Company Registration No 2746616

Reed Elsevier Group plc

Annual Report and Financial Statements

For the year ended 31 December 2009

OFFICERS AND PROFESSIONAL ADVISERS

Directors

The following served as directors during the year

A Habgood *	- Chairman (appointed 1 June 2009)
E Engstrom	- Chief Executive Officer (effective from 11 November 2009)
M H Armour	- Chief Financial Officer
Sir Crispin Davis	- (retired 19 March 2009)
M W Elliott *	
J Hommen *	- (resigned 22 April 2009)
L Hook *	
R B Polet *	
A Prozes	
D E Reid *	
I R Smith	- (appointed 1 January 2009, resigned 10 November 2009)
Lord Sharman of Redlynch OBE *	
B van der Veer *	- (appointed 3 September 2009)

*Indicates non-executive director

Secretary

Stephen J Cowden

Registered Office

1-3 Strand
London
WC2N 5JR

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

The company is a holding company and through its subsidiary undertakings is primarily engaged in publishing and providing information, principally in North America and Europe

The company is jointly owned and controlled by Reed Elsevier PLC and Reed Elsevier NV

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Results and dividends

Revenue for the year was £6,011m (2008 £5,281m), up 14%, including a full year contribution from the ChoicePoint business acquired in September 2008 At constant exchange rates revenue was flat compared with the prior year Underlying revenues, i e before acquisitions and disposals, were 7% lower principally reflecting the impact of the global recession on our markets, most particularly the significant downturn in advertising and promotion markets in Reed Exhibitions and Reed Business Information (RBI)

Adjusted operating profit (i e before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, and the equity share of taxes in joint ventures) was £1,515m (2008 £1,330m), up 14% including a full year contribution from the ChoicePoint business acquired in September 2008 At constant exchange rates, adjusted operating profits were flat Underlying adjusted operating profits, i e before acquisitions and disposals, were 10% lower reflecting the operational gearing on underlying revenue declines of 7% The overall adjusted operating margin was unchanged at 25 2%

Reported operating profit was £744m (2008 £863m), down 14% The decrease principally reflects intangible asset and goodwill impairment charges relating to RBI and increased restructuring and acquisition integration spend, partly offset by currency translation effects

The amortisation charge in respect of acquired intangible assets, including the share of amortisation in joint ventures, amounted to £356m (2008 £270m) up £86m as a result of ChoicePoint and other 2008 acquisitions, and currency translation effects Charges for impairment of acquired intangible assets and goodwill were £177m (2008 £9m) principally relating to RBI and certain minor exhibitions businesses

Exceptional restructuring costs incurred amounted to £182m (2008 £152m) relating to the major restructuring programmes announced in February 2008 and 2009 and included severance, outsourcing migration and related vacant property costs Acquisition related costs amounted to £48m (2008 £27m) principally in respect of the integration of the ChoicePoint business into LexisNexis

Disposals and other non operating losses of £57m (2008 £93m) comprise restructuring costs in relation to assets held for sale and related closures, in particular RBI US controlled circulation titles, less net gains on disposals of minor titles and investments and fair value increases in the portfolio of venture capital investments

Net finance costs were higher at £649m (2008 £500m, including £17m of acquisition related fees incurred in connection with ChoicePoint acquisition financing) principally reflecting a full year's financing of the ChoicePoint acquisition and currency translation effects

The reported profit before tax including amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, and non operating items, was £38m (2008 £270m)

The effective tax rate on profits before exceptional restructuring and acquisition related costs, disposals and other non operating items, amortisation and impairment of intangible assets and goodwill was 29 4% (2008 27 2%) The effective tax rate has increased largely due to geographic mix effects The reported tax charge was lower at £8m (2008 £99m) reflecting the reduced reported profit before tax, geographic mix effects, tax credits on prior period disposals of £28m and the full year deferred tax credit on amortisation of the deferred tax liability established on acquisition of ChoicePoint in relation to its intangible assets

Net profit from discontinued operations of £18m in the prior year comprised the gain on disposal of the remaining Education Division businesses of £67m less taxes of £49m

The reported attributable profit of £26m compares with £185m in 2008, reflecting the lower reported profit before tax partly mitigated by lower tax costs and currency translation effects

DIRECTORS' REPORT

During the year the company paid dividends of nil (2008 £500m) on the 'R' ordinary shares, nil on the 'E' ordinary shares (2008 nil), and preference dividends of £7 500 (2008 £7,500) and subsidiary undertakings paid dividends of nil (2008 £953m) to Reed Elsevier NV

Cash flows

Cash generated from operations was £1,550m (2008 £1,401m), up 11% compared with the prior year principally reflecting the increased adjusted operating profits Including net interest payments of £672m (2008 £479m) and tax paid of £90m (2008 £160m), net cash from operating activities was £788m (2008 £761m) The decrease in tax paid principally reflects the cash tax benefit of exceptional restructuring spend The increase in net interest payments principally reflects a full year's financing of the ChoicePoint acquisition and currency translation effects, less the benefit of cash flow and proceeds from share issuance

Capital expenditure was £241m (2008 £172m), including £163m (2008 £115m) in respect of capitalised development costs included within internally developed intangible assets The increase reflects a full year of ChoicePoint capital expenditures and increased investment in product platforms and related infrastructure, and currency translation effects Spend on acquisitions was £94m, including £56m of payments in respect of ChoicePoint change of control and other non operating liabilities assumed on acquisition

In August 2009 the company issued ordinary shares to the existing shareholders for net proceeds of £913m No ordinary dividends were paid in the year by the company to shareholders (2008 £500m) and no dividends were paid by subsidiary undertakings to Reed Elsevier NV (2008 £953m)

Debt

Net borrowings at 31 December 2009 were £11,060m (2008 £13,720m), a decrease of £2 660m since 31 December 2008 The decrease principally reflects the August 2009 share issuance, which raised net proceeds of £913m, net cash flow from operating activities and currency translation effects, partially offset by capital expenditure and acquisition spend Currency translation effects decreased net borrowings by £1,288m reflecting the impact of the weakening of the US dollar, from $1 45 £1 at the beginning of the year to £1 62 £1 at the end, on the largely US dollar denominated net debt

Net borrowings from shareholders and affiliated undertakings at 31 December 2009 amounted to £8,689m (2008 £10 183m) Other borrowings amounted to £2 906m (2008 £3,781m) and the fair value of related derivative liabilities was £9m (2008 nil) Cash balances totalled £544m (2008 £244m)

Net pension obligations, i e pension obligations less pension assets, at 31 December 2009 were £235m (2008 £369m) The decrease reflects the impact of higher plan asset values, pension benefit curtailments and currency translation partially offset by the effects of lower discount rates and an increased inflation assumption in the UK scheme

Operating business review

The results of the businesses are reported in four segments Elsevier, LexisNexis, Reed Exhibitions and Reed Business Information

Adjusted figures and constant currency growth rates are used by Reed Elsevier Group plc as additional performance measures Adjusted operating profit is stated before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, and is grossed up to exclude the equity share of taxes in joint ventures Exceptional restructuring costs principally relate to the major restructuring programmes announced in February 2008 and 2009 Constant currency growth rates are based on 2008 full year average and hedge exchange rates

Elsevier

Elsevier had a relatively robust year In a challenging academic budget environment, the journals business entered 2009 with good subscription renewals from 2008 In Health Sciences, growing online sales in medical reference, clinical decision support and nursing and health professional education were partly held back by weak pharma promotion markets Adjusted operating margins improved through significant restructuring and cost actions

Revenues and adjusted operating profits increased by 4% and 9% respectively at constant currencies, both before and after minor acquisitions Cost growth was limited to 1% through significant cost savings, including the streamlining of business processes in shared services, the continued ramp up of journal and book production operations in our Chennai facility, the further outsourcing of IT development and back office activities, including application management and financial transaction processing, the consolidation of activities, including technology operations and real estate, and more effective leveraging of global procurement

The reported operating margin, after amortisation of acquired intangible assets and exceptional restructuring costs, was 26 9%, up 2 2 percentage points

Science & Technology saw revenue growth of 5% at constant currencies This was driven by good *ScienceDirect* subscription renewals entering the year Online usage of *ScienceDirect* continued to grow close to 20% The *Scopus* abstract and indexing database saw strong growth in subscriptions and was expanded through the addition of new content in the humanities Good growth in e-books and other online transactional sales were offset by lower print book sales reflecting tighter customer budgets and channel destocking

In Health Sciences, revenues were up 3% at constant currencies Strong performances in medical research, nursing and health professional education, and in clinical decision support were in part tempered by continuing weakness in pharma promotion markets Pharma promotion and other advertising revenues which accounted for approximately 20% of Health Sciences' revenues, were down 7%, reflecting fewer blockbuster drug launches and a reduction in the marketing budgets of pharmaceutical companies Excluding pharma promotion and other advertising, revenues were 5% ahead at constant currencies The growth in medical research reflects growing online subscriptions to medical content In nursing and health professional education, strong growth was achieved through the increasing demand for healthcare professionals, new publishing and the further development and increasing penetration of online resources Double digit growth was seen in clinical decision support with growing demand for online workflow solutions that combine content with predictive analytics In clinical reference strong growth in *MDConsult* and other online reference products was offset by lower print book sales

Elsevier has continued its long standing commitment to innovation and new product development In scientific and medical research, the focus is on building out new content and data sets and increasing the functionality of cross-discipline and discipline-specific research and discovery tools Institutional planning and performance tools are also being developed to help improve economic outcomes for researchers and academic leaders Additionally in Health Sciences there is particular focus on increasing the range and sophistication of our clinical decision support solutions to make healthcare more efficient and to improve medical outcomes

For 2010, good momentum is expected in health sciences from the continued growth in the health professions and the increasing adoption of online resources, although pharma promotion and other advertising revenues remain weak Academic budget pressures are expected to continue Overall revenue growth is expected to be lower for the year

LexisNexis

LexisNexis had a challenging year The core law firm business was flat in the US and marginally lower internationally reflecting the downturn in the legal industry whilst US directory listings were well behind the prior year as firms cut back on directory spend Corporate, government and academic markets were lower ChoicePoint made an excellent contribution in its first year, growing its profits strongly and boosting overall revenues and profits Adjusted operating margins were slightly lower due to the underlying revenue decline largely mitigated by further restructuring and cost actions and the strong growth in ChoicePoint profitability

Revenues and adjusted operating profits increased by 14% and 13% respectively at constant currencies including a first full year contribution from the ChoicePoint business acquired in September 2008 Excluding ChoicePoint and minor acquisitions and disposals, underlying revenues and adjusted operating profits were down 4% and 15% respectively The overall adjusted operating margin was 0 4 percentage points lower at 26 0% reflecting the underlying revenue decline and increases in spending on new product development, sales and marketing and operational support, largely mitigated by the further restructuring and cost actions, and the increasing profitability of ChoicePoint

Cost savings include the full year benefit of the consolidation in 2008 of the Corporate and Public Markets business with US Legal as well as the consolidation of US operations, continued outsourcing of systems engineering and maintenance, software development engineering, data fabrication, and other production activities, the further consolidation and streamlining of technology operations and real estate, more effective leveraging of global procurement, streamlining of the screening business in Risk, and consolidation of activities on the integration of ChoicePoint

The reported operating margin, after amortisation of acquired intangible assets and exceptional restructuring and acquisition integration costs, was 13 2%, down 1 8 percentage points, reflecting intangible asset amortisation of the ChoicePoint acquisition and acquisition integration costs

The US Legal business saw revenues decline 6% at constant currencies, or 4% before changes in revenue recognition in Martindale-Hubbell, largely driven by weakness in corporate, government and academic markets and cutbacks by law firms on directory spend The core law firm business held up well, with revenues flat, despite the significant impact of the economic downturn on the legal industry This reflects the continuing demand for legal research information services and growth in workflow solutions particularly in litigation services

The Martindale-Hubbell lawyer directory listings business saw revenues down 17% on a like for like basis as law firms cut back on directory marketing In recognition of Martindale-Hubbell's transformation into a web marketing services company, all listing revenues in 2009 have been attributed to the online listings and recognised rateably over the listing period, print directories are no longer provided except as separately ordered by customers The change in timing of revenue recognition has a onetime adverse effect in 2009

Good progress is being made in developing the next generation of legal research products, and the advanced back office infrastructure to support them, to deliver an integrated and superior customer experience across legal research, workflow tools, practice solutions and client development Progressive product introductions over the next few years will combine advanced technology with enriched content and sophisticated analytics and applications LexisNexis' goal is to deliver not just better search results, but better outcomes for customers In addition, sales coverage is being expanded and more intuitive user interfaces and expanded litigation workflow tools are being added to the current offering This will result in a higher ongoing level of capital expenditure and lower margin through continuing development spend and will over the longer term drive growth and operational efficiencies

Government, corporate and academic markets were 6% lower with customer budgets under pressure and reduced transactional activity, impacting in particular the news and business information databases

The LexisNexis International business, i e the non US businesses saw revenues decline 3% at constant currencies, or 1% underlying before taking account of the sale in the prior year of the Latin American business The pressures on the legal services industry internationally mirror those seen in the US particularly in the UK with the impact mostly on print product sales as customers increasingly rely on the online service With less penetration of online services in international markets than in the US, online revenues have continued to grow strongly at 9% as firms seek to increase their effectiveness This has largely been offset by the decline in print sales

The Risk Solutions business saw revenues almost double at constant currencies including a full year contribution of the ChoicePoint business acquired in September 2008 Underlying revenues, before ChoicePoint, were 2% lower reflecting the slowdown in transactional activity in the US economy, largely offset by strong growth in government markets

The ChoicePoint business saw revenues up 1% on a proforma basis with adjusted operating profits up 44%, delivering a first year post tax return of 6 0% on the $4 1 billion purchase Strong revenue growth in the insurance segment, up 10%, was driven by high transactional activity in auto and property insurance markets and by increasing sales of more powerful data and analytics products This strong growth in insurance and cost savings from the integration of ChoicePoint and LexisNexis drive the increased profitability The 1% proforma revenue growth is after a 13% decline in the non-insurance businesses, principally in pre-employment screening, reflecting the economic downturn Significant cost actions in the screening business limited the profit impact of this decline

The business trends seen in US legal and international markets are expected to continue into 2010 reflecting the continuing pressures on the legal industry and the subscription nature of much of the revenue Good growth momentum is expected in the insurance segment in Risk Solutions and screening markets should stabilise as the US economy recovers The overall adjusted operating margin is expected to be lower, reflecting the effects of a weak revenue environment and increases in spend on product development, infrastructure and sales and marketing in the Legal business partly mitigated by continuing cost actions and the growing profitability of the ChoicePoint business

Reed Exhibitions

Reed Exhibitions had a difficult year with customers cutting back on promotional expenditure and the net cycling out of biennial exhibitions The revenue decline, mitigated in part by substantial cost savings, has reduced adjusted operating margins

Revenues and adjusted operating profits were down 21% and 28% respectively at constant currencies or 22% and 31% before minor portfolio changes Adjusted for biennial show cycling, underlying revenues and adjusted operating profits were 13% and 18% lower respectively Significant cost savings were made through management streamlining, operational efficiencies and headcount reductions across the business The operating margin, after amortisation of acquired intangible assets and exceptional restructuring costs, was 17 1%, down 0 9 percentage points, before goodwill impairment charges on certain minor shows

Sales of exhibition space and ancillary services were lower across all major geographies There was also a decline in paying delegates at the small number of shows which charge significant fees for participation Across the regions, annual show revenues were 14% lower in the US 13% in Japan, and 17% in Europe The shows overall have however been successful with attendances remaining resilient and strong satisfaction expressed by exhibitors and visitors

