

**Company Registration No 678540**

**REED EXHIBITIONS LIMITED**

**Report and Financial Statements**

**31 December 2005**



# **REED EXHIBITIONS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **REED EXHIBITIONS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

M J Rusbridge (Chairman)  
L Algoud  
P N Forster  
A C Gornall  
S J King  
R C Rees

### **SECRETARY**

S J King

### **REGISTERED OFFICE**

Gateway House  
28 The Quadrant  
Richmond  
Surrey  
TW9 1DN

### **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

# **REED EXHIBITIONS LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### **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 2005 (2004 - nil). The retained profit of £ 2,843,558 (2004 – £1,576,172) has been 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.

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

### **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 2005 the company's creditor days were 42 days (2004 – 45 days).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company makes sales in foreign currencies and is therefore exposed to the movement in the exchange rates of those currencies with the Pound. The company takes out forward exchange contracts through its Group treasury function to match the anticipated timing of foreign currency payments and receipts. Forward exchange contracts are not entered into on a speculative basis.

Group risks are discussed in the group's Annual Report which does not form part of this report.

# **REED EXHIBITIONS LIMITED**

## **DIRECTORS' REPORT**

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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', written in a cursive style.

S J King

Secretary

## REED EXHIBITIONS LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

*Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985.*

In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed;
- (d) 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 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Birmingham

*31 October 2006*

# **REED EXHIBITIONS LIMITED**

## **PROFIT AND LOSS ACCOUNT** **Year ended 31 December 2005**

	Note	2005	2004
		£	£
<b>TURNOVER</b>	2	52,602,415	52,261,585
Staff costs	3	(14,988,646)	(13,461,072)
Depreciation and other amounts written off tangible and intangible fixed assets	7,8	(2,927,971)	(3,417,765)
Other operating charges		<u>(30,234,369)</u>	<u>(31,532,275)</u>
		(48,150,986)	(48,411,112)
<b>OPERATING PROFIT</b>	4	4,451,429	3,850,473
Income from shares in subsidiary undertakings		7,294,379	90,000
Income from shares in associated undertakings		-	75,000
Amounts written off subsidiary undertakings	9	<u>(7,220,970)</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,524,838	4,015,473
Tax on profit on ordinary activities	6	<u>(1,681,280)</u>	<u>(2,439,301)</u>
<b>RETAINED PROFIT TRANSFERRED TO RESERVES</b>		2,843,558	1,576,172
<b>Profit and loss account brought forward</b>		<u>1,177,841</u>	<u>(398,331)</u>
<b>Profit and loss account carried forward</b>		<u><u>4,021,399</u></u>	<u><u>1,177,841</u></u>

There are no recognised gains or losses other than the profit for each financial year, accordingly a statement of total recognised gains and losses is not given.

There are no movements in shareholders' funds other than the profit for the financial year, accordingly, a reconciliation of movement in shareholders' funds is not given.



# REED EXHIBITIONS LIMITED

## **BALANCE SHEET** **31 December 2005**

	Note	£	2005 £	£	2004 £
<b>FIXED ASSETS</b>					
Intangible assets	7		11,779,754		10,685,751
Tangible assets	8		1,978,370		1,450,410
Investments	9		13,944,599		14,399,489
			<u>27,702,723</u>		<u>26,535,650</u>
<b>CURRENT ASSETS</b>					
Debtors:					
Amounts falling due within one year	10	6,997,899		12,537,724	
Amounts falling due after more than one year	10	14,779,532		14,779,532	
Cash at bank and in hand		58,231		53,555	
		<u>21,835,662</u>		<u>27,370,811</u>	
<b>CREDITORS: amounts falling due within one year</b>	11	(27,130,546)		(34,342,180)	
<b>NET CURRENT LIABILITIES</b>			<u>(5,294,884)</u>		<u>(6,971,369)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			22,407,839		19,564,281
<b>CREDITORS: amounts falling due after more than one year</b>	12		<u>(9,812,840)</u>		<u>(9,812,840)</u>
<b>NET ASSETS</b>			<u>12,594,999</u>		<u>9,751,441</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		538,760		538,760
Share premium account			8,034,840		8,034,840
Profit and loss account			4,021,399		1,177,841
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>12,594,999</u>		<u>9,751,441</u>

These financial statements were approved by the Board of Directors on 30 October 2006

Signed on behalf of the Board of Directors



R C Rees

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**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 United Kingdom 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 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 cash received on future exhibitions.

