

REED EXHIBITIONS LIMITED

Report and Financial Statements

31 December 2004



REED EXHIBITIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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
A Gornall (appointed 1 September 2004)
S J King
R C Rees
R Rigby-Hall (resigned 31 January 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

REED EXHIBITIONS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

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 2004 (2003 - nil). The retained profit of £ 1,576,172 (2003 – £4,008,898) 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.

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 2004 the company's creditor days were 45 days (2003 – 36 days).

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

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 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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.

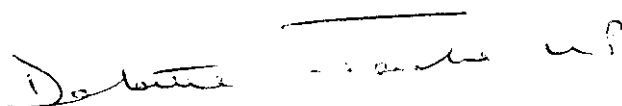
Basis of audit opinion

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 2004 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

31 October 2005

REED EXHIBITIONS LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2004**

	Note	2004 £	2003 £
TURNOVER	2	52,261,585	45,036,001
Staff costs	3	(13,461,072)	(12,041,281)
Depreciation and other amounts written off tangible and intangible fixed assets	6,7	(3,417,765)	(2,870,401)
Other operating charges		<u>(31,532,275)</u>	<u>(24,588,164)</u>
		<u>(48,411,112)</u>	<u>(39,499,846)</u>
OPERATING PROFIT	4	3,850,473	5,536,155
Income from shares in subsidiary undertakings		90,000	2,171,111
Income from shares in associated undertakings		75,000	-
Profit on sale of exhibition titles		-	913,939
Amounts written off subsidiary undertakings		<u>-</u>	<u>(2,235,481)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,015,473	6,385,724
Tax on profit on ordinary activities	5	<u>(2,439,301)</u>	<u>(2,376,826)</u>
RETAINED PROFIT TRANSFERRED TO RESERVES		1,576,172	4,008,898
Profit and loss account brought forward		<u>(398,331)</u>	<u>(4,407,229)</u>
Profit and loss account carried forward		<u><u>1,177,841</u></u>	<u><u>(398,331)</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 2004**

	Note	2004	2003
		£	£
FIXED ASSETS			
Intangible assets	6	10,685,751	9,340,295
Tangible assets	7	1,450,410	1,604,235
Investments	8	14,399,489	11,799,817
		<u>26,535,650</u>	<u>22,744,347</u>
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	9	12,537,724	13,889,927
Amounts falling due after more than one year	9	14,779,532	14,779,532
Cash at bank and in hand		53,555	446,659
		<u>27,370,811</u>	<u>29,116,118</u>
CREDITORS: amounts falling due within one year	10	<u>(34,342,180)</u>	<u>(33,872,356)</u>
NET CURRENT LIABILITIES		<u>(6,971,369)</u>	<u>(4,756,238)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,564,281</u>	<u>17,988,109</u>
CREDITORS: amounts falling due after more than one year	11	<u>(9,812,840)</u>	<u>(9,812,840)</u>
NET ASSETS		<u>9,751,441</u>	<u>8,175,269</u>
CAPITAL AND RESERVES			
Called up share capital	13	538,760	538,760
Share premium account		8,034,840	8,034,840
Profit and loss account		1,177,841	(398,331)
TOTAL SHAREHOLDERS' FUNDS		<u>9,751,441</u>	<u>8,175,269</u>
Attributable to equity shareholders		9,225,441	7,649,269
Attributable to non-equity shareholders		526,000	526,000
		<u>9,751,441</u>	<u>8,175,269</u>

These financial statements were approved by the Board of Directors on 26 October 2005

Signed on behalf of the Board of Directors



R C Rees

Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

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.