Whilst 2010 will see the benefit of the net cycling in of biennial shows, bookings going into the year remain cautious with exhibitors committing later than usual and revenues from annual shows are expected to be lower

Reed Business Information

Reed Business Information had a very tough year with advertising markets severely impacted by the economic recession Print subscription revenues declined less and data services saw good growth Adjusted operating margins were lower due to the revenue decline partly mitigated by substantial cost savings

Revenues and adjusted operating profits were 18% and 35% lower respectively at constant currencies, or 18% and 34% before acquisitions and disposals Total underlying costs were 15% lower driven by substantial cost savings The operating margin, after amortisation of acquired intangible assets and restructuring costs, was negative 2 4% before impairment charges, down 7 9 percentage points reflecting the revenue decline and significantly higher exceptional restructuring costs

Overall advertising revenues (47% of RBI revenues) were down 29%, with online advertising revenues down 14% and print advertising revenues down substantially more at 37% Print subscription and other revenues declined 10% In contrast, data services revenues (17% of RBI revenues) grew 10%

The controlled circulation magazines and certain other print titles in the US, accounting for 47% of US revenues, are being sold, restructured in anticipation of sale or closed *Variety* and the entertainment group, *RCD (Reed Construction Data)*, and the *BuyerZone* lead generation business are being retained These businesses saw revenues decline 16%

The imperative is to continue restructuring the magazines business and the advertising driven portfolio, to align the cost base with reduced revenue expectations, and to further grow the data services business

Advertising markets remain difficult and late cycle effects continue to put pressure on subscriptions Data services continue to grow well 2010 will be another difficult year for RBI with further revenue declines

Future prospects

Business trends seen in the second half of 2009 are continuing in 2010, particularly with regard to late cycle effects in our relatively resilient professional markets Advertising and promotion and certain other markets, such as employee screening, remain difficult while the rate of decline is expected to slow as comparatives get easier A modest reduction in adjusted operating margin is expected due to the weak revenue environment and increased investment in legal markets While late cycle effects will continue in 2010 and be particularly severe in the first half, Reed Elsevier Group plc has high quality assets in attractive global growth markets and we are confident that our longer term prospects are encouraging

ACCOUNTING POLICIES

The accounting policies of Reed Elsevier Group plc are described in the consolidated financial statements, and are in accordance with International Financial Reporting Standards (IFRS) The most significant accounting policies in determining the financial condition and results of the group, and those requiring the most subjective or complex judgement, relate to the valuation of goodwill and intangible assets, share based remuneration, pensions, taxation and property provisioning Further detail of these policies is set out on pages 55 to 61

TREASURY POLICIES

Financial instruments are used to finance the Reed Elsevier Group plc's businesses and to hedge transactions Reed Elsevier Group plc s businesses do not enter into speculative transactions The main treasury risks faced by Reed Elsevier Group plc are liquidity risk, interest rate risk, foreign currency risk and credit risk The board of Reed Elsevier Group plc agrees overall policy guidelines for managing each of these risks The policies are summarised below

Liquidity
Reed Elsevier Group plc maintains a range of borrowing facilities and debt programmes from a variety of sources to fund its requirements at short notice and at competitive rates The significance of Reed Elsevier Group plc s US operations means that the majority of debt is denominated in US dollars A mixture of short term and long term debt is utilised and Reed Elsevier Group plc maintains a maturity profile to facilitate refinancing Policy requires that no more than $1 5 billion of term debt issues should mature in any 12-month period In addition, minimum levels of borrowings with maturities over three and five years are specified, depending on the level of net debt

From time to time, Reed Elsevier Group plc may repurchase outstanding debt in the open market depending on market conditions and, during 2009, $44m of US term debt maturing in 2097 was bought back opportunistically following reverse enquiry by investors

At 31 December 2009, the Reed Elsevier Group plc group had access, along with other affiliated companies, to a $2 5bn committed bank facility maturing in May 2010, providing back up for commercial paper borrowings and other short term debt, none of which was drawn, and a $2 0bn committed bank facility, forward starting in May 2010 and maturing in May 2012 In January 2010 the $2 5bn committed facility maturing in May 2010 was cancelled and the start date of the $2 0bn committed facility brought forward to start immediately This back up facility provides security of funding for $2 0bn of short term debt to May 2012

After taking account of committed bank facilities and available cash resources at 31 December 2009, no borrowings (other than from affiliates) mature in the next two years (2008 17%), 14% mature in the third year (2008 50%), 15% in the fourth and fifth years (2008 9%), 54% in the sixth to tenth years (2008 13%), and 17% beyond the tenth year (2008 11%) The Reed Elsevier Group plc group also has borrowings from its affiliate Elsevier Finance SA totalling £7,054m (2008 £8,040m) of which 30% mature in the next year (2008 22%), 18% mature in the second year (2008 17%), 16% mature in the third year (2008 18%), 27% mature in the fourth and fifth years (2008 31%), and 9% mature in the sixth to tenth years (2008 12%)

Interest rate exposure management
Reed Elsevier Group plc's interest rate exposure management policy is aimed at reducing the exposure of the business to changes in interest rates Reed Elsevier Group plc uses fixed rate term debt, interest rate swaps, forward rate agreements and interest rate options to manage the exposure Interest rate derivatives are used only to hedge an underlying risk and no net market positions are held

At 31 December 2009, 81% of net borrowings were either fixed rate or had been fixed through the use of interest rate swaps, forward rate agreements and options

Foreign currency exposure management
Translation exposures arise on the earnings and net assets of business operations in countries other than those of Reed Elsevier Group plc These exposures are hedged, to a significant extent, by a policy of denominating borrowings in currencies where significant translation exposures exist, most notably US dollars

Currency exposures on transactions denominated in a foreign currency are required to be hedged using forward contracts In addition, recurring transactions and future investment exposures may be hedged, in advance of becoming contractual The precise policy differs according to the specific circumstances of the individual businesses Highly predictable future cash flows may be covered for transactions expected to occur during the next 12 months (50 months for Elsevier science and medical subscription businesses) within limits defined according to the period before the transaction is expected to become contractual Cover takes the form of foreign exchange forward contracts

As at 31 December 2009, the amount of outstanding foreign exchange cover against future transactions was £1 0 billion (2008 £1 1 billion)

Credit risk
Reed Elsevier Group plc has a credit exposure for the full principal amount of cash and cash equivalents held with individual counterparties In addition, it has a credit risk from the potential non performance by counterparties to financial instruments, this credit risk normally being restricted to the amounts of any hedge gain and not the full principal amount being hedged Credit risks are controlled by monitoring the credit quality of counterparties, principally licensed commercial banks and investment banks with strong long term credit ratings. and the amounts outstanding with each of them

Reed Elsevier Group plc has treasury policies in place which do not allow concentrations of risk with individual counterparties and do not allow significant treasury exposures with counterparties which are rated lower than single A At 31 December 2009, cash and cash equivalents totalled £544m, of which 95% was held with banks rated A+ or better by Standard and Poor's, Moody's or Fitch

Capital management
The capital structure is managed to support the objective of Reed Elsevier Group plc's parent companies, Reed Elsevier PLC and Reed Elsevier NV to maximise long-term shareholder value through ready access to debt and capital markets, cost effective borrowing and flexibility to fund business and acquisition opportunities whilst maintaining appropriate leverage to optimise the cost of capital

Over the long term Reed Elsevier Group plc targets cash flow conversion (the proportion of adjusted operating profits converted into cash) and credit metrics to reflect this aim and that are consistent with a solid investment grade credit rating for the Reed Elsevier combined businesses Levels of net debt should not exceed those consistent with such a rating other than for relatively short periods of time, for instance following an acquisition The principal metrics utilised are free cash flow (after interest, tax and dividends) to net debt, net debt to ebitda (earnings before interest, taxation, depreciation and amortisation) and ebitda to net interest

Reed Elsevier Group plc s use of cash reflects its objectives through selective acquisitions and a dividend policy which ensures distributable reserves are maintained at an appropriately high level to meet the requirements for dividends by Reed Elsevier PLC and Reed Elsevier NV This regular remittance of dividends also creates the opportunity to examine regularly the capital structure of each subsidiary and ensure that fiscal efficiency is achieved Reed Elsevier Group plc's balance sheet was strengthened by the issue of shares to existing shareholders in August 2009

The balance of long term debt short term debt and committed bank facilities is managed to provide security of funding, taking into account the cash generation of the business and the uncertain size and timing of acquisition spend

There were no changes to Reed Elsevier Group plc's long term approach to capital management during the year

DIRECTORS' REPORT

DESCRIPTION OF BUSINESS

Reed Elsevier Group plc has high quality assets in attractive global growth markets We are committed to delivering world class information and tools that enable our customers to make critical decisions, enhance productivity and improve outcomes This is combined with a relentless pursuit of process innovation and cost efficiency Total revenue for the year ended 31 December 2009 was £6,011m Adjusted operating profit for the year ended 31 December 2009 was £1,515m

Elsevier

Elsevier is the world s leading provider of scientific and medical information and serves scientists, health professionals and students worldwide Elsevier provides world class information and innovative workflow tools that enable customers to make critical decisions, enhance productivity and improve outcomes

Total revenues for the year ended 31 December 2009 were £1 925m Elsevier is a global business headquartered in Amsterdam with principal operations in Amsterdam, Beijing, Boston, Chennai, Delhi London, Madrid, Munich, Oxford, New York, Paris, Philadelphia, Rio de Janeiro, St Louis San Diego, Singapore and Tokyo Elsevier has 6,600 employees

Elsevier has two market facing businesses Science & Technology serving the scientific community and Health Sciences serving the health community, both of which are supported by a global shared services organisation which provides integrated editorial systems and production services, product platforms and distribution, and other back office functions

Science & Technology is the world's leading global scientific information provider It delivers a wide array of information and workflow tools that generate valuable insights for researchers in the advancement of scientific discovery and improve the productivity of research Its customers are scientists and professionals, academic libraries, corporations and governments, who rely on Elsevier to provide high quality content, to promote, review, publish, disseminate, and preserve research findings, and to create innovative workflow tools to improve the efficiency of their endeavour

Science & Technology publishes over 200,000 new research articles each year through some 1,100 journals, many of which are the foremost publications in their field and a primary point of reference for new research The vast majority of customers receive these journals through the flagship electronic research solution *ScienceDirect* It is the world's largest database of scientific and medical research, with 10 million scientific journal articles. accessed by over 11 million researchers each year Science & Technology also publishes over 900 new book titles annually, as well as secondary material in the form of supporting bibliographic data, indexes and abstracts, and tertiary information through review and reference works 10,000 e-book titles are in *ScienceDirect*, with over 400 e-books added each year

Science & Technology's other flagship electronic solutions include *Scopus* and the recently launched *Reaxys* and *SciVal Spotlight* services *Scopus* is the largest abstract and citation database of research literature in the world, with the abstracts and bibliographic information of more than 40 million scientific research articles from 17,000 peer reviewed journals and over 5,000 publishers *Scopus* also has data on more than 23 million patents *Reaxys* is a new solution for synthetic chemists based on Elsevier's prestigious *CrossFire Database* suite, which integrates chemical reaction and compound data searching with synthesis planning The *SciVal* suite of research tools enables individual researchers and institutional leadership to determine and evaluate their research strategies more effectively

Health Sciences is the world's leading medical publisher It serves health professionals, including medical researchers, doctors, nurses, allied health professionals and students, as well as hospitals research institutions, managed healthcare organisations, pharmaceutical companies and insurers Through its medical journals, books, major reference works, databases and online information solutions, Health Sciences provides critical information and analysis on which its customers rely to base their decisions, to improve medical outcomes and enhance the efficiency of healthcare

Health Sciences publishes over 700 journals, including on behalf of learned societies, and, in 2009, over 1,700 new book titles and clinical reference works both in print and through *ScienceDirect* and other electronic platforms such as *MDConsult*, which is a leading online clinical information service with more than 2 200 institutional customers and over 12 million page views per month Flagship titles include market leading medical journals such as *The Lancet*, and major medical reference works such as *Gray's Anatomy, Nelson's Pediatrics* and *Netter's Atlas of Human Anatomy* In addition to its local language publishing in countries across the world, Health Sciences leverages its strong brands and international content and solutions into new markets through local language versioning The business also provides marketing services to the pharmaceutical industry through advertising and sponsored communications to the specialist communities it serves

Heath Sciences is a leader in medical education and training resources, particularly in the nursing and allied health professions From core textbooks to virtual clinical patient care Heath Sciences supports students, teaching faculties and healthcare organisations in education and practice A strong focus is on the further development of innovative electronic resources the *Evolve* portal provides a rich resource to support faculty and students and now has 1 8 million registered users, *Health Education Systems Inc* provides online review and testing tools for nursing and allied health staff, the recently launched *Pageburst* digital content delivery platform delivers book content online with powerful search, multimedia, and collaboration functions

A fast growing area of the business is clinical decision support, providing online information and analytics to deliver patient-specific solutions at the point of care to improve patient outcomes *Gold Standard* provides critical information on drug interactions to assist effective treatment, *CPM Resource Center* provides a data driven framework to support nurses in undertaking procedures, *Nursing Consult* provides nursing care guidelines in trauma and disease management, *MEDai* uses patient data and analytics to help identify areas for improvement in clinical practice within hospitals and lower costs for the payers of healthcare through preventative interventions

Market Opportunities
Growth in the scientific information market is driven by increases in R&D spend reflected in the growing number of researchers worldwide and research output, and the demand for improved research efficiency

In healthcare, market growth is supported by favourable demographic trends, with ageing populations requiring more healthcare and rising prosperity in developing economies increasing expectations of better healthcare provision The healthcare professions are growing and information intensity is increasing as payers and providers of healthcare look to improve medical outcomes and cost efficiency

Strategic Priorities
Elsevier s strategic goal is to make valued contributions to the communities it serves by providing actionable data through information and tools that advance scientific discovery and improve medical outcomes To achieve this, Elsevier is focused on building world class content, developing workflow tools that link analyse and illuminate content and data to help customers to make and execute critical decisions and improve their productivity, enhancing customer service and engagement to better fulfil the needs of the scientific and health communities, expanding penetration of high growth markets, and improving organisational efficiency

In Science & Technology, the priorities are to continue to enhance the quality of journal and book content and expand data sets whilst adding greater functionality and utility to *ScienceDirect* and other database services New workflow tools are being introduced to assist researcher productivity together with new performance and planning tools to improve research efficiency and economic outcomes

In Health Sciences, priorities are similar, particularly with regard to medical research Additionally, Elsevier is building out clinical decision support services to meet the demand for tools to help deliver better medical outcomes and lower costs for payers, physicians and hospitals Elsevier is also focused on increasing its penetration in emerging markets through expansion of local publishing and versioning of content and digital services

Distribution Channels and Competition
Elsevier's science journals are generally sold to libraries on a paid subscription basis Medical and healthcare journals are generally sold to libraries on a paid subscription basis or sold to individual practitioners and medical society members Electronic products, such as *ScienceDirect*, are generally sold directly to institutional libraries, hospitals, corporations and end users through a dedicated sales force that has offices around the world Subscription agents facilitate the administrative process for print journals Books are sold through traditional and online book stores, wholesalers and, particularly in medical and healthcare markets, directly to end users

Competition within the science and medical publishing fields is generally on a title by title and product by product basis Competing journals books and databases are typically published by learned societies and other professional publishers

LexisNexis

LexisNexis is a world leading provider of authoritative content and information solutions for the legal and risk markets Serving customers in more than 100 countries, LexisNexis provides resources and services that inform decisions and increase productivity of professionals in the legal, risk management, corporate, government, law enforcement accounting and academic markets

