,757	-	2,295,486

Details of entities (excluding dormant companies) in which the company holds more than 10% of any class of equity share capital or more than 10% of the total allotted share capital are given below:

	Principal activity	Proportion of Ordinary Shares held
Reed Midem Organisation Limited	Exhibition organising and design	100%
Fresh RM Limited	Exhibition organising and design	50%
ILTM LLP	Exhibition organising and design	25%
Spearhead Exhibition Group Limited	Exhibition organising	100%
Storage Expo Limited (formerly Imago Communications Limited)	Exhibition organising	100%
International Training Equipment Conference Limited	Exhibition and conference organising	90%

All of the above companies are registered and operating in England and Wales.

The directors consider the market value of the company's investments to be not less than their carrying value.

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2003**

12. DEBTORS

	2003 £	2002 (as restated) £
Amounts falling due within one year		
Trade debtors	207,760	128,370
Amounts owed by ultimate parent company and fellow subsidiary undertakings	4,409,936	9,345,904
Amounts owed by subsidiary undertakings	251,024	183,503
Amounts owed by associated undertakings	427,485	69,930
Other debtors	1,213,080	294,003
Prepayments and accrued income	524,027	445,189
Deferred expenditure (see note 7)	6,313,999	5,595,557
Deferred taxation (note 15)	542,616	502,128
	<u>13,889,927</u>	<u>16,564,584</u>
Amounts falling due after more than one year		
Amounts owed by ultimate parent company and fellow subsidiary undertakings	1,660,000	1,660,000
Amounts owed by subsidiary undertakings	13,119,532	3,880,532
	<u>14,779,532</u>	<u>5,540,532</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 (as restated) £
Trade creditors	4,035,538	4,437,518
Amounts owed to ultimate parent and fellow subsidiary undertakings	5,885,363	17,497,592
Amounts owed to subsidiary undertakings	4,207,667	1,896,549
Amounts owed to associated undertakings	-	172,162
Other taxes and social security	1,120,833	602,625
Other creditors and accruals	5,262,725	5,205,824
Corporation tax	1,656,221	1,468,645
Deferred income (see note 7)	11,704,009	7,550,140
	<u>33,872,356</u>	<u>38,831,055</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Amounts owed to ultimate parent and fellow subsidiary undertakings	9,239,000	-
Amounts owed to subsidiary undertakings	573,840	573,840
	<u>9,812,840</u>	<u>573,840</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

15. DEFERRED TAXATION

The net deferred tax balances comprise:

	2003 £	2002 £
Deferred tax assets		
Excess depreciation over capital allowances	440,981	420,561
Other timing differences	101,635	81,567
	<u>542,616</u>	<u>502,128</u>
 Deferred tax asset at 1 January 2003	 502,128	 500,201
Credited to profit and loss account	40,488	1,927
	<u>542,616</u>	<u>502,128</u>
 Deferred tax asset at 31 December 2003	 <u>542,616</u>	 <u>502,128</u>

The deferred taxation asset is included within debtors (note 12).

16. SHARE CAPITAL

	2003 £	2002 £
Authorised		
39,260 Ordinary shares of £1 each	39,260	39,260
526,000 Deferred shares of £1 each	526,000	526,000
	<u>565,260</u>	<u>565,260</u>
 Called up, allotted and fully paid		
12,760 Ordinary shares of £1 each	12,760	5,260
526,000 Deferred shares of £1 each	526,000	526,000
	<u>538,760</u>	<u>531,260</u>

The Deferred shares confer on the holders:

- no right to participate in any dividend declared by the company;
- no right to receive notice of or to attend or vote at any General Meeting of the company;
- no right to receive any allotment of any shares of the company; and
- as to return of capital on a liquidation, reduction of capital or otherwise, the right to the amount paid up on such shares after the holders of the Ordinary shares have received the sum of £1,000,000 per ordinary share of £1.