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

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:

	2004 £	2003 £
United Kingdom	30,102,227	27,890,821
Europe	10,873,604	8,570,414
Rest of the world	11,285,754	8,574,766
	<u>52,261,585</u>	<u>45,036,001</u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004	2003
	No	No
Average number of persons employed		
Administration/organising	107	100
Sales/marketing	168	138
	<u>275</u>	<u>238</u>
Staff costs (including directors)	£	£
Wages and salaries	11,816,837	10,870,289
Social security costs	1,239,362	1,137,067
Pension contributions	404,873	33,925
	<u>13,461,072</u>	<u>12,041,281</u>
Directors' emoluments	£	£
Other remuneration	1,495,136	1,371,782
Compensation for loss of office	113,370	-
Pension contributions	46,171	51,664
	<u>1,654,677</u>	<u>1,423,446</u>
	No	No
Number of directors who are members of a defined benefit pension scheme	<u>6</u>	<u>6</u>
	£	£
Remuneration of the highest paid director		
Other remuneration	576,790	443,080
Pension contributions	19,967	18,820
	<u>596,757</u>	<u>461,900</u>
Accrued pension benefits	<u>140,532</u>	<u>124,454</u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) :

	2004 £	2003 £
Rentals under operating leases		
Hire of plant and machinery	15,400	13,615
Land and buildings	883,786	1,062,417
Depreciation on owned assets	824,867	1,072,428
Amortisation on intangible assets	2,592,898	1,797,973
Profit on disposal of tangible fixed assets	(16,816)	(49,943)
Loss on foreign currency exchange	140,886	304,463
Auditors' remuneration		
Audit fees	39,940	37,642
Non audit fees	-	-

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004	2003
	£	£
Current tax		
United Kingdom corporation tax	2,755,270	2,318,695
Adjustments in respect of prior years	23,374	98,619
Less: Relief for overseas taxation	-	(29,739)
	<u>2,778,644</u>	<u>2,387,575</u>
Overseas taxation	(174)	29,739
	<u>2,778,470</u>	<u>2,417,314</u>
Deferred taxation		
Origination and reversal of timing differences	(339,169)	(40,488)
	<u>2,439,301</u>	<u>2,376,826</u>

The standard rate of current tax for the year, based on the main UK rate of corporation tax is 30% (2003 - 30%). A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	2004	2003
	£	£
Profit on ordinary activities before tax	<u>4,015,473</u>	<u>6,385,724</u>
Tax at standard rate	1,204,642	1,915,717
Non tax-deductible amortisation of goodwill and intangible assets	777,870	539,392
Prior year adjustments	23,374	98,619
Non taxable income	(53,207)	(651,333)
Non tax-deductible expenses	486,622	474,431
Reversal of timing differences	339,169	40,488
	<u>2,778,470</u>	<u>2,417,314</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 2004**

6. INTANGIBLE FIXED ASSETS

	Exhibition titles and rights £
Cost	
At 1 January 2004	39,236,371
Additions	3,942,931
Adjustments	(4,577)
	<u>43,174,725</u>
At 31 December 2004	
Accumulated amortisation	
At 1 January 2004	29,896,076
Amortisation during the year	2,592,898
	<u>32,488,974</u>
At 31 December 2004	
Net book amount	
At 31 December 2004	<u>10,685,751</u>
At 31 December 2003	<u>9,340,295</u>

7. TANGIBLE FIXED ASSETS

	Short term leasehold land and buildings £	Vehicles And Equipment £	Total £
Cost			
At 1 January 2004	532,738	7,108,833	7,641,571
Additions	-	719,960	719,960
Disposals	-	(1,023,667)	(1,023,667)
	<u>532,738</u>	<u>6,805,126</u>	<u>7,337,864</u>
At 31 December 2004			
Accumulated depreciation			
At 1 January 2004	260,959	5,776,377	6,037,336
Charge for the year	42,241	782,626	824,867
Disposals	-	(974,749)	(974,749)
	<u>303,200</u>	<u>5,584,254</u>	<u>5,887,454</u>
At 31 December 2004			
Net book amount			
At 31 December 2004	<u>229,538</u>	<u>1,220,872</u>	<u>1,450,410</u>
At 31 December 2003	<u>271,779</u>	<u>1,332,456</u>	<u>1,604,235</u>

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2004**

8. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings at cost £	Shares in associated undertakings at cost £	Other investments at cost £	Total £
Cost				
At 1 January 2004	29,962,143	297,757	13,737,781	43,997,681
Additions	2,666,944	-	-	2,666,944
Adjustments and reallocations	(5,936)	(61,336)	-	(67,272)
At 31 December 2004	32,623,151	236,421	13,737,781	46,597,353
Provisions				
At 1 January 2004 and at 31 December 2004	18,460,083	-	13,737,781	32,197,864
Net book value				
At 31 December 2004	14,163,068	236,421	-	14,399,489
At 31 December 2003	11,502,060	297,757	-	11,799,817