Total revenues for the year ended 31 December 2009 were £2,557m LexisNexis is a global business headquartered in New York with its principal operations in Georgia, Ohio, New Jersey and New York in the US, and in the UK, France Canada. South Africa and Asia Pacific LexisNexis has 15,200 employees worldwide

LexisNexis has three market facing businesses US Legal, serving the US legal, government, corporate and academic markets, LexisNexis Europe, Middle East and Africa and LexisNexis Asia (together reported as LexisNexis International) serving the legal and business communities elsewhere in the world, and Risk Solutions, serving the US risk management market, helping businesses and professionals to verify identity, assess risk and prevent fraud, and supporting law enforcement and homeland security These are supported by shared services organisations providing platform development and distribution services and back office functions

The **US Legal** business of LexisNexis is a leading provider of legal and business information and analysis to law firms, corporations and government throughout the US Principally delivered through electronic services and innovative workflow tools developed through close collaboration with customers, solutions from LexisNexis help US legal and business professionals make better informed decisions in the practice of law and in managing their businesses

The LexisNexis flagship product for legal research is *Lexis com*, which provides federal and state statutes and case law, together with analysis and expert commentaries from sources such as *Matthew Bender* and *Michie* and the leading citation service *Shepard's*, which advises on the continuing relevance of case law precedents Through its suite of litigation services, LexisNexis additionally provides lawyers with tools for electronic discovery, evidence management, case analysis, court docket tracking, e-filing, expert witness identification and legal document preparation LexisNexis US Legal also partners with law schools to provide free services to law school students as part of their training In the business of law, LexisNexis provides law firms with practice management solutions, including time and billing systems, case management, cost recovery and document management services LexisNexis assists law firms in their client development through *Martindale-Hubbell* at *Martindale com*, showcasing the qualifications and credentials of more than one million lawyers and law firms in the US and internationally, and the *Martindale-Hubbell Connected* professional network, the largest online community specifically for legal professionals Additionally LexisNexis provides law firms with website development, search engine optimisation and other web marketing services, including lead generation through *Lawyers com*, business intelligence and customer relationship management tools

LexisNexis also provides its legal and information services to US government, corporate and academic customers, including news and business information and public records In addition to research and litigation services, capabilities for these customers include specialist products for corporate counsel focused on regulatory compliance, intellectual property management, and management of external counsel

Lexis com provides customers with access to 20 billion searchable documents from more than 45,000 legal, news and business sources

Outside the United States, **LexisNexis International** serves legal, corporate, government and academic markets in Europe, Canada, Africa and Asia Pacific with local and international legal, tax, regulatory and business information The most significant businesses are in the UK and France LexisNexis UK's extensive portfolio of publications includes *Halsbury's Laws of England*, *Simon's Taxes* and *Butterworths Company Law Service* delivered through *lexisnexis co uk* and in print Its other flagship electronic products include *Lexis Legal Intelligence*, an authoritative resource on legal practice for lawyers, and media monitoring and reputation management tools for the corporate market such as the *NexisDirect* research tool and *LexisNexis Bridger Insight* for effective risk monitoring and compliance LexisNexis in France is a provider of information to lawyers, notaries and courts with *JurisClasseur* and *La Semaine Juridique* being the principal publications delivered through *lexisnexis fr* and in print Penetration of online information services is growing rapidly, now accounting for over 50% of LexisNexis International revenues, and workflow tools are being developed and introduced behind this

LexisNexis Risk Solutions assists customers in managing risk through identity verification, risk evaluation, fraud detection and prevention, debt collection and employment-related screening

The Insurance Solutions group provides data, analytics, software and business information services to property and casualty (P&C) personal and commercial insurance carriers in the US to improve critical aspects of the insurance carrier's business, from customer acquisition and underwriting to policy servicing, claims handling and performance management Information solutions, including the US's most comprehensive personal loss history database *C L U E* , help insurers assess risks in the underwriting process to ensure that their customers receive appropriate policy pricing In October 2009, LexisNexis launched an insurance exchange directed at improving the efficiency and transparency of the independent agent-based distribution system with enhanced access to key market information and analytics

The Screening Solutions group focuses on employment-related, resident and volunteer screening, and Receivables Management Solutions help more than 100,000 debt recovery professionals in the management and collection of consumer and business debt

The Financial Services group helps financial institutions with risk management, identity verification, business credentialling, and regulatory compliance LexisNexis Advanced Government Solutions (AGS) provides identity, authentication and location solutions to help solve cases and locate people, assets and businesses In addition, AGS solutions help mitigate risks through identify fraud, waste and abuse in government programmes *LexisNexis Accurint* is the flagship public records product, powered by the High Performance Cluster Computing (HPCC) technology

Market Opportunities
Longer term growth in legal and regulatory markets worldwide is driven by an increasing level of legislation, regulation, regulatory complexity and litigation, and an increasing number of lawyers Additional market opportunities are presented by the increasing demand for online information solutions and tools that improve the productivity of research and business performance In risk management markets, growth is driven by systemic growth in insurance transactions, healthcare and insurance fraud, regulatory compliance requirements surrounding customer enrolment, and security considerations

Strategic Priorities
LexisNexis strategic goal is to be the leading provider of productivity enhancing information and information-based workflow solutions in its markets To achieve this, LexisNexis is focused on building world class content, developing next generation product platforms, tools and infrastructure to deliver best-in-class research outcomes for legal and business professionals with greater speed and efficiency, building client development and practice management tools enabling customers to be more successful in their markets, expanding the range of risk management products, leveraging the powerful HPCC technology in delivering better outcomes, international expansion of online products and solutions and increasing LexisNexis' presence in emerging markets, and improving organisational efficiency

In US Legal focus is on the continuing development of the next generation of legal research and practice solutions and a major upgrade in back office infrastructure and customer service and support platforms to provide an integrated and superior customer experience across US legal research, litigation services, practice management and client development products Progressive product introductions over the next few years will combine advanced technology with enriched content and sophisticated analytics and applications to enable LexisNexis' customers to make better legal decisions and drive better outcomes for their organisations and clients A further priority is to complete the transformation of the client development business from a legal directory business into a web marketing services company

In LexisNexis International the focus is on increasing the penetration of online services and developing further high quality actionable content and workflow tools

In Risk Solutions the priority is the further integration of the ChoicePoint businesses acquired in September 2008 continued development of the insurance product pipeline and in technology and content. and growth in market expansion including internationally

Distribution Channels and Competition
LexisNexis US Legal and International products are generally sold directly to law firms and to corporate government and academic customers on a paid subscription basis Risk Solutions products are predominantly sold on a transactional basis directly to insurance carriers, and other corporations and to government

Principal competitors for LexisNexis in US legal markets are West (Thomson Reuters) and Bloomberg, and Factiva (News Corporation) in news and business information Major international competitors include Thomson Reuters, Wolters Kluwer and Factiva Risk Solutions competitors include Verisk in the insurance market and Thomson Reuters and First Data Corporation in public records

Reed Exhibitions

Reed Exhibitions is the world's leading events business, with over 450 events in 36 countries in the Americas, Europe, the Middle East and Asia Pacific The portfolio of exhibitions and conferences serves 44 industry sectors In 2009 Reed Exhibitions brought together over six million event participants from around the world, generating billions of dollars in business for its customers

Total revenues for the year ended 31 December 2009 were £638m Reed Exhibitions is a global business headquartered in London, with principal offices in London, Paris, Norwalk Connecticut, Abu Dhabi, Beijing, Tokyo, Sydney and São Paolo Reed Exhibitions has 2,500 employees worldwide

Reed Exhibitions organises market-leading events that are relevant to industry needs, where participants from around the world come together to do business, network and learn Its exhibitions and conferences encompass a wide range of sectors, including broadcasting, TV, music & entertainment, building & construction, electronics & electrical engineering, energy, oil & gas, engineering, manufacturing & processing, gifts, interior design, IT & telecoms, jewellery, life sciences & pharmaceuticals, marketing, property & real estate, sports & recreation, travel

Well represented in the developed world, increasingly Reed Exhibitions is investing in the developing economies of China, Brazil, the United Arab Emirates and Russia

Market Opportunities
Growth in the exhibitions market is correlated to business to business marketing spend, historically driven by levels of corporate profitability, which itself has followed overall growth in GDP, and business investment Emerging markets and growth industries provide additional opportunities As some events are held other than annually, growth in any one year is affected by the cycle of non-annual exhibitions

Strategic Priorities
Reed Exhibitions strategic goal is to provide market leading events in growth sectors that enable businesses to target and reach new customers quickly and cost effectively and to provide a platform for industry participants to do business, network and learn

In the shorter term the priority is maintaining high quality events whilst aggressively managing the cost base during the economic downturn For the longer term, Reed Exhibitions' priorities are focused on developing the portfolio through a combination of new launches, strategic partnerships and acquisitions in emerging markets and high growth sectors, and developing websites and online tools to enhance the exhibition experience and add to customer return on investment in event participation

Distribution Channels and Competition
The substantial majority of Reed Exhibitions revenues are from sales of exhibition space These, together with ancillary services, sponsorship fees and paid delegate participation are sold directly or through local agents where applicable

DIRECTORS' REPORT

Reed Exhibitions is the market leader in a fragmented industry holding less than a 10% global market share Other international exhibition organisers include UBM, DMG World Media (DMGT), Nielsen Business Media, Informa IIR and Messe Frankfurt Competition also comes from industry trade associations and convention centre and exhibition hall owners

Reed Business Information

Reed Business Information (RBI) provides data services, information and marketing solutions to business professionals in the US, the UK, Continental Europe and Australia It produces industry critical data services and lead generation tools and over 200 online community and job sites It publishes over 200 premier business magazines with market leading positions in many sectors

Total revenues for the year ended 31 December 2009 were £891m RBI is a global business headquartered in London, with principal operations in London and Sutton in the UK, Amsterdam and Doetinchem in the Netherlands New York, Los Angeles and Norcross, Georgia in the US as well as Paris, Milan, Bilbao and Sydney RBI has 6,900 employees worldwide

Online, RBI s market-leading products include *ICIS*, a global information and pricing service for the petrochemicals sector, *Bankers Almanac*, a leading provider of reference data on the banking industry, *Reed Construction Data*, a provider of online construction data to the North American construction industry, *totaljobs com*, a major UK online recruitment site, and *Hotfrog*, a global online business directory Premier publishing brands include *Variety* in the US *New Scientist* in the UK and *Elsevier* in the Netherlands

Business-to-business magazines, online lead generation services and community websites provide an effective marketing channel for advertisers to reach target audiences and industry professionals to access valued information RBI's leading online data services enable users to enhance productivity through quicker and easier access to insightful and comprehensive industry information

Market Opportunities

Business-to-business marketing spend has historically been driven by levels of corporate profitability, which itself has followed GDP growth, and business investment Additionally growing need for authoritative industry data and information is driving demand for online subscription data services and providing new opportunities

Strategic Priorities

RBI s strategic goal is to be the first choice of business professionals for information and decision support in its individual markets, and for business marketing services Its areas of strategic focus are developing the data services businesses, restructuring the business magazines and advertising driven portfolio, to develop online services in key markets and support print franchises through brand extensions and redesign, and to realign the cost base to reduced revenue expectations and drive further organisational effectiveness An immediate priority is to complete the divestiture of the US controlled circulation titles

Distribution Channels and Competition

In 2009, 47% of RBI's revenue came from print and online advertising and lead generation, 17% from data services and 36% from other subscription and user services Data services are typically sold directly on a subscription or transactional basis Business magazines are distributed on a paid or controlled circulation basis Advertising and lead generation revenues are sold directly or through agents

RBI's titles compete with a number of publishers on a title by title basis, including UBM, McGraw Hill and Penton in the US, Eden and UBM in the UK, and Wolters Kluwer in the Netherlands RBI competes for online advertising with other business-to-business websites as well as Monster, Google and other search engines

KEY PERFORMANCE MEASURES

Reed Elsevier Group plc uses a range of performance indicators to help measure its development against strategy and financial objectives These indicators include the following

Key Performance measure	Review of 2009 performance
Underlying revenue growth Growth in revenue excluding acquisitions and disposals at constant currency[(a)]	Underlying revenue declined reflecting the impact of the global recession on our markets, particularly in advertising and promotion activities
Online revenue Online revenue[(b)] expressed as a percentage of total revenue	Good growth in online services and a full year contribution of the ChoicePoint business
Underlying adjusted operating profit growth Growth in adjusted operating profit[(c)] excluding acquisitions and disposals at constant currency	Underlying adjusted operating profit declined reflecting the operational gearing of lower underlying revenue, mitigated by cost actions
Adjusted operating margin Adjusted operating profit expressed as a percentage of revenue	Adjusted operating margin was unchanged An underlying margin decline was offset by the strong growth in adjusted operating margin in the acquired ChoicePoint business
In addition to the Reed Elsevier Group plc key performance measures reported above, the measures below illustrate performance within individual businesses	
ScienceDirect usage	Full text article downloads increased close to 20%
Health Sciences online revenue Health Sciences online revenue expressed as a percentage of total Health Science revenue	Strong growth in online services
LexisNexis International online revenue LexisNexis International online revenue expressed as a percentage of total LexisNexis International revenue	Good growth in online services and their increasing adoption in international markets

Notes
(a) constant currency growth is calculated using the prior year average and hedge exchange rates
(b) online revenue represents revenue attributable to electronic products and services
(c) adjusted operating profit is defined as reported operating profit before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs and share of taxation of joint ventures

DIRECTORS' REPORT

PRINCIPAL RISKS

The principal risks facing Reed Elsevier Group plc arise from the highly competitive and rapidly changing nature of our markets the increasingly technological nature of our products and services, the international nature of our operations, legislative, fiscal and regulatory developments, and economic conditions in our markets Certain businesses could also be affected by the impact on publicly funded and other customers of changes in funding and by cyclical pressures on advertising and promotional spending or through the availability of alternative free sources of information

Reed Elsevier Group plc has established risk management practices that are embedded into the operations of the businesses based on the framework in internal control issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), and are reviewed by the Audit Committees and Boards Important specific risks that have been identified and are being addressed include

>> Demand for our products and services may be impacted by factors beyond our control such as the economic environment in the United States and other major economies Macroeconomic, political and market conditions may adversely affect the availability of short and long term funding, volatility of interest rates currency exchange rates and inflation

>> Reed Elsevier Group plc s businesses are dependent on the continued acceptance by our customers of our products and services and the value placed on them We cannot predict whether there will be changes in the future which will affect the acceptability of our products, services and prices to our customers

>> Our businesses operate in highly competitive markets These markets continue to change in response to technological innovations, changing legislation, regulatory changes, the entrance of new competitors and other factors We cannot predict with certainty the changes that may occur and the effect of those changes on the competitiveness of our businesses We continue to invest significant resources to further adapt to the changing market and competitive environment There is no assurance that this investment will produce satisfactory long term returns

>> Reed Elsevier Group plc s businesses are increasingly dependent on electronic platforms and networks primarily the internet, for delivery of products and services Although plans and procedures are in place to reduce such risks, our businesses could be adversely affected if their electronic delivery platforms and networks experience a significant failure, interruption, or security breach

>> Our products and services are largely comprised of intellectual property content delivered through a variety of media We rely on trademark, copyright, patent and other intellectual property laws to establish and protect our proprietary rights in these products and services However there is a risk that our proprietary rights could be challenged, limited, invalidated or circumvented

>> A number of our businesses rely extensively upon content and data from external sources to maintain our databases Data is obtained from public records, governmental authorities, customers and other information companies, including competitors The disruption or loss of data sources in the future, because of changes in the law or because data suppliers decide not to supply them could adversely affect our business if we were unable to arrange for substitute sources in a timely manner or at all