**NOTES TO THE ACCOUNTS****Year ended 31 December 2005****1. ACCOUNTING POLICIES (continued)****Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws 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.

**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:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
United Kingdom	28,319,917	30,102,227
Europe	12,521,509	10,873,604
Rest of the world	11,760,989	11,285,754
	<u>52,602,415</u>	<u>52,261,585</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 No	2004 No
<b>Average number of persons employed</b>		
Administration/organising	114	107
Sales/marketing	152	168
	<u>266</u>	<u>275</u>
<b>Staff costs (including directors)</b>	<b>£</b>	<b>£</b>
Wages and salaries	13,284,722	11,816,837
Social security costs	1,378,816	1,239,362
Pension contributions	325,108	404,873
	<u>14,988,646</u>	<u>13,461,072</u>
<b>Directors' emoluments</b>	<b>£</b>	<b>£</b>
Other remuneration	1,761,333	1,495,136
Compensation for loss of office	-	113,370
Pension contributions	41,412	46,171
	<u>1,802,745</u>	<u>1,654,677</u>
	<b>No</b>	<b>No</b>
Number of directors who are members of a defined benefit pension scheme	<u>6</u>	<u>6</u>
	<b>£</b>	<b>£</b>
<b>Remuneration of the highest paid director</b>		
Other remuneration	802,120	576,790
Pension contributions	18,528	19,967
	<u>820,648</u>	<u>596,757</u>
Accrued pension benefits	<u>157,570</u>	<u>140,532</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting) :

	2005 £	2004 £
Rentals under operating leases		
Hire of plant and machinery	20,071	15,400
Land and buildings	912,270	883,786
Depreciation on owned assets	770,545	824,867
Amortisation on intangible assets	2,157,426	2,592,898
Loss/(Profit) on disposal of tangible fixed assets	76,398	(16,816)
Loss on foreign currency exchange	98,624	140,886
Auditors' remuneration		
Audit fees	42,543	39,940
Non audit fees	-	-
	<u>                    </u>	<u>                    </u>

**5. HIVE UP OF SUBSIDIARY UNDERTAKING**

On 31 December 2005, the business along with trading assets and liabilities of ILTM Media Limited were transferred to the company for cash consideration of £7,221,070. The assets and liabilities transferred were:

	Book Value £	Adjustments £	Fair value to the company £
Exhibition title	-	7,221,070	7,221,070
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	7,221,070	7,221,070
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

The profit after tax of ILTM Media Limited for the period prior to acquisition (year ended 31 December 2004) was £168,998 and in the preceding 11 month period ended 31 December 2003 the profit was £39,620.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2005 £	2004 £
<b>Current tax</b>		
United Kingdom corporation tax	1,956,994	2,755,270
Adjustments in respect of prior years	(616,668)	23,374
	<u>1,340,326</u>	<u>2,778,644</u>
Overseas taxation	-	(174)
	<u>1,340,326</u>	<u>2,778,470</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	340,954	(339,169)
	<u>1,681,280</u>	<u>2,439,301</u>

The standard rate of current tax for the year, based on the main UK rate of corporation tax is 30% (2004 - 30%). A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	2005 £	2004 £
<b>Profit/(loss) on ordinary activities before tax</b>	<u>4,524,838</u>	<u>4,015,473</u>
Tax at standard rate	1,357,451	1,204,642
Non tax-deductible amortisation of goodwill and intangible assets	647,228	777,870
Prior year adjustments	(616,668)	23,374
Non taxable income	(2,191,586)	(53,207)
Non tax-deductible expenses	2,484,855	486,622
Reversal of timing differences	(340,954)	339,169
Current tax charge	<u>1,340,326</u>	<u>2,778,470</u>