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 Media Limited	Exhibition organising and design	100%
Spearhead Exhibition Group Limited	Exhibition organising	100%
Storage Expo 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 2004**

9. DEBTORS

	2004 £	2003 £
Amounts falling due within one year		
Trade debtors	248,824	207,760
Amounts owed by ultimate parent company and fellow subsidiary undertakings	5,795,279	4,409,936
Amounts owed by subsidiary undertakings	183,773	251,024
Amounts owed by associated undertakings	270,749	427,485
Other debtors	264,055	1,213,080
Prepayments and accrued income	275,266	524,027
Deferred expenditure	4,617,993	6,313,999
Deferred taxation (note 12)	881,785	542,616
	<u>12,537,724</u>	<u>13,889,927</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	13,119,532
	<u>14,779,532</u>	<u>14,779,532</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade creditors	6,431,656	4,035,538
Amounts owed to ultimate parent and fellow subsidiary undertakings	9,427,520	5,885,363
Amounts owed to subsidiary undertakings	1,901,551	4,207,667
Other taxes and social security	740,607	1,120,833
Other creditors and accruals	7,078,424	5,262,725
Corporation tax	1,852,676	1,656,221
Deferred income	6,909,746	11,704,009
	<u>34,342,180</u>	<u>33,872,356</u>

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

	2004 £	2003 £
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 2004**

12. DEFERRED TAXATION

The net deferred tax balances comprise:

	2004 £	2003 £
Deferred tax assets		
Excess depreciation over capital allowances	435,020	440,981
Other timing differences	446,765	101,635
	<u>881,785</u>	<u>542,616</u>
 Deferred tax asset at 1 January 2004	 542,616	 502,128
Credited to profit and loss account	339,169	40,488
	<u>881,785</u>	<u>542,616</u>
 Deferred tax asset At 31 December 2004	 <u>881,785</u>	 <u>542,616</u>

The deferred taxation asset is included within debtors (note 9).

13. SHARE CAPITAL

	2004 £	2003 £
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	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.

REED EXHIBITIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

14. FINANCIAL COMMITMENTS

	2004 £	2003 £
Capital commitments		
Contracts placed	80,123	-

Operating lease commitments

At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2004 £	2003 £	Plant and machinery 2004 £	2003 £
Leases which expire:				
Within one year	-	-	-	-
Within two to five years	634,900	495,000	14,850	19,458
After five years	266,020	348,020	-	-
	<u>900,920</u>	<u>843,020</u>	<u>14,850</u>	<u>19,458</u>

Tenancy commitments

At 31 December 2004 the company was committed to making payments of £6,540,000 (2003 - £6,336,000) during the next year in respect of short-term tenancy rentals at exhibition halls.

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

15. 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 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 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:

	2004	2004	2003	2003
	Fair value	Expected	Fair value	Expected
	£m	rate of	£m	rate of
		return		return
Equities	1,075	7.8%	1,050	7.8%
Bonds	498	4.6%	442	4.8%
Other	72	4.3%	38	4.3%
Total fair value of assets	1,645		1,530	
Present value of scheme liabilities	(1,688)		(1,588)	
Net (deficit)/surplus	(43)		(58)	
Related deferred tax	13		17	
Net pension (liability)/asset	(30)		(41)	

The principal assumptions made in valuing pension scheme liabilities were:

	2004	2003
Inflation	2.8%	2.8%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	2.8%	2.8%
Rate used to discount plan liabilities	5.4%	5.5%

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

16. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Reed Elsevier (UK) Ltd. 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 2004 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.

17. 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 2004 amounted to £1,703,287 (2003 - £1,776,358). The payments received during the year ended 31 December 2004 amounted to £1,586,537 (2003 - £1,246,641). At 31 December 2004, Fresh RM Limited owed the company £474,305 (2003 - Fresh RM Limited owed the company £357,555).

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.