>> The scientific, technical and medical (STM) primary publications of Elsevier, like those of most of our competitors, are published on a paid subscription basis There has been debate in the government academic and library communities, which are the principal customers for our STM publications, regarding whether such publications should be funded instead through fees charged to authors and from governmental and other subsidies or made freely available after a period following publication If these methods of STM publishing are widely adopted or mandated, it could adversely affect our revenue from paid subscription publications

>> New organisational and operational structures are being developed with increased focus on outsourcing and offshoring functions The failure of third parties to whom we have outsourced activities could adversely affect our business performance, reputation and financial condition

DIRECTORS' REPORT

>> We operate a number of pension schemes around the world, the largest schemes being of the defined benefit type in the UK, the US and the Netherlands The assets and obligations associated with defined benefit pension schemes are particularly sensitive to changes in the market values of assets and the market related assumptions used to value scheme liabilities

>> Our businesses operate in over 200 locations worldwide and our earnings are subject to taxation in many differing jurisdictions and at differing rates We seek to organize our affairs in a tax efficient manner, taking account of the jurisdictions in which we operate However, tax laws that apply to Reed Elsevier Group plc businesses may be amended by the relevant authorities Such amendments, or their application to Reed Elsevier Group plc businesses, could adversely affect our reported results

>> We often acquire and dispose of businesses to reshape and strengthen our portfolio and engage in restructuring activities If we are unable to generate the anticipated benefits such as revenue growth, synergies and/or cost savings associated with these acquisitions and restructuring activities this could adversely affect our reputation and financial condition

>> If the ratings of our long term debt are downgraded in the future, our borrowing costs and access to capital may be adversely affected A rating is based upon information furnished by us or obtained by the relevant rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time Rating agencies may review the assigned ratings due to developments that are beyond our control

The Reed Elsevier Group plc consolidated financial statements are expressed in pounds sterling and are, therefore, subject to movements in exchange rates on the translation of the financial information of businesses whose operational currencies are other than sterling The United States is our most important market and, accordingly, significant fluctuations in the US dollar exchange rate could significantly affect our reported results

We recognise that Reed Elsevier Group plc and its businesses have a direct impact on the environment, principally through the use of energy and water and waste generation and in our supply chain through paper use and print and production technologies We are committed to reducing these impacts, whenever possible by limiting resource use and by efficiently employing sustainable materials and technologies We require our suppliers and contractors to meet the same objectives We seek to ensure that Reed Elsevier Group plc's businesses are compliant with all relevant environmental legislation and, accordingly, whilst environmental issues are important, we do not consider that they constitute a significant risk for Reed Elsevier Group plc

DIRECTORS

At 31 December 2009 the Reed Elsevier Group plc board consisted of three executive directors Erik Engstrom – Chief Executive Officer Mark Armour – Chief Financial Officer and Andrew Prozes and seven independent non-executive directors Anthony Habgood (Chairman), Mark Elliott, Lisa Hook, Robert Polet, David Reid (senior independent non-executive director), Lord Sharman, and Ben van der Veer

Jan Hommen stepped down as Chairman and a member of the Board in April 2009 Anthony Habgood joined the Board as Chairman in June 2009 Sir Crispin Davis retired as Chief Executive Officer in March 2009 and Ian Smith, who had joined the Board in January 2009, was appointed Chief Executive Officer in his place Erik Engstrom who has been a director since 2004, was appointed Chief Executive Officer in November 2009, following the resignation of Ian Smith Ben van der Veer was appointed a non-executive director in September 2009

DIRECTORS' REPORT

Board attendance

Members	Date of appointment (cessation) during year	Number of meetings held whilst a director	Number of meetings attended
Mark Armour		10	10
Sir Crispin Davis	(March 2009)	1	1
Mark Elliot		10	10
Erik Engstrom		10	9
Anthony Habgood	June 2009	5	5
Jan Hommen	(April 2009)	5	3
Lisa Hook		10	10
Robert Polet		10	10
Andrew Prozes		10	10
David Reid		10	9
Lord Sharman		10	10
Ian Smith	January 2009 (November 2009)	9	8
Ben van der Veer	September 2009	3	3

At the 2010 Annual General Meeting, Mark Armour, Erik Engstrom, Anthony Habgood, Robert Polet and Ben van der Veer will retire and, being eligible, will offer themselves for re-election

On appointment and as required, directors receive training appropriate to their level of previous experience This includes the provision of a tailored induction programme so as to provide newly appointed directors with information about the Reed Elsevier Group plc businesses and other relevant information to assist them in performing their duties Non-executive directors are encouraged to visit the Reed Elsevier Group plc businesses to meet management and senior staff

All directors have full and timely access to the information required to discharge their responsibilities fully and efficiently They have access to the services of the company secretary, other members of Reed Elsevier Group plc's management and staff and its external advisors Directors may take independent professional advice in the furtherance of their duties, at the company's expense

In addition to scheduled board and board committee meetings held during the year, directors attend many other meetings and site visits Where a director is unable to attend a board or board committee meeting, he or she is provided with all relevant papers and information relating to that meeting and is able to discuss issues arising with the chairman and other board members

Directors' indemnity

In accordance with the company's Articles of Association, the Company has granted directors an indemnity, to the extent permitted by law, in respect of liabilities incurred as a result of their office The Company also purchased and maintained throughout the year Directors and Officers' liability insurance in respect of itself and its directors

Board Committees

In accordance with the principles of good corporate governance, the following committees, all of which have written terms of reference have been established by the Board

DIRECTORS' REPORT

Audit Committee

Reed Elsevier Group plc has established an Audit Committee The Committee comprises only non-executive directors, all of whom are independent The Committee is chaired by Lord Sharman, the other members being Lisa Hook, David Reid and Ben van der Veer (from 3 September 2009)

The main role and responsibilities of the Committee are set out in written terms of reference and include

(i) to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance reviewing significant financial reporting judgements contained in them,

(ii) to review the company's internal financial controls and the company's internal control and risk management systems,

(iii) to monitor and review the effectiveness of the company s internal audit function,

(iv) to make recommendations to the board, for it to put to the shareholders for their approval in general meetings, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor,

(v) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, and

(vi) to develop and recommend policy on the engagement of the external auditor to supply non audit services, taking into account relevant ethical guidance regarding the provision of non audit services by the external audit firm, and to monitor compliance

The Committee reports to the board on its activities identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken

The Committee has explicit authority to investigate any matters within its terms of reference and has access to all resources and information that it may require for this purpose The Committee is entitled to obtain legal and other independent professional advice and has the authority to approve all fees payable to such advisers

The Chief Financial Officer, Group Financial Controller, Chief Risk Officer and Director of Internal Audit, and senior representatives of the external auditors attend meetings of the Audit Committee

Lord Sharman, Lisa Hook and David Reid attended all five meetings of the Committee in 2009 and Ben van der Veer attended the one meeting of the Committee since his appointment

Remuneration Committee

Reed Elsevier Group plc has established a Remuneration Committee, which is responsible for recommending to the Board the remuneration for the executive directors of the company The Committee, which during the year comprised only independent non-executive directors, is chaired by Mark Elliot The other members of the Committee are Robert Polet, David Reid (from February 2009) and Anthony Habgood (from January 2010) Jan Hommen was a member of the Committee until his resignation from the Board in April 2009

Mark Eliot and Robert Polet attended all four meetings of the Committee in 2009 and David Reid attended all three meetings held since his appointment to the Committee Jan Hommen did not attend the one meeting held prior to his resignation from the Board

The Company Secretary, Stephen Cowden, also attends the meetings in his capacity as secretary to the Committee At the invitation of the Committee Chairman, the Chief Executive Officer attends the meetings of the Committee except when his own remuneration is under consideration

A Directors' Remuneration Report, which has been approved by the board of Reed Elsevier Group plc, appears on pages 25 to 47

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Internal Control

Reed Elsevier Group plc has an established framework of procedures and internal controls, with which the management of each business is required to comply Group businesses are required to maintain systems of internal control which are appropriate to the nature and scale of their activities and address all significant operational and financial risks that they face The Board has adopted a schedule of matters that are required to be brought to it for decision

Reed Elsevier Group plc has a Code of Ethics and Business Conduct that provides a guide for achieving its business goals and requires officers and employees to behave in an open, honest ethical and principled manner The Code also outlines confidential procedures enabling employees to report any concerns about compliance, or about the group's financial reporting practice The Code is published on the Reed Elsevier website, www reedelsevier com

Each division has identified and evaluated its major risks, the controls in place to manage those risks and the levels of residual risk accepted Risk management and control procedures are embedded into the operations of the business and include the monitoring of progress in areas for improvement that come to management and board attention The major risks identified include business continuity, protection of IT systems and data, challenges to intellectual property rights, management of strategic and operational change, evaluation and integration of acquisitions, and recruitment and retention of personnel Further detail on the principal risks facing the group is set out on pages 16 to 17

The major strategic risks facing the Reed Elsevier Group plc businesses are considered by the Board Reed Elsevier Group plc's Chief Risk Officer has the responsibility to provide regular reports to the Board and Audit Committee Working closely with divisional and business management and with the central functions, the role of the Chief Risk Officer is to ensure that Reed Elsevier Group plc is managing its business risks effectively and in a coordinated manner across the business with clarity on the respective responsibilities and interdependencies Litigation and other legal regulatory matters are managed by legal directors in Europe and the United States

The Audit Committee receives regular reports on the identification and management of material risks and reviews these reports The Audit Committee also receives regular reports from both internal and external auditors on internal control and risk management matters In addition, each division is required, at the end of the financial year, to review the effectiveness of internal controls and risk management and report its findings on a detailed basis to the management of Reed Elsevier Group plc These reports are summarised and, as part of the annual review of effectiveness, submitted to the Audit Committee The Chairman of the Audit Committee reports to the Board on any significant internal control matters arising

Annual review

As part of the year end procedures, the Audit Committee and the Board review the effectiveness of the systems of internal control and risk management during the last financial year The objective of these systems is to manage, rather than eliminate the risk of failure to achieve business objectives Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by English company law to prepare a directors' report and financial statements for each financial period, which give a true and fair view of the state of affairs of the company and the group, and of the profit or loss for that period In preparing those financial statements, the directors ensure that suitable accounting policies, consistently applied and supported by reasonable judgements and estimates, have been used, and applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the law

The directors have general responsibility for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITORS

As part of the process of approving the 2009 financial statements, the directors have taken steps pursuant to section 418(2) of the Companies Act 2006 to ensure that they are aware of any relevant audit information and to establish that the company s auditors are aware of that information In that context, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware

GOING CONCERN

The directors, having made appropriate enquiries, consider that adequate resources exist for the group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the 2009 financial statements In reaching this conclusion, the directors have had due regard to the financial position as at 31 December 2009, the strong cash flow generation of the group the ability to access debt capital markets and the principal risks facing the group

A commentary on the group's cash flows and financial position for the year ended 31 December 2009 is set out in the Directors Report Reed Elsevier's policies on liquidity, capital management and management of risks relating to interest rate, foreign exchange and credit exposures are also set out in the Directors' Report Further information on liquidity can be found in note 19 of the consolidated financial statements The principal risks facing the group are set out in the Directors' Report section

FORWARD LOOKING STATEMENTS

The Annual Report and Financial Statements 2009 contains forward looking statements These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such forward looking statements The terms expect , 'should be , 'will be , and similar expressions identify forward looking statements Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to general economic and business conditions, demand for our products and services, competitive factors in the industries in which we operate, exchange rate fluctuations, legislative, fiscal and regulatory developments, political risks, terrorism, acts of war and pandemics, changes in law and legal interpretations affecting Reed Elsevier Group plc s intellectual property rights and internet communications, and the impact of technological change

CORPORATE SOCIAL RESPONSIBILITY

Constant engagement with stakeholders, including shareholders, employees, communities, governments and members of civil society, help us determine material corporate responsibility issues Our Corporate Responsibility Forum, chaired by the CEO, sets corresponding objectives – encompassing governance, people, health and safety, customers, supply chain, environment and community – and measures performance against them

Focus on society

We focus on areas where we can make an important contribution to society through our knowledge, resources and skills universal, sustainable access to information, advance of science and health, promotion of the rule of law and justice, and anti-crime

Elsevier has an important role to play in advancing human welfare and economic progress in the developing world, where information resources are often scarce Through 'information philanthropy' Elsevier, as the world's largest scientific publisher, ensures leading research is available to the countries that need it most Among key programmes is Research4Life, in partnership with United Nations agencies and other publishers, which encompasses the Health InterNetwork Access to Research Initiative (HINARI) HINARI provides health workers and researchers in over 100 developing countries access to both core and cutting-edge health sciences information In 2009, there were 2 million articles from nearly 1,600 Elsevier journals downloaded through HINARI, a 30% increase over 2008 Also in 2009, the Elsevier Foundation made grants including to the Third World Organization for Women in Science (TWOWS) to support twelve $5,000 awards to young women scientists working in the fields of biological, physical, chemical and mathematical science across the developing world The awards will help further the organisation's mission to advance the participation, recognition and contributions of women scientists in less developed countries

LexisNexis has a strong focus on the rule of law Its Rule of Law Resource Center is one of the largest free online sources of rule of law and human rights information In 2009, the Center's resources were expanded to include a comprehensive report on health and human rights compiled by the World Justice Project supported by LexisNexis As a founder of the UK's International Law Book Facility, in 2009 LexisNexis provided 2,000 legal texts to assist legal professional bodies, advice centres pro bono groups, law schools and other institutions involved in access to justice across common law jurisdictions in Africa, Asia and the Caribbean In addition, through its Risk Solutions business, LexisNexis supports organisations serving children like Boys & Girls Clubs of America and Court Appointed Special Advocates for youth Since 2002, LexisNexis Volunteer Screening has completed more that 4 million volunteer background checks for these organisations, identifying over 200,000 individuals with criminal convictions, including more than 3,000 registered sex offenders

Reed Exhibitions provides platforms at its trade shows to organisations supporting our corporate responsibility focus areas Over the last five years, Reed Exhibitions has given free space at the London Book Fair to BookAid International, which annually provides 500,000 books – including those donated from across Reed Elsevier Group plc – to readers in the developing world, enabling the charity to engage with a wide range of potential book and financial donors At 2009 World Travel Market, the global event for the travel industry organized by Reed Exhibitions, World Responsible Tourism Day was marked by the Responsible Tourism Awards, which recognised sector initiatives in areas like poverty reduction, low carbon transport and technology and conservation

Reed Business Information (RBI) uses the power of its brands to aid communities Variety the leading entertainment industry news source, published by RBI, has established Power of Youth to spur young entertainers to support philanthropic and humanitarian causes, and to encourage their fans to do so as well Since its inception in 2007, Power of Youth has raised more than $1 25 million to aid children In 2009, RBI held a major event and auction which yielded $250,000 to benefit Starlight Children s Foundation, which helps seriously ill children and their families through entertainment and education, and LA's BEST, which provides after-school activities and education for more than 28,000 economically disadvantaged young people

Governance

The Reed Elsevier Code of Ethics and Business Conduct (Code), updated in 2009 to improve the clarity of its provisions and to ensure it reflects best practice, is disseminated to every employee as a guide to our corporate and individual conduct Encompassing topics such as fair competition, anti-bribery and human rights, it encourages open and principled behaviour 80% of current employees completed online Code training by year end 2009, with 63% of all US employees completing second round Code training in the year In addition, we offered advanced ethics courses to relevant staff, including on anti-harassment completed by 2,400 employees, fair competition completed by 4,500 employees, and data privacy and security completed by nearly 12,000 US employees In 2009, we actively promoted the United Nations Global Compact, to which we are a signatory – an initiative for businesses willing to align their operations and strategies with ten principles in the areas of human rights, labour, environment and anti-corruption – providing webinars to help fellow signatories communicate about the Compact, and serving on the steering group for the United Kingdom