On 3 September 2003 7,500 ordinary £1 shares were issued at £1,000 each to Reed Elsevier (UK) Limited. Consideration was the transfer of the entire issued share capital of Spearhead Exhibitions Group Limited ("Spearhead") and the assignment of an option over shares in Spearhead pursuant to an agreement dated 2nd September 2003 between Reed Elsevier (UK) Limited and Reed Exhibitions Limited, which the directors were satisfied had a market value of £7,500,000 at the time of transfer.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

17. RESERVES

	Share premium account £	Profit and loss account £
Balance at 1 January 2003	542,340	(4,407,229)
Retained profit for the year	-	4,008,898
Premium on issue of shares (nominal value £7,500)	7,492,500	-
Balance at 31 December 2003	<u>8,034,840</u>	<u>(398,331)</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	4,008,898	(7,149,093)
New share capital subscribed	7,500,000	-
Net addition/(reduction) to shareholders' funds	11,508,898	(7,149,093)
Opening shareholders' funds	(3,333,629)	3,815,464
Closing shareholders' funds	<u>8,175,269</u>	<u>(3,333,629)</u>

19. FINANCIAL COMMITMENTS

	2003 £	2002 £
Capital commitments		
Contracts placed	-	12,906

Operating lease commitments

At 31 December 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Plant and machinery	
	2003	2002	2003	2002
	£	£	£	£
Leases which expire:				
Within one year	-	65,630	-	-
Within two to five years	495,000	439,750	19,458	25,970
After five years	348,020	343,490	-	-
	<u>843,020</u>	<u>848,870</u>	<u>19,458</u>	<u>25,970</u>

Tenancy commitments

At 31 December 2003 the company was committed to making payments of £6,336,000 (2002 - £6,254,000) during the next year in respect of short-term tenancy rentals at exhibition halls.

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

20. PENSIONS

The company participates in the Reed Elsevier Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

The scheme was subject to a triennial valuation by Watson Wyatt Partners as at 5 April 2003. The actuarial values placed on scheme assets under SSAP24 as at their last valuation date were sufficient to cover 113% of the benefits that had accrued to members. The actuarial value of the scheme's assets as at the valuation date, excluding assets held in respect of members' additional voluntary contributions was £1,350m.

Based on the advice of the scheme actuaries, and with the agreement of the scheme trustees, no employer contributions have been made to the scheme in 2003 (2002: nil) and, with effect from 1 January 2004, employer contributions will be made at a rate of 5% of pensionable salaries until the next triennial valuation in 2006.

The assets in the scheme and the expected rates of return at 31 December 2003 and 31 December 2002 were:

	2003	2003	2002	2002
	Fair value	Expected	Fair value	Expected
	£m	rate of	£m	rate of
		return		return
Equities	1,050	7.8%	825	9.0%
Bonds	442	4.8%	487	4.5%
Other	38	4.3%	45	3.8%
Total fair value of assets	1,530		1,357	
Present value of scheme liabilities	(1,588)		(1,305)	
Net (deficit)/surplus	(58)		52	
Related deferred tax	17		(16)	
Net pension (liability)/asset	(41)		36	

The principal assumptions made in valuing pension scheme liabilities were:

	2003	2002
Inflation	2.8%	2.3%
Rate of increase in salaries	4.8%	4.3%
Rate of increase in pensions	2.8%	2.3%
Rate used to discount plan liabilities	5.5%	5.7%

21. ULTIMATE PARENT COMPANY

The 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 2003 is consolidated is Reed Elsevier Group plc.

Copies of the consolidated financial statements 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

Year ended 31 December 2003

22. RELATED PARTY TRANSACTIONS

The company owns 50% of the ordinary share capital of Fresh RM Limited. The company recharges certain costs, and licences certain exhibitions, to Fresh RM Limited. The recharges during the year ended 31 December 2003 amounted to £1,776,358 (2002 - £1,618,747). The payments received during the year ended 31 December 2003 amounted to £1,246,641 (2002 - £3,386,653). At 31 December 2003, Fresh RM Limited owed the company £357,555 (2002 –the company owed Fresh RM £172,162).

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 the Reed Elsevier Group plc group 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 ultimate parent company are Elsevier Reed Finance BV and its subsidiaries. Elsevier Reed Finance BV is incorporated in the Netherlands and jointly owned by Reed Elsevier PLC and Reed Elsevier NV. The Elsevier Reed Finance BV group provides a range of treasury services to Reed Exhibitions Limited.