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

# **REED EXHIBITIONS LIMITED**

## **NOTES TO THE ACCOUNTS** **Year ended 31 December 2005**

### **7. INTANGIBLE FIXED ASSETS**

	<b>Exhibition titles and rights £</b>
<b>Cost</b>	
At 1 January 2005	43,174,725
Additions	7,221,070
Transfer to investment in subsidiary undertaking	(3,969,641)
	<u>46,426,154</u>
At 31 December 2005	<u>46,426,154</u>
<b>Accumulated amortisation</b>	
At 1 January 2005	32,488,974
Amortisation during the year	2,157,426
	<u>34,646,400</u>
At 31 December 2005	<u>34,646,400</u>
<b>Net book amount</b>	
At 31 December 2005	<u>11,779,754</u>
At 31 December 2004	<u>10,685,751</u>

### **8. TANGIBLE FIXED ASSETS**

	<b>Short term leasehold land and buildings £</b>	<b>Vehicles And Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2005	532,738	6,805,126	7,337,864
Additions	-	1,506,491	1,506,491
Disposals	-	(898,640)	(898,640)
	<u>532,738</u>	<u>7,412,977</u>	<u>7,945,715</u>
At 31 December 2005	<u>532,738</u>	<u>7,412,977</u>	<u>7,945,715</u>
<b>Accumulated depreciation</b>			
At 1 January 2005	303,200	5,584,254	5,887,454
Charge for the year	33,775	736,770	770,545
Disposals	-	(690,654)	(690,654)
	<u>336,975</u>	<u>5,630,370</u>	<u>5,967,345</u>
At 31 December 2005	<u>336,975</u>	<u>5,630,370</u>	<u>5,967,345</u>
<b>Net book amount</b>			
At 31 December 2005	<u>195,763</u>	<u>1,782,607</u>	<u>1,978,370</u>
At 31 December 2004	<u>229,538</u>	<u>1,220,872</u>	<u>1,450,410</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**9. FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings at cost £	Shares in associated undertakings at cost £	Other investments at cost £	Total £
<b>Cost</b>				
At 1 January 2005	32,623,151	236,421	13,737,781	46,597,353
Additions	1,974,011	-	-	1,974,011
Adjustments	822,428	-	-	822,428
Transfer from intangible	3,969,641	-	-	3,969,641
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	39,389,231	236,421	13,737,781	53,363,433
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Provisions</b>				
At 1 January 2005	18,460,083	-	13,737,781	32,197,864
Provided during the year	7,220,970	-	-	7,220,970
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	25,681,053	-	13,737,781	39,418,834
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2005	13,708,178	236,421	-	13,944,599
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	14,163,068	236,421	-	14,399,489
	<hr/>	<hr/>	<hr/>	<hr/>

During the year, the company acquired the entire share capital of RX Business Continuity Limited (formerly IMP Events Limited).

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 Limited	Exhibition organising and design	100%
Fresh RM Limited	Exhibition organising and design	50%
ILTM Media Limited	Exhibition organising and design	100%
Spearhead Exhibition Group Limited	Exhibition organising	100%
International Training Equipment Conference Limited	Exhibition and conference organising	90%
RX Business Continuity Limited	Exhibition and conference organising	100%

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 2005**

### **10. DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Trade debtors	-	248,824
Amounts owed by ultimate parent company and fellow subsidiary undertakings	1,006,565	5,795,279
Amounts owed by subsidiary undertakings	1,089,529	183,773
Amounts owed by associated undertakings	225,254	270,749
Other debtors	872,794	264,055
Prepayments and accrued income	370,097	275,266
Deferred expenditure	2,076,459	4,617,993
Deferred taxation (note 13)	540,831	881,785
Corporation tax	816,370	-
	<u>6,997,899</u>	<u>12,537,724</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed by ultimate parent company and fellow subsidiary undertakings	1,660,000	1,660,000
Amounts owed by subsidiary undertakings	13,119,532	13,119,532
	<u>14,779,532</u>	<u>14,779,532</u>