People

Our 32,000 people are our strength In 2009, we disseminated a global Employee Opinion Survey (EOS) to employees, with 72% of staff taking part Overall, employees rate Reed Elsevier Group plc as a good place to work with improved scores since the last survey in 2006 in valuing our people, being receptive to their ideas, and encouraging teamwork and collaboration We are prioritising areas identified in the EOS for attention, including additional ways to support work/life balance The Reed Elsevier Group plc Diversity and Inclusion statement articulates our commitment to a diverse workforce and a work environment that respects individuals and their contributions, regardless of their gender, race or other characteristic To better communicate on the issues we created a diversity and inclusion intranet site Our cross-divisional Diversity and Inclusion Working Group, which draws on internal and external expertise, promoted best practice in areas ranging from training to recruitment Growing numbers of affinity groups, like women's forums, focused on support, mentoring and community involvement, allow diversity to be expressed in meaningful ways across Reed Elsevier Group plc

Health and safety

Our employees have the right to a healthy and safe workplace as outlined in the Reed Elsevier Group plc Health and Safety Policy To reduce our severity rate (lost days per 200,000 hours worked) we are conducting risk assessments, and working with a third party resource in the US to assign a nurse case manager to each complex or severe claim We focused on wellness in the workplace during our 2009 annual Health & Safety Month with activities ranging from stress awareness training and flu vaccinations to fitness classes and biometric screening In 2010, we will introduce weight loss and smoking cessation support to further promote employee wellness and help reduce absenteeism and workplace-related illnesses In the year, we launched RE Fit2Win a global competition which recognised employees for walking, cycling and running, with winners receiving $1 000 for the charity of their choice Over 117 locations participated logging 878,890 miles/1 4 million kilometres

Customers

Through the Net Promoter Score (NPS) programme we surveyed 100,000 customers to determine their willingness to recommend us NPS tracks overall customer loyalty, deepening customer understanding and driving forward a customer centric culture Results, reviewed by the CEO and senior managers and communicated to staff, illuminate where we are doing well and where we must do better We are committed to improving access to our products and services for all users, regardless of physical ability In the year Elsevier helped launch AccessText org which streamlines electronic book file requests from university disability services, processing over 2,500 requests Upgrades to core LexisNexis products launching in 2010 will incorporate WCAG 2 0, the most recent web accessibility guidelines Our Accessibility Working Group held four educational webinars for colleagues in the year, including one hosted by the blind website editor of one of our leading journals

Supply chain

We require our suppliers to meet the same high standards we set for ourselves Our Supplier Code of Conduct stipulates adherence to all laws and best practice in areas such as human rights labour and the environment In 2009, we expanded our Socially Responsible Supplier (SRS) database to 589 suppliers, encompassing critical, preferred, and strategic suppliers, and those we deem high risk according to criteria from the Corporate Executive Board's Global Country Analysis Support Tool and human trafficking data from the US State Department We overestimated our target for signatories to the Supplier Code due to the fragmented nature of the supplier base and the introduction of new data gathering tools late in 2009 However, 50% of all suppliers were signatories by year end Of the 40 external audits of high risk suppliers by specialists ITS planned for 2009 39 were completed and one was postponed until 2010 Any incidence of Supplier Code non-compliance identified in the audit process triggers a corrective action plan with tracked supplier remediation of all issues In the future, we expect to see an increase in our SRS database and will be engaging more people within the business to reach a higher Supplier Code return rate, over the last two years, all new suppliers are required to sign our Supplier Code as a condition of doing business with us We provide tools for employees to undertake internal audits when visiting high risk suppliers, 12 were completed in 2009 We also provided supplier training to increase reporting on the Reed Elsevier Group plc portion of their CO_2 emissions

Environment

To achieve our 2015 targets, we are working with our Environmental Champions network employee-led Green Teams, and engineering, design and construction specialists We have also introduced an environmental standards programme Standard levels are those needed to achieve our targets based on our environmental performance as well as internal and external good practice Locations that achieve five of eight environmental standards in any year gain green status The standards set usage levels per person (e g energy consumption of 5,400 kWh per person and carbon emissions of 2 t/CO_2 per person) to engage employees and inspire green competition among offices In 2009, ten locations across our four divisions turned green

Full details of our environmental performance will be available in the 2009 Corporate Responsibility Report from April 2010 at www reedelsevier com/cr09 We promote good environmental performance through our leading environmental science print and online publications and trade shows, such as Current Opinion in Environmental Sustainability, the Journal of Cleaner Production, the Environmental Law and Climate Change Center, and Pollutec, the world's largest environmental engineering show

Community

Through our Reed Elsevier Group plc Cares programme we promote education for disadvantaged young people We saw an 11% rise in volunteering and donated £2 5 million in cash donations (including matching gift programmes) and the equivalent of £4 4 million in gifts of products, services and staff time in 2009 Our Two Days programme allows all staff up to two days off per year for their own community work Reed Elsevier Group plc Cares Champions engage colleagues in activities throughout the year such as the RE Cares Challenge, which rewards business sponsored community engagement, and Reed Elsevier Group plc Cares Month, with hundreds of events around the globe During the Month we held a £37,000 fundraising drive for Save the Children s REwrite the Future programme in Afghanistan, supporting access to education for children affected by conflict Our annual global book drive yielded some 14,000 employee books for local and developing world readers

POLITICAL DONATIONS

In the United States the Reed Elsevier Group plc group contributed £46,000 (2008 £39,000) to political parties There were no donations made in the European Union for political purposes

CREDITOR PAYMENT POLICY

The company agrees terms and conditions for business transactions with suppliers and payment is made on these terms The average time taken to pay suppliers was between 30 and 45 days (2008 between 30 and 45 days)

AUDITORS

Resolutions for the reappointment of Deloitte LLP as auditors of the company and authorising the directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting

By Order of the Board

Stephen J Cowden
Secretary
17 February 2010

Registered office
1-3 Strand
London, WC2N 5JR

DIRECTORS' REMUNERATION REPORT

This report describes how Reed Elsevier Group plc applies the principles of good governance relating to directors remuneration In respect of the disclosures contained in this report, we have sough to comply with the substance and spirit of prevailing legislation and corporate governance guidelines in the UK This report has been prepared by the Remuneration Committee (the Committee) of Reed Elsevier Group plc and approved by the board of Reed Elsevier Group plc

REMUNERATION COMMITTEE

Constitution

Throughout 2009, the Committee consisted of independent non-executive directors, as defined by the Combined Code of the FSA Listing Rules Jan Hommen was also a member of the Committee until 21 April 2009 when he stepped down from the Reed Elsevier Group plc board Although not a formal member of the Committee Anthony Habgood attended meetings of the Committee since his appointment as Chairman of Reed Elsevier Group plc in June 2009 He was appointed a member of the Committee with effect from 1 January 2010 Details of Committee members and meeting attendance are contained in the Directors Report The Company Secretary of Reed Elsevier Group plc, Stephen Cowden, also attends the meetings in his capacity as secretary to the Committee At the invitation of the Committee Chairman, the CEO of Reed Elsevier Group plc attends appropriate parts of the meetings

Details of Committee members are set out on pages 17 to 19 in the Directors Report Ian Fraser (Group HR Director) and Philip Wills (Director, Compensation and Benefits) provided material advice to the Committee during the year

Advisors

Towers Perrin acted as external advisers to the Committee throughout 2009 and also provided market data and data analysis Towers Perrin also provide actuarial and other human resources consultancy services directly to some Reed Elsevier Group plc companies

The individual consultants involved in advising the Committee do not provide advice to the executive directors or act on their behalf

Terms of reference

The Committee is responsible for

> Setting the remuneration in all its forms, and the terms of the service contracts and all other terms and conditions of employment of directors of Reed Elsevier Group plc appointed to any executive office of employment

> Advising the Chief Executive Officer on the remuneration of members of the Management Committee (other than executive directors) of Reed Elsevier Group plc and of the Company Secretary

> Providing advice to the Chief Executive Officer, as required, on major policy issues affecting the remuneration of executives at a senior level below the Board

> Establishing and amending the rules of all share-based incentive plans for approval by shareholders

A copy of the terms of reference of the Committee can be found on the Reed Elsevier website, www reedelsevier com

The audited parts of the Directors' Remuneration Report

In compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following elements of this report have been audited the table entitled 'Transfer value of accrued pension benefits' on page 36, the tables showing 'Aggregate emoluments' and 'Individual fees of non-executive directors' on pages 39 to 40 , the tables on Individual emoluments of executive directors' and 'Directors shareholdings in Reed Elsevier plc and Reed Elsevier NV' on pages 40 to 41, and the section 'Share-based awards in Reed Elsevier PLC and Reed Elsevier NV' on pages 41 to 47

DIRECTORS' REMUNERATION REPORT

EXECUTIVE DIRECTORS

Remuneration philosophy and policy

The context for Reed Elsevier Group plc s remuneration policy and practices is set by the needs of a group of global businesses, each of which operates internationally by line of business Furthermore the market listings of Reed Elsevier Group plc's parent companies in London and Amsterdam combined with the majority of employees being based in the US provides a particular set of challenges in the design and operation of remuneration policy

Our remuneration philosophy

Reed Elsevier Group plc s guiding remuneration philosophy for senior executives is based on the following precepts

> Performance-related compensation with demanding performance standards

> Creation of shareholder value

> Competitive remuneration opportunity to attract and retain the best executive talent from anywhere in the world

> Balanced mix of remuneration between fixed and variable elements, and annual and long term performance

> Aligning the interests of executive directors with shareholders and other stakeholders

Our remuneration policy

In line with this guiding philosophy our remuneration policy is described below

> Reed Elsevier Group plc aims to provide a total remuneration package that is able to attract and retain the best executive talent from anywhere in the world, at an appropriate level of cost

> In reaching decisions on executive remuneration, the Committee takes into account the remuneration arrangements and levels of increase applicable to senior management and Reed Elsevier Group plc employees generally

> The Committee considers the social, governance, and environmental implications of its decisions, particularly when setting and measuring performance objectives and targets, and seeks to ensure that incentives are consistent with the appropriate management of risk

> Total remuneration of senior executives will be competitive with that of executives in similar positions in comparable companies, which includes global sector peers and companies of similar scale and international complexity

> Competitiveness is assessed in terms of total remuneration (ie salary, short and long term incentives and benefits)

> The intention is to provide total remuneration that reflects sustained individual and business performance, ie median performance will be rewarded by total remuneration that is positioned around the median of relevant market data and upper quartile performance by upper quartile total remuneration

> The Committee will consider all available discretion to claw back any payouts made on the basis of materially misstated data With effect from 2010, the rules of all incentive plans have been amended to provide for specific provisions in this regard

> The Committee considers it important to encourage personal investment and ongoing holding of Reed Elsevier PLC and Reed Elsevier NV securities amongst the senior executive population Executive directors and other senior executives are subject to minimum shareholding requirements

How the performance measures in incentives link to our business strategy

Our annual incentive plan is focused on operational excellence as measured by the financial measures of revenue, profit and cash generation In addition, a significant portion of the annual bonus is dependent upon the achievement of annual key performance objectives (KPOs) that create a platform for sustainable future performance These KPOs align with Reed Elsevier Group plc's strategic imperatives described elsewhere in this report and range from the delivery of specific projects and the achievement of efficiency targets to corporate and social responsibility objectives

The Committee believes that one of the main drivers of long-term shareholder value is sustained growth in profitability, underpinned by appropriate capital discipline The new LTI arrangements and bonus investment plan proposed for 2010 are aimed at driving sustainable performance in the longer term by focusing on earnings and returns over three and five year periods The metrics are cascaded down to the businesses and adjusted to reflect expectations for each business As the Committee assesses performance against these metrics, it will ensure that the scores fairly represent the underlying business performance

The balance between fixed and performance related pay

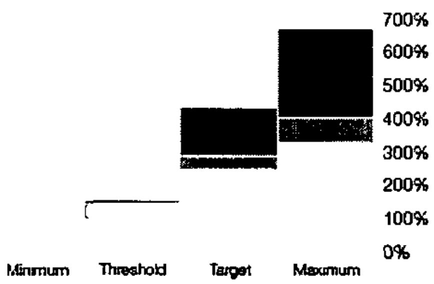
The majority of each executive director s total remuneration package is linked to performance We aim to provide each executive director with an annual total remuneration package comprising fixed and variable pay On an ongoing basis, the annual total remuneration package includes an incentive opportunity of around 70% for target performance (as a percentage of the total package comprising both annual and long term incentives) The core components of the total remuneration package are described on page 29 The following diagram shows the balance between the fixed and variable elements of the remuneration package assuming target performance

Fixed pay elements – 30%
- 20% salary
- 10% pensions and other benefits

Variable pay elements – 70%
- 20% annual incentive
- 50% long term incentive

To illustrate how our levels of compensation are driven by business performance we have produced the chart below (scale in percent of base salary) This illustrates the way in which remuneration payable to an executive director under the prior plans would vary from base salary at minimum up to a theoretical maximum under different performance scenarios The new LTI arrangements and bonus investment opportunity for 2010 will deliver equal or less reward for similar levels of performance as the prior plans For the purposes of this illustration assumptions have been made in relation to vesting/payout levels at the different levels of performance

LTIP
BIP
ESOS
AIP
Salary



Our approach to market positioning and benchmarking

The market competitiveness of total remuneration (i e salary, annual and long-term incentives and benefits) is assessed against a range of relevant comparator groups as follows

> Global peers operating in businesses similar to those of Reed Elsevier Group plc (including Thomson Reuters, WPP, Pearson, John Wiley, Wolters Kluwer Dun & Bradstreet, Experian, McGraw-Hill, UBM, DMGT, Informa, Lagardère and FICO)

> Companies listed on the London Stock Exchange (cross-industry but excluding those in the financial services sector) of a similar size (measured by aggregate market capitalisation) and international scope

> Companies listed on the New York Stock exchange (cross-industry but excluding those in the financial services sector) of a similar size (measured by aggregate market capitalisation) and international scope

> Companies listed on the Amsterdam Stock Exchange, cross-industry and of a similar size (measured by aggregate market capitalisation) and international scope

The composition of the respective comparator groups is subject to minor changes year on year reflecting changes in the size, international scope and listing status of specific companies during the year

The competitiveness of our remuneration packages is assessed by the Committee as part of the annual review cycle for pay and performance, in line with the process set out below

> First, the overall competitiveness of the total remuneration packages is assessed The appropriate positioning of an individual's total remuneration against the market is determined based on the Committee s judgement of individual performance and potential

> The Committee then considers market data and benchmarks for the different elements of the package including salary, total annual cash and total remuneration

> If it is determined that a total remuneration competitive gap exists, the Committee believes that this should be addressed via a review of performance-linked compensation elements in the first instance

> Benefits, including medical and retirement benefits, are positioned to reflect local country practice

The total remuneration package

Each element of the remuneration package for executive directors is designed to achieve specific objectives, as described in the table below In aggregate, they create a unified and balanced reward mix and competitive employment proposition The value of the reward package is only maximised through the integrated delivery of annual and longer term performance Reward for the delivery of business results is connected with reward for value flowing to shareholders The incentive arrangements are structured in such a way that reward cannot be maximised through inappropriate short term risk-taking

The table below provides an overview of the component parts of the total remuneration package for executive directors

DIRECTORS' REMUNERATION REPORT

Summary of remuneration elements for executive directors

Element	Purpose	Performance period	Performance measure
Salary	Positions the role and individual within the relevant market for executive talent	Not applicable	Reflects the sustained value of an executive's skills, experience and contribution compared with the relevant talent market
Annual Incentive	Provides focus on the delivery of stretching annual financial targets and the achievement of annual objectives and milestones that create a platform for sustainable future performance	One year	Annual targets for revenue, profit, cash flow conversion rate and key performance objectives
Long Term Incentive	> Provides focus on the delivery of the medium to longer term strategy and holds the executive directors accountable for the delivery of that strategy > Drives value creation via the delivery of sustained financial performance and returns for shareholders	Proposed LTI arrangements and bonus investment plan applicable to 2010 to be submitted to shareholders for approval at the 2010 Annual General Meetings of Reed Elsevier PLC and Reed Elsevier NV	
Bonus Investment	> Encourages personal investment in, and ongoing holding of, Reed Elsevier shares promoting greater alignment with shareholders > Supports the retention of key talent		
Retirement benefits	Positioned to ensure broad competitiveness with local country practice	Not applicable	Terms and vesting are specific to individual with reference to relevant country practice

Each of these remuneration elements is described in greater detail in the remainder of this section

Salary

Salary reflects the role and the sustained value of the executive in terms of skills, experience and contribution in the context of the relevant market

Salaries for executive directors are reviewed annually in the context of the competitiveness of total remuneration Any increases typically take effect on 1 January Base salaries have been frozen for executive directors since 1 January 2008, including with effect from 1 January 2010 Erik Engstrom s base salary was increased to £1,000,000 per annum from 11 November 2009 following his appointment as CEO of Reed Elsevier Group plc

	Annual salary from 1 January 2010	Annual salary from 1 January 2009
Current directors		
Mark Armour	**£613,440**	£613,440
Erik Engstrom	**£1,000,000**	\$1,192,464*
Andrew Prozes	**\$1,215,180**	\$1,215,180
Former directors		
Sir Crispin Davis (retired 31 March 2009)	-	£1,181,100
Ian Smith (resigned 10 November 2009)	-	£900,000

*£1,000,000 p a from 11 November 2009 following his promotion to CEO of Reed Elsevier Group plc

Reed Elsevier Group plc uses the same factors to determine the levels of increase across all employee populations globally i e relevant pay market, skills, experience and contribution Reed Elsevier Group plc operates across many diverse countries in terms of their remuneration structures and practices Any increases awarded to different employee groups in different geographies reflect this diversity and range of practices An increase of approximately 2% on average will be awarded across the senior management population globally for 2010 No increases were provided to senior management in 2009, except for promotions or where significant market adjustments were required This level of increase is in line with increases provided to the wider employee population

Annual Incentive Plan (AIP)

The AIP provides focus on the delivery of stretching annual financial targets It further motivates the achievement of annual objectives and milestones that create a platform for sustainable future performance

The AIP for 2010

For 2010, executive directors have a target bonus opportunity of 100% of salary (unchanged from 2009) that is weighted as follows across four elements

Measure	Weighting
Revenue	**30%**
Profit*	**30%**
Cash Flow Conversion Rate	**10%**
Key Performance Objectives (KPOs)	**30%**

* The Profit measure for the CEO and CFO of Reed Elsevier Group plc is Adjusted Profit After Tax for the Reed Elsevier combined businesses The profit measure for the CEO of LexisNexis is Adjusted Operating Profit of LexisNexis

The target bonus opportunity for the financial measures is payable for the achievement of highly stretching financial targets The four elements are measured separately, such that there could be a payout on one element and not on others

The continuing volatile economic environment has made the setting of targets and management of performance within a narrow range significantly more difficult In view of this, the Committee has decided to widen the payout range under the AIP for 2010 and to make the incentive slope flatter This means that a smaller bonus would start to accrue for achieving 94% of target (versus the 97 5% entry point for 2009) against each individual financial performance measure However, the level of out-performance required to achieve the maximum bonus (150% of target and unchanged from 2009) has been substantially increased for 2010 In addition, the Committee has determined that for 2010, executive directors will only be able to earn a bonus of 100% of salary if 2010 profit performance exceeds 2009

The KPOs are individual to each executive director Each executive director is set up to six KPOs to reflect critical business priorities for which they are accountable Against each objective, measurable milestone targets are set for the year All financial targets and KPOs are approved by the Committee and are subject to formal assessment at the end of each year The Chairman of Reed Elsevier Group plc presents his assessment of performance against KPOs for the CEO of Reed Elsevier Group plc to the Committee whilst the CEO of Reed Elsevier Group plc presents his assessment of KPO performance for the other executive directors The Committee then discusses and agrees the final KPO score for each executive director

AIP payout history

Since 2003, only 41% of the bonuses paid to executive directors have been equal to or greater than the target bonus The highest bonus paid to any director since 2003 was 112 9% of salary, falling well short of the maximum bonus opportunity

DIRECTORS' REMUNERATION REPORT

AIP Payments for 2009

In assessing the level of bonus payments for 2009, the Committee noted the following performances

	% change over 2008 at constant exchange rates	
	Revenue	**Adjusted operating profit**
Reed Elsevier	0%	+1%
Elsevier	+4%	+9%
LexisNexis	+14%	+13%

The 2009 financial results for the Reed Elsevier combined businesses were relatively robust given the depth of the global recession At constant exchange rates, revenue growth was flat (or 6% lower underlying i e before acquisitions and disposals), costs were substantially reduced, limiting the decline in underlying margins to 80 basis points, and adjusted operating profits were up 1% (or 9% lower underlying)

Reed Elsevier delivered a relatively robust performance given the depth of the unprecedented global recession Elsevier saw continued growth in a challenging market environment LexisNexis delivered an excellent first year contribution from the ChoicePoint acquisition, with a 44% increase in ChoicePoint's pro forma adjusted operating profits, and otherwise saw a modest underlying revenue decline against the backdrop of a significant downturn in the legal industry Reed Exhibitions and Reed Business Information, accounting for 15% of adjusted operating profits, were particularly hard hit by the downturn in advertising and promotion markets The impact of underlying revenue declines was mitigated by significant restructuring and cost actions across the business

Post-tax return on capital employed for the Reed Elsevier combined businesses was 10 4% The reduction from 12 1% reported in 2008 reflects the initially dilutive effect on returns of the ChoicePoint acquisition and the lower adjusted operating profits in the underlying business Acquisitions typically dilute the overall return initially, but build to deliver longer term returns over Reed Elsevier's average for the business

Conversion of 99% of adjusted operating profit into cash was very high and confirmed the quality of the earnings reported Individual directors achieved solid performance against their key performance objectives In the context of the highly challenging financial targets set for 2009 however, annual bonuses for directors were substantially below the target level

The following bonuses will be paid to executive directors and former directors in March 2010

	2009 annual bonus (to be paid in March 2010)	% of 2009 salary earned
Current directors		
Mark Armour	£420,206	68 5
Erik Engstrom	$1,325,305	106 6
Andrew Prozes	$738,526	60 8
Former directors		
Sir Crispin Davis	£131,397	44 5
Ian Smith	£427,500	47 5

Erik Engstrom s 2009 bonus was determined on the basis of Elsevier financials and his original KPOs set at the beginning of 2009

In accordance with standard practice for retirement, Sir Crispin Davis was eligible for a pro rata bonus for 2009 subject to performance against KPOs in the period up to retirement and Reed Elsevier Group plc financial performance for 2009 Ian Smith was also eligible for a bonus in accordance with the terms agreed in respect of his loss of office during 2009 subject to Reed Elsevier Group plc financial performance determined in the same way as bonuses payable to other executive directors and performance against KPOs

Long Term Incentive (LTI)

Provides focus on the delivery of the medium to longer term strategy and holds the executive directors accountable for the delivery of that strategy Drives value creation via the delivery of sustained financial performance and returns to shareholders

Long Term Incentive arrangements for 2010

Currently, LTI awards are provided through a mix of performance shares (via the Long Term Incentive Plan) and share options (via the Executive Share Option Scheme) Grants of performance shares and share options were made over shares in Reed Elsevier PLC and Reed Elsevier NV Having reviewed the LTI arrangements over the last few months within the context of the challenging business environment, the changes in senior management during 2009 and Reed Elsevier Group plc's strategy, the Committee has concluded that the current LTIs are no longer best positioned to meet shareholder interests Therefore, no grants will be made to executive directors under the Executive Share Option Scheme and the Long Term Incentive Plan in 2010

Instead, the Committee has developed new LTI proposals for 2010 on which it has been consulting with major shareholders of Reed Elsevier Group plc's parent companies and key shareholder representative bodies in the UK, the Netherlands and the United States The Committee believes that the proposed LTI arrangements provides a more appropriate basis for supporting the strategy of Reed Elsevier Group plc over the medium to longer term by focusing on a balanced set of performance metrics

Extensive modelling and scenario analysis was undertaken in order to assess the impact of the proposals using different assumptions We specifically tested whether the proposed structure encouraged any inappropriate behaviours and excessive risk taking and whether the level of reward that could be earned at different levels of performance was fair and appropriate in the context of value delivered at a given level of performance to shareholders The Committee concluded from this review that the structure of the proposals combined with the Reed Elsevier Group plc governance and risk management processes and clawback provisions provide the necessary checks and balances to prevent excessive risk taking In addition, a cap will apply to payouts under the new LTI arrangements to ensure that payout levels under the proposals remain within existing parameters

It is the Committee's intent to submit a proposal for the 2010 LTI framework for shareholder approval at the 2010 AGMs of Reed Elsevier PLC and Reed Elsevier NV

Terms applicable to outstanding awards granted under the prior LTI plans

Executive Share Option Scheme (ESOS)

ESOS awards to executive directors were subject to an annual individual maximum (in terms of the market value of the shares under option) of three times salary The grants of options were over shares in Reed Elsevier PLC and Reed Elsevier NV at the market price on the date of grant

A pre-grant performance condition of compound annual growth in adjusted earnings per share of Reed Elsevier PLC and Reed Elsevier NV at constant currencies (Adjusted EPS) over the three years prior to grant determined the size of the total grant pool available for all participants The ESOS awards to executive directors are then subject to a further performance test on vesting measured over a three-year period starting on 1 January of the year of grant The awards granted in 2007 were subject to a performance hurdle of Adjusted EPS of 6% For awards granted in 2008 and 2009, the Committee increased the hurdle to 8% Adjusted EPS

Options are exercisable between three and ten years from the date of grant (except for defined categories of approved leavers) In the event of a change of control, the Committee would make an assessment of progress against targets at the time the change of control occurs

The ESOS awards that vested on 13 March 2009 (i e the 2006 ESOS grant) following an Adjusted EPS performance of 12 5% p a and the ESOS awards granted in 2009 to the executive directors are disclosed in the share tables on pages 42-47

In respect of ESOS awards granted in 2007, the options awarded to executive directors and former directors lapsed on the date of the report The performance test was not met

DIRECTORS' REMUNERATION REPORT

Long Term Incentive Plan (LTIP)
Since 2003, the LTIP has vested only twice

Under the LTIP, executive directors were eligible to receive an annual award of performance shares with a target value of up to 135% of salary The awards were over shares in Reed Elsevier PLC and Reed Elsevier NV The vesting of the awards is subject to performance against two measures Adjusted EPS and relative TSR performance over the same three-year performance period

In addition, the vesting of awards is subject to meeting shareholding requirements and, once met, maintaining an ongoing holding at the required level Participation in the LTIP is subject to the executive agreeing to be bound by strict non-compete provisions Both of these features will be retained in the proposed new LTI arrangements

No payout is made under the LTIP unless Reed Elsevier achieves a minimum threshold of Adjusted EPS over a three-year performance period This is irrespective of the associated TSR performance The award earned under the EPS condition may be increased or decreased by TSR performance measured against a group of industry peers over three years The combined effect of the two performance measures is shown in the table below, which sets out the potential vesting as a percentage of the initial target award There is no retesting of the performance condition

LTIP potential vesting schedule

Adjusted EPS		TSR ranking			
2008 & 2009 awards	2007 awards	Below median	Median	62 5th percentile	Upper quartile and above
Below 10%	Below 8%	0%	0%	0%	0%
10%	8%	28%	35%	42%	49%
12%	10%	80%	100%	120%	140%
14% and above	12% and above	108%	135%	162%	189%

The Committee has full discretion to alter awards granted to participants based on its assessment as to whether the Adjusted EPS and TSR performance fairly reflects the progress of the business having regard to underlying revenue growth, cash generation, return on capital employed and any significant changes in currency and inflation, as well as individual performance

To the extent that the underlying shares vest, notional dividends (i e dividend equivalents) are paid on the vested shares in cash at the end of the three-year performance period

The TSR comparator group for awards made from 2007 to 2009 is made up of global industry peers

Numerous mergers and acquisitions have impacted the comparator group companies during the performance cycles The Committee applies a fair and consistent basis to determine the relative TSR performance of each company for these purposes Companies which are taken over within six months after the start of a performance period are excluded from the comparator group For those that are subject to a transaction more than six months into a performance period, any transaction-related share price premium is eliminated and the TSR prior to the transaction is indexed forward using the daily average share price movement for the remaining companies in the peer group

The averaging period applied for TSR measurement purposes is six months prior to the start of the financial year in which the award is made and the final six months of the third financial year of the performance period Reed Elsevier Group plc's TSR is taken as a simple average of the TSR of Reed Elsevier PLC and Reed Elsevier NV

The TSR of each comparator company is calculated in the currency of its primary listing

In the event of a change of control, the performance test applied under the LTIP would be based on an assessment by the Committee of progress against the Adjusted EPS and TSR targets at the time the change of control occurs (subject to any rollover that may apply)

As previously set out in the 2008 Remuneration Report (page 33), the 2006 LTIP award vested at maximum (at 189% of target) on 27 February 2009 This level of vesting was based on Adjusted EPS performance of 12 5% p a and Reed Elsevier s TSR ranking at the 76 4th percentile against the peer group of global competitors over the three year performance period ended 31 December 2008 In addition, participants received notional dividends on their vested shares The aggregate notional dividends per vested Reed Elsevier PLC and Reed Elsevier NV ordinary share were £0 500 and €1 212 respectively These reflect the dividends paid in 2006, 2007 and 2008 and exclude the special distribution made in January 2008 following the sale of the Education division

The vested awards are disclosed in the share tables on pages 42-47 and the notional dividends paid are disclosed in the table showing the individual emoluments of executive directors on page 40

In respect of the LTIP awards granted in 2007 to executive directors and former directors, Adjusted EPS performance over the three years ended 31 December 2009 did not reach the minimum level required for vesting As a result, the 2007-09 LTIP cycle did not vest for these executives

Bonus Investment
Encourages personal investment in and ongoing holding of, Reed Elsevier shares to promote greater alignment with shareholders

Bonus Investment for 2010
The Committee considers it important to encourage personal investment and ongoing shareholding in Reed Elsevier PLC and Reed Elsevier NV securities amongst the senior executive population to develop greater alignment with shareholders Reed Elsevier Group plc operates a Bonus Investment Plan (BIP) which is open to approximately 150 senior executives worldwide As part of the LTI review, the Committee also reviewed the BIP and is proposing to amend the plan for 2010 and going forward Therefore, no grants will be made in 2010 to executive directors under the prior BIP Proposed BIP arrangements applicable to 2010 are to be submitted to shareholders for approval at the 2010 Annual General Meetings of Reed Elsevier PLC and Reed Elsevier NV

Terms applicable to outstanding awards granted under the prior Bonus Investment Plan
Since the implementation of the BIP in 2003, four of the completed three-year performance cycles have vested