### **11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Trade creditors	5,186,213	6,431,656
Amounts owed to ultimate parent and fellow subsidiary undertakings	4,598,539	9,427,520
Amounts owed to subsidiary undertakings	1,959,589	1,901,551
Other taxes and social security	941,213	740,607
Other creditors and accruals	6,926,751	7,078,424
Corporation tax	-	1,852,676
Deferred income	7,518,241	6,909,746
	<u>27,130,546</u>	<u>33,342,180</u>

### **12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts owed to ultimate parent and fellow subsidiary undertakings	9,239,000	9,239,000
Amounts owed to subsidiary undertakings	573,840	573,840
	<u>9,812,840</u>	<u>9,812,840</u>

# **REED EXHIBITIONS LIMITED**

## **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2005**

### **13. DEFERRED TAXATION**

The net deferred tax balances comprise:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax assets</b>		
Excess depreciation over capital allowances	384,686	435,020
Other timing differences	156,145	446,765
	<u>540,831</u>	<u>881,785</u>
 Deferred tax asset at 1 January	 881,785	 542,616
(Charged to)/credited to profit and loss account	(340,954)	339,169
	<u>540,831</u>	<u>881,785</u>
Deferred tax asset at 31 December		

The deferred taxation asset is included within debtors (note 10).

### **14. SHARE CAPITAL**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
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>
 <b>Called up, allotted and fully paid</b>		
12,760 Ordinary shares of £1 each	12,760	12,760
526,000 Deferred shares of £1 each	526,000	526,000
	<u>538,760</u>	<u>538,760</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.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**15. FINANCIAL COMMITMENTS**

	2005 £	2004 £
<b>Capital commitments</b>		
Contracts placed	42,672	80,123

**Operating lease commitments**

At 31 December 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings</b>		<b>Plant and machinery</b>	
	2005 £	2004 £	2005 £	2004 £
Leases which expire:				
Within one year	-	-	14,850	-
Within two to five years	634,900	634,900	-	14,850
After five years	266,020	266,020	-	-
	<u>900,920</u>	<u>900,920</u>	<u>14,850</u>	<u>14,850</u>

**Tenancy commitments**

At 31 December 2005 the company was committed to making payments of £13,685,000 (2004 - £34,342,180) during the next year in respect of short-term tenancy rentals at exhibition halls.

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

16. 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. Based on the advice of the scheme actuaries, and with the agreement of the scheme trustees, employer contributions will be made at a rate of 5% of pensionable salaries until the next triennial valuation in 2006.

As at 31 December 2005, the assumed rates of return on scheme assets, the fair value of those assets and the present value of the scheme liabilities based on the methodologies and presentation prescribed by FRS 17 were as follows:

	2005	2005	2004	2004
	Fair value	Expected	Fair value	Expected
	£m	rate of	£m	rate of
		return		return
Equities	1,290	8.0%	1,075	7.8%
Bonds	528	4.0%	498	4.6%
Other	94	5.8%	72	4.3%
Total fair value of assets	1,912		1,645	
Present value of scheme liabilities	(1,924)		(1,688)	
Net pension deficit (before tax)	(12)		(43)	

The principal assumptions made in valuing pension scheme liabilities were:

	2005	2004
Inflation	2.8%	2.8%
Rate of increase in salaries	4.3%	4.8%
Rate of increase in pensions	2.8%	2.8%
Rate used to discount plan liabilities	4.8%	5.4%

17. 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 2005 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 2005**

**18. 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 2005 amounted to £1,640,397 (2004 - £1,703,287). The payments received during the year ended 31 December 2005 amounted to £1,889,448 (2004 - £1,586,537). At 31 December 2005, Fresh RM Limited owed the company £225,254 (2004 - £474,305).

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.