The vesting of the matching shares is subject to the achievement of an Adjusted EPS hurdle over the three-year performance period A hurdle rate of 6% per annum applied to the 2007 matching awards which was increased to 8% per annum Adjusted EPS for the 2008 and 2009 matching awards Awards of matching shares made under the 2009-11 BIP cycle to executive directors during the year and matching awards vested under the 2006-2008 BIP cycle are disclosed in the share tables on pages 42-47 Adjusted EPS performance over the three years ended 31 December 2008 was 12 5% p a and exceeded the performance condition to vest the 2006-08 matching awards

At the date of this report, the Committee determined that the performance condition in respect of the 2007-09 BIP cycle for executive directors and former directors was not met Consequently, no matching shares vested in respect of this cycle for these executives

In the event of a change of control, the vesting of the matching shares is subject to the discretion of the Committee

Shareholding requirement
The shareholding requirement for the CEO of Reed Elsevier Group plc is three times salary and for other executive directors two times salary Executive directors have five years to build up their shareholding to the required level Shareholding requirements are also in place for a selected group of senior executives below the board Meeting the shareholding requirement is a condition of vesting the designated LTIP awards and once met, is a condition of ongoing participation in the LTIP Those directors who were granted an LTIP award in 2006, and who are subject to ongoing shareholding requirements, well exceeded their requirement in order to vest this award in February 2009

Details of directors' shareholdings, as at 31 December 2009, are set out on page 41 As at 31 December 2009, Erik Engstrom already exceeded his new shareholding requirement of three times salary (increased from previously two times following his appointment as CEO of Reed Elsevier Group plc in November 2009) based on his new annual salary

Other employee share plans
UK-based executive directors are eligible to participate in the HMRC approved all-employee UK Savings-Related Share Option Scheme (SAYE) US-based directors are eligible to participate in the all-employee US-based Employee Stock Investment Plan (EMSIP) Under the EMSIP, employees are able to purchase Reed Elsevier PLC and Reed Elsevier NV securities at the prevailing market price, with commissions and charges being met by Reed Elsevier Group plc

Retirement benefits
Retirement benefit provisions are set in the context of the total remuneration for each executive director, taking account of age and service and against the background of evolving legislation and practice in Reed Elsevier Group plc s major countries of operation Base salary is the only pensionable element of remuneration

Erik Engstrom and Mark Armour are provided with UK defined benefit pension arrangements under which they accrue a pension of 1/30th of salary for every year of service (up to a maximum of two thirds of salary) The pension is provided through a combination of

> the main UK Reed Elsevier Pension Scheme for salary restricted to a cap determined annually on the same basis as the pre-April 2006 Inland Revenue earnings cap, and

> Reed Elsevier s unfunded unapproved pension arrangement for salary above the cap

Prior to 1 November 2007, Erik Engstrom was not a member of any company pension scheme and Reed Elsevier made annual contributions of 19 5% of his salary to his personal pension plan From 1 November 2007 contributions to his designated retirement account ceased and he became a member of the UK defined benefit pension arrangement

Andrew Prozes, a US-based director, is provided with a mixed arrangement of defined benefit and defined contribution In accordance with US legislation, he has no defined retirement age On 17 July 2007, he became vested in an annual pension of US$300 000 His basic pension continues to accrue at a rate of $42,857 per annum for each completed year of service between 17 July 2007 and 1 February 2011 In addition, Andrew Prozes will be entitled to receive an enhancement to his annual pension unless he resigns or if his employment is terminated by Reed Elsevier Group plc for cause prior to 1 February 2011 Any such enhancement will be equal to $3,721 times the number of completed calendar months between 1 July 2007 and the date of termination or, if earlier, 1 February 2011 For these purposes, his termination date shall be deemed to be 12 months after he ceases employment

Sir Crispin Davis ceased to be a director on 19 March 2009 and retired on 31 March 2009 at which point he became entitled to a pension of £533,319 p a Ian Smith received a monthly cash allowance in lieu of pension equal to 30% of his monthly gross salary until his resignation by mutual agreement on 10 November 2009

The pension arrangements for all directors (UK and non-UK) include life assurance cover whilst in employment, an entitlement to a pension in the event of ill health or disability and a spouse's and/or dependants' pension on death

The increase in the transfer value of the directors' pensions, after deduction of contributions, is shown in the table overleaf Transfer values for the UK directors have been calculated in accordance with the guidance note GN11 published by the UK Institute of Actuaries and Faculty of Actuaries The transfer values at 31 December 2009 have been calculated using the transfer value basis adopted by the trustees of the pension scheme from 1 October 2008

Transfer values of accrued pension benefits

	Age 31 December 2009	Director s contributions	Transfer value of accrued pension 31 December 2008	Transfer value of accrued pension 31 December 2009	Increase in transfer value during the year (net of director s contributions)*	Accrued annual pension 31 December 2009	Increase in accrued annual pension during the year	Increase in accrued annual pension during the year (net of inflation)	Transfer value at 31 December 2009 of increase in accrued pension during the year (net of inflation and director s contributions)
Mark Armour	55	£6,105	£4,358,939	£5,170,768	£805,724	£304,976	£20,441	£17,884	£297,109
Erik Engstrom	46	£6,105	£271,227	£624,769	£347,437	£49,127	£24 712	£24,492	£305,371
Andrew Prozes	63	-	$5,659,371	$6,719,734	$1,060 363	$515,199	$87,508	$87,508	$1,141,369
Sir Crispin Davis*	60	£1,470	£9,609,144	£10,165,955	£555,341	£533,319	£13,718	£13,718	£260,010

*Became entitled to a total annual pension of £533,319 upon retirement on 31 March 2009
**Ian Smith was not a pension scheme member The cash allowance paid to him in lieu of pension is disclosed on page 39

Service contracts
Executive directors are employed under service contracts that provide for a maximum of one year's notice The contracts neither specify a predetermined level of severance payment nor contain specific provisions in respect of change in control The Committee believes that, as a general rule, notice periods should be 12 months and that the directors should, subject to any legal constraints within their base country, be required to mitigate their damages in the event of termination The Committee will, however, note local market conditions so as to ensure that the terms offered are appropriate to attract and retain top executives operating in global businesses The service contracts for executive directors (and for approximately 100 other senior executives) contain the following three provisions

> non-compete provisions which prevent them from working with specified competitors, from recruiting Reed Elsevier Group plc employees and from soliciting Reed Elsevier Group plc customers for a period of 12 months after leaving employment,

> in the event of their resigning, they will immediately lose all rights to any outstanding awards under the LTIP, ESOS and BIP granted from 2004 onwards including any vested but unexercised options, and

> in the event that they were to join a specified competitor within 12 months of leaving employment, any gains made in the six months prior to leaving employment on the vesting or exercise of an LTIP, ESOS and BIP award made from 2004 onwards shall be repayable

Each of the executive directors has/had a service contract, as summarised in the table below

	Contract Date	Expiry date (subject to notice period)	Notice period	Subject to
Mark Armour(i)	7 October 1996	29 July 2014	12 months	English law
Erik Engstrom(i)	25 June 2004	14 June 2025	12 months	English law
Andrew Prozes(ii)	5 July 2000	Indefinite	12 months salary payable for termination without	New York law
Sir Crispin Davis(i)	19 July 1999	Ceased to be a director on 19 March 2009 and retired 31 March 2009	-	English law
Ian Smith (i)	3 November 2008	Resigned 10 November 2009	12 months	English Law

(i) Employed by Reed Elsevier Group plc (ii) Employed by Reed Elsevier Inc

Sir Crispin Davis' retirement arrangements
As previously disclosed in the 2008 Remuneration Report (page 37), Sir Crispin Davis retirement in March 2009 was subject to the following terms

> he would continue to be eligible for a pro rata 2009 annual bonus under the AIP Any bonus due will be paid in the first quarter of 2010 and will be subject to performance against KPOs in the period to his retirement and Reed Elsevier Group plc financial performance for 2009 in the same way as the bonuses payable to the other executive directors,

> as is standard practice for retirements early in the year, he did not receive 2009 grants under ESOS and LTIP and did not participate in the 2009 BIP,

> no termination payments were due since he retired,

> all unvested share-based awards were treated in accordance with the rules of the plans, and outstanding options remain exercisable for three-and-a-half years from retirement, and

> his LTIP shareholding requirement ceased on retirement

Ian Smith's termination arrangements
Ian Smith's service contract terminated on 10 November 2009 following his resignation by mutual agreement The following terms applied in respect of his loss of office

> payment of a cash sum on termination, equivalent to an unmitigated payment of seven months base salary and benefits In addition, up to a further five monthly instalments equivalent to 1/12th of his annual salary and benefits will be payable commencing on 10 June 2010, with each instalment reduced by the gross amount of any alternative employment consulting or advisory income received,

> payment of fees for legal and other advice,

> he would continue to be eligible for a 2009 annual bonus under the AIP The bonus was determined in accordance with the terms of the AIP based on performance against KPOs and Reed Elsevier Group plc financial performance for 2009 and the bonus due will be paid in March 2010,

> all unvested awards granted under the LTI plans, comprising options granted under ESOS and performance shares granted under the 2008-10 and 2009-11 LTIP cycles lapsed in full on termination

Policy on external appointments
The Committee believes that the experience gained by allowing executive directors to serve as non-executive directors on the boards of other organisations is of benefit to Reed Elsevier Group plc Accordingly, executive directors may, subject to the approval of the Chairman and the Chief Executive Officer, serve as non-executive directors on the boards of up to two non-associated companies (of which only one may be to the board of a major company) and they may retain remuneration arising from such appointments

> Sir Crispin Davis is a non-executive director of GlaxoSmithKline plc and received a fee of £26,250 up to the date of his retirement on 31 March 2009 (£86,250 during 2008 which related to the full calendar year)

> Andrew Prozes is a non-executive director of the Cott Corporation and received a fee of $127,285 (£81,073) during 2009 ($153,790 (£83,130) during 2008)

> Ian Smith is a non-executive director of Galiform plc and received a fee of £25,961 up to the date of his resignation on 10 November 2009

DIRECTORS' REMUNERATION REPORT

NON-EXECUTIVE DIRECTORS

Policy on non-executive directors' fees

Reed Elsevier Group plc seeks to recruit non-executive directors with the experience to contribute to the boards of a dual-listed global business and with a balance of personal skills that will make a major contribution to the boards and their committee structures Non-executive directors, including the Chairman, are appointed to the boards of Reed Elsevier Group plc, Reed Elsevier PLC and the Supervisory Board of Reed Elsevier NV Non-executive directors' fees represent the directors' membership of the three boards

The primary source for comparative market data is the practice of FTSE 50 companies although reference is also made to AEX and US listed companies

Non-executive directors, including the Chairman, serve under letters of appointment and are not entitled to notice of, or payments following, retirement from the board

Fee levels
Non-executive directors receive an annual fee in respect of their memberships of the boards of Reed Elsevier PLC, Reed Elsevier NV and Reed Elsevier Group plc Non-executive directors are reimbursed for expenses incurred in attending meetings They do not receive any performance related bonuses, pension provision, share options or other forms of benefit Fees may be reviewed annually, although in practice they have changed on a less frequent basis

Non-executive directors' fees were last reviewed during 2007 and the annual fee rates applicable to non-executive directors below have been in effect since 1 January 2008 During 2009, the Board reviewed the Chairman's fee in the context of prevailing fee levels provided by UK companies of a similar size and complexity to Reed Elsevier Group plc and the increased time commitment required by the Chairman going forward The Board approved a Chairman's fee of £500,000 per annum effective from 1 June 2009 following the appointment of Anthony Habgood as Chairman of Reed Elsevier Group plc

	Annual fee 2010	Annual fee 2009
Chairman	**£500,000 from 1 June 2009** **€350,000 until 21 April 2009***	€350,000
Non-executive directors	**£55,000/€75,000**	£55,000/€75,000
Chairman of		
– Audit Committee	**£15,000/€20,000**	£15,000/€20,000
– Remuneration Committee	**£15,000/€20,000**	£15,000/€20 000

* Annual fee paid pro rata during 2009 to Jan Hommen who stepped down from the Reed Elsevier Group plc board on 21 April 2009

The Chairman of Reed Elsevier Group plc chairs the Nominations Committee and does not receive a separate fee for his role as chairman of that committee

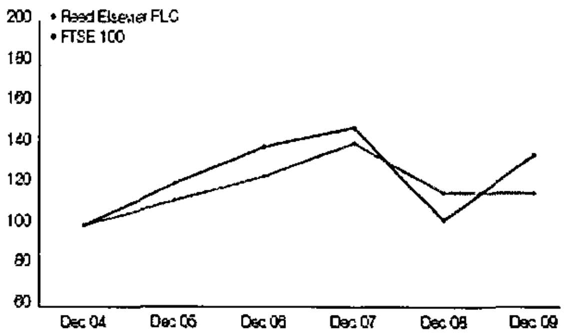
DIRECTORS' REMUNERATION REPORT

Total Shareholder Return graphs

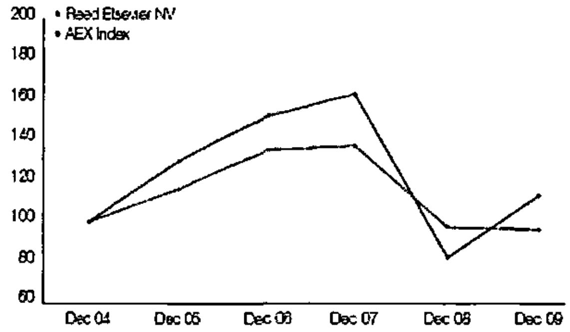
As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the graphs in this section show the Reed Elsevier PLC and Reed Elsevier NV total shareholder return performance assuming dividends were reinvested They compare the Reed Elsevier PLC performance with that achieved by the FTSE 100, and the Reed Elsevier NV performance with the performance achieved by the Euronext Amsterdam (AEX) Index, over the five-year period from 31 December 2004 to 31 December 2009

For the five-year period from 31 December 2004, the TSR for Reed Elsevier PLC was 16%, against a FTSE 100 return of 35% For Reed Elsevier NV during the same period, TSR was minus 4% against an AEX Index return of 13% As Reed Elsevier PLC and Reed Elsevier NV are members of the FTSE 100 and AEX Index respectively, these indices are relevant

Reed Elsevier PLC v FTSE 100 - 5 years



Reed Elsevier NV v AEX - 5 years



For the purposes of the charts, the total shareholder return is calculated on the basis of the average share price in the 30 trading days prior to the respective year ends and on the assumption that dividends were reinvested

Remuneration and share tables

The information set out in this section forms part of the audited disclosures in this report For the purposes of the disclosures in this section, the average exchange rates for the relevant year have been used

Directors' emoluments and fees

Aggregate emoluments

The emoluments of the directors of Reed Elsevier PLC and Reed Elsevier NV (including any entitlement to fees or emoluments from either Reed Elsevier Group plc or Elsevier Reed Finance BV) were as follows

	2009	2008
	£'000	£ 000
Salaries and fees	**3,973**	4,322
Benefits	**360**	115
Payments for loss of office	**1,124**	-
Annual performance-related bonuses	**2,294**	5,547
Pension contributions	**32**	51
Payments to former directors*	**284**	-
Pension in respect of former director	**1,034**	429
Total	**9,101**	10,464

* This reflects notional dividend payments made to Patrick Tierney and Gerard van de Aast on the vesting of the 2006-08 cycle of LTIP of £123,030 and £161,253 respectively

Ian Smith's employment ended on 10 November 2009 under the arrangements described on page 37 The payments made to him on termination are included above under *'Payments for loss of office'*

DIRECTORS' REMUNERATION REPORT

As described in the 2008 Remuneration Report (page 37), Gerard van de Aast s employment terminated on 31 December 2008 He received a mitigated payment in lieu of notice of £391 000 equivalent to eight months' service on termination which was paid in January 2009 and which is also included above under '*Payments for loss of office*'

The 2009 increase in '*Pension in respect of former directors*' compared to 2008 reflects pension payments made during the year by Reed Elsevier Group plc under the unfunded section of the Reed Elsevier Group plc pension scheme to Sir Crispin Davis (from 1 April 2009) and Gerard van de Aast (from 1 January 2009)

Individual fees of non-executive directors

	2009 £	2008 £
Mark Elliott	**70,000**	70,000
Anthony Habgood (from 1 June 2009)	**291,667**	-
Lisa Hook	**55,000**	55,000
Robert Polet	**55,000**	55,000
David Reid	**55,000**	55,000
Lord Sharman	**70,000**	70,000
Ben van der Veer (from 3 September 2009)	**22,321**	-
Jan Hommen (until 21 April 2009)	**104,167**	277,778
Rolf Stomberg (until 23 Apr 2008)	-	19,841
Total	**723,155**	602,619

Other required disclosures
No loans, advances or guarantees have been provided on behalf of any director

Details of long-term share-based incentives which vested and were exercised by the directors over shares in Reed Elsevier PLC and Reed Elsevier NV during the year are shown on pages 42-47 The aggregate notional pre-tax gain (excluding notional dividends) made by the directors from such incentives during the year was £8,303,637 (2008 £1,857,517) The year on year change reflects in most part the vesting of the 2006-08 LTIP cycle during the year following no LTIP vesting in 2008

Individual emoluments of executive directors

	Salary £	Benefits £	Bonus £	Notional dividends on vested 2006-08 LTIP cycle £	Payment for loss of office £	Total 2009 £	Total 2008 £
Mark Armour	**613,440**	**21,855**	**420,206**	**172,049**	-	**1,227,550**	1,193,051
Erik Engstrom	**793,131***	**25,970**	**844,143**	**188,130**	-	**1,851,374**	1,319,618
Andrew Prozes	**774,000**	**16,583**	**470,399**	**191,716**	-	**1,452,698**	1,189,120
Sir Crispin Davis (until 31 March 2009)	**295,275**	**7,301**	**131,397**	**331,268**	-	**765,241**	2,285,147
Ian Smith (1 January until 10 November 2010)	**775,000**	**288,261****	**427,500**	-	**733,250*****	**2,224,011**	-
Total	**3,250,846**	**359,970**	**2,293,645**	**883,163**	**733,250**	**7,520,874**	5,986,936

* This reflects the pro rating of his US dollar salary of $1,192,464 p a. until 10 November 2009 and his new sterling denominated salary of £1 000 000 p a for the remainder of 2009
** Includes a cash allowance of £232,500 paid in lieu of pension (equivalent to 30% of salary earned) and a payment of £41 538 in respect of accrued but untaken holiday at the date of termination.
*** As disclosed on page 37 up to a further five instalments equivalent to 1/12th of his annual salary and benefits may be payable This is, however subject to mitigation As termination of the service contract occurred during the first term in office the terms agreed for loss of office are in accordance with best practice provision II 2 8 of the Dutch Code

Benefits principally comprise the provision of a company car or car allowance, health and disability insurance The IFRS2 fair value of grants made under ESOS, BIP and LTIP during 2009, based on the number of awards as disclosed in the tables on pages 42-47, to executive directors in office on 31 December 2009 is £5,320,633 The number of awards that ultimately vest will depend upon performance against the conditions described in the front section of the remuneration report

With the inclusion of the payment for loss of office, Ian Smith was the highest paid director in 2009 All of the share-based awards granted to him during 2009 lapsed in full on termination and he made no notional pre-tax gains on the vesting of any share-based incentives

Directors' shareholdings in Reed Elsevier PLC and Reed Elsevier NV
The interests of those individuals who were directors of Reed Elsevier PLC and Reed Elsevier NV as at 31 December 2009 in the issued share capital of the respective companies at the beginning and end of the year are shown below

	Reed Elsevier PLC ordinary shares		Reed Elsevier NV ordinary shares	
	1 January 2009*	31 December 2009	1 January 2009*	31 December 2009
Mark Armour	131,572	248,742	62,384	136,889
Mark Elliott	–	–	–	–
Erik Engstrom	77,856	107,040	211,760	365,580
Anthony Habgood	–	50,000	–	–
Lisa Hook	–	–	–	–
Robert Polet	–	–	–	–
Andrew Prozes	231,709	148,142	168,676	112 004
David Reid	–	–	–	–
Lord Sharman	–	–	–	–
Ben van der Veer	–	–	1,298	1,298

*On date of appointment if subsequent to 1 January 2009

There have been no changes in the interests of the directors in the Reed Elsevier PLC or Reed Elsevier NV ordinary shares at the date of this report

Share-based awards in Reed Elsevier PLC and Reed Elsevier NV
Details of vested (in italics) and unvested options and unvested restricted shares and restricted shares vested during the year (in italics) held by directors in Reed Elsevier PLC (PLC) and Reed Elsevier NV (NV) during 2009 are shown in the tables overleaf The vesting of outstanding unvested awards is subject to performance conditions in accordance with the provisions of the respective plan rules For disclosure purposes, any PLC and NV ADRs awarded to directors under the BIP have been converted into ordinary share equivalents At the date of this report there have been no changes in the options or restricted shares held by directors in office at 31 December 2009 other than those relating to the 2007-09 cycles of ESOS, BIP and LTIP as disclosed on pages 32-34 The market price on award for BIP and LTIP, gains on the exercise of options and any notional gains on vesting are based on the middle market price of the respective security

Mark Armour

Options

	Year of grant	Option over	No of options held on 1 Jan 2009	No of options granted during 2009	Option price	No of options exercised during 2009	Market price per share at exercise	Gross gains made on exercise £/€	No of options held on 31 Dec 2009	Unvested options vesting on	Options exercisable until
ESOS	1999	PLC ord	*33 600		£5 375				-		
		NV ord	*20,244		€13 55				-		
	2001	PLC ord	62 974		£6 590				62 974		23 Feb 2011
		NV ord	44,882		€14 75				44 882		23 Feb 2011
	2002	PLC ord	74 000		£6 000				74 000		22 Feb 2012
		NV ord	51 926		€13 94				51,926		22 Feb 2012
	2005	PLC ord	150 422		£5 335				150,422		17 Feb 2015
		NV ord	102 618		€11 31				102,618		17 Feb 2015
	2006	PLC ord	158,836		£5 305				158,836		13 Mar 2016
		NV ord	106 720		€11 47				106,720		13 Mar 2016
	2007	PLC ord	130,740		£6 445				130,740	17 Feb 2010	17 Feb 2017
		NV ord	86,347		€14 51				86,347	17 Feb 2010	17 Feb 2017
	2008	PLC ord	144,000		£6 275				144,000	21 Feb 2011	21 Feb 2018
		NV ord	94,000		€12 21				94,000	21 Feb 2011	21 Feb 2018
	2009	PLC ord		147,692	£5 420				147,692	19 Feb 2012	19 Feb 2019
		NV ord		95,899	€9 415				95,899	19 Feb 2012	19 Feb 2019
LTIP	2004	PLC ord	290,481		£4 872				290 481		19 Feb 2014
		NV ord	199,467		€10 57				199 467		19 Feb 2014
SAYE	2004	PLC ord	4 329		£3 776	4,329	£4 75	£4,216	-		-
Total PLC ords			1,049,382	147,692		4,329		£4,216	1,159,145		
Total NV ords			706,204	95,899					781,859		

*Options lapsed unexercised during the year

Shares

	Year of grant	Type of security	No of unvested shares held on 1 Jan 2009	No of shares awarded during 2009	Market price per share at award	No of shares vested during 2009	Market price per share at vesting	Notional gross gains at vesting £/€	No of unvested shares held on 31 Dec 2009	Date of vesting
BIP	2006	PLC ord	21,653		£5 470	21,653	£4 940	£106,966	-	3 Apr 2009
		NV ord	14,306		€11 74	14,306	€8 140	€116,451	-	3 Apr 2009
	2007	PLC ord	19,859		£6 155				19,859	4 Apr 2010
		NV ord	13,371		€13 49				13,371	4 Apr 2010
	2008	PLC ord	25,291		£6 600				25,291	8 Apr 2011
		NV ord	16,993		€12 44				16,993	8 Apr 2011
	2009	PLC ord		27,886	£4 985				27,886	8 Apr 2012
		NV ord		18,568	€8 201				18,568	8 Apr 2012
LTIP	2006	PLC ord	75 075		£5 350	141,891	£5 245	£744,218	-	27 Feb 2009
		NV ord	49 434		€11 76	93,430	€8 864	€828,163	-	27 Feb 2009
	2007	PLC ord	61,775		£6 445				61,775	17 Feb 2010
		NV ord	40,799		€14 51				40,799	17 Feb 2010
	2008	PLC ord	67,000		£6 275				67,000	21 Feb 2011
		NV ord	44,000		€12 21				44,000	21 Feb 2011
	2009	PLC ord		76,397	£5 420				76,397	19 Feb 2012
		NV ord		49,605	€9 415				49,605	19 Feb 2012
Total PLC ords			270,653	104,283		163,544		£851,184	278,208	
Total NV ords			178,903	68,173		107,736		€944,614	183,336	

Erik Engstrom

Options

	Year of grant	Option over	No of options held on 1 Jan 2009	No of options granted during 2009	Option price	No of options exercised during 2009	Market price per share at exercise	Gross gains made on exercise £/€	No of options held on 31 Dec 2009	Unvested options vesting on	Options exercisable until
ESOS	*2004*	*PLC ord*	*63,460*		*£4 780*				*63 460*		*23 Aug 2014*
		NV ord	*43 866*		*€10 30*				*43 866*		*23 Aug 2014*
	2005	*PLC ord*	*154 517*		*£5 335*				*154 517*		*17 Feb 2015*
		NV ord	*105 412*		*€11 31*				*105 412*		*17 Feb 2015*
	2006	*PLC ord*	*178 895*		*£5 305*				*178 895*		*13 Mar 2016*
		NV ord	*120,198*		*€11 47*				*120,198*		*13 Mar 2016*
	2007	PLC ord	130,060		£6 445				130,060	17 Feb 2010	17 Feb 2017
		NV ord	85,897		€14 51				85,897	17 Feb 2010	17 Feb 2017
	2008	PLC ord	143,000		£6 275				143,000	21 Feb 2011	21 Feb 2018
		NV ord	94,000		€12 21				94,000	21 Feb 2011	21 Feb 2018
	2009	PLC ord		146,923	£5 420				146,923	19 Feb 2012	19 Feb 2019
		NV ord		95,399	€9 415				95,399	19 Feb 2012	19 Feb 2019
LTIP	*2004*	*PLC ord*	*325,163*		*£4 78*				*325 163*		*23 Aug 2014*
		NV ord	*224 766*		*€10 30*				*224 766*		*23 Aug 2014*
Total PLC ords			995,095	146,923					1 142,018		
Total NV ords			674,139	95,399					769,538		

Shares

	Year of grant	Type of security	No of unvested shares held on 1 Jan 2009	No of shares awarded during 2009	Market price per share at award	No of shares vested during 2009	Market price per share at vesting	Notional gross gains at vesting £/€	No of unvested shares held on 31 Dec 2009	Date of vesting
BIP	*2006*	*NV ord*	*29,442*		*€11 74*	*29,442*	*€8 14*	*€239,658*	-	*3 Apr 2009*
	2007	NV ord	27,572		€13 49				27,572	4 Apr 2010
	2008	NV ord	30,318		€12 44				30,318	8 Apr 2011
	2009	NV ord		57,216	€8 201				57,216	8 Apr 2012
LTIP	*2006*	*PLC ord*	*82 092*		*£5 350*	*155,153*	*£5 245*	*£813,777*	-	*27 Feb 2009*
		NV ord	*54,055*		*€11 76*	*102,163*	*€8 864*	*€905,573*	-	*27 Feb 2009*
	2007	PLC ord	61,453		£6 445				61,453	17 Feb 2010
		NV ord	40 586		€14 51				40,586	17 Feb 2010
	2008	PLC ord	68,500		£6 275				68,500	21 Feb 2011
		NV ord	45 000		€12 21				45 000	21 Feb 2011
	2009	PLC ord		103,902	£5 420				103,902	19 Feb 2012
		NV ord		67,465	€9 415				67,465	19 Feb 2012
Total PLC ords			212,045	103,902		*155,153*		*£813,777*	233,855	
Total NV ords			226,973	124,681		*131,605*		*€1,145,231*	268,157	

DIRECTORS' REMUNERATION REPORT

Andrew Prozes

Options

	Year of grant	Option over	No of options held on 1 Jan 2009	No of options granted during 2009	Option price	No of options exercised during 2009	Market price per share at exercise	Gross gains made on exercise £/€	No of options held on 31 Dec 2009	Unvested options vesting on	Options exercisable until
ESOS	*2000*	*PLC ord*	*188,821*		*£5 660*				*188 821*		*9 Aug 2010*
		NV ord	*131,062*		*€13 60*				*131 062*		*9 Aug 2010*
	2001	*PLC ord*	*83,785*		*£6 590*				*83 785*		*23 Feb 2011*
		NV ord	*59 714*		*€14 75*				*59 714*		*23 Feb 2011*
	2002	*PLC ord*	*103,722*		*£6 000*				*103 722*		*22 Feb 2012*
		NV ord	*72,783*		*€13 94*				*72,783*		*22 Feb 2012*
	2003	*PLC ord*	*132,142*		*£4 515*				*132 142*		*21 Feb 2013*
		NV ord	*94,086*		*€9 34*				*94,086*		*21 Feb 2013*
	2004	*PLC ord*	*162 666*		*£4 872*				*162 666*		*19 Feb 2014*
		NV ord	*111,699*		*€10 57*				*111,699*		*19 Feb 2014*
	2005	*PLC ord*	*154 517*		*£5 335*				*154 517*		*17 Feb 2015*
		NV ord	*105,412*		*€11 31*				*105 412*		*17 Feb 2015*
	2006	*PLC ord*	*182 303*		*£5 305*				*182 303*		*13 Mar 2016*
		NV ord	*122 487*		*€11 47*				*122 487*		*13 Mar 2016*
	2007	PLC ord	132,537		£6 445				132,537	17 Feb 2010	17 Feb 2017
		NV ord	87,533		€14 51				87,533	17 Feb 2010	17 Feb 2017
	2008	PLC ord	145,000		£6 275				145,000	21 Feb 2011	21 Feb 2018
		NV ord	96,000		€12 21				96,000	21 Feb 2011	21 Feb 2018
	2009	PLC ord		**149,722**	£5 420				149,722	19 Feb 2012	19 Feb 2019
		NV ord		**97,216**	€9 415				97,216	19 Feb 2012	19 Feb 2019
LTIP	*2004*	*PLC ord*	*304 558*		*£4 872*				*304 558*		*19 Feb 2014*
		NV ord	*209,133*		*€10 57*				*209 133*		*19 Feb 2014*
Total PLC ords			1,589,511	**149,722**					1,739,233		
Total NV ords			1,089,909	**97,216**					1,187,125		

Shares

	Year of grant	Type of security	No of unvested shares held on 1 Jan 2009	No of shares awarded during 2009	Market price per share at award	No of shares vested during 2009	Market price per share at vesting	Notional gross gains at vesting £/€	No of unveste d shares held on 31 Dec 2009	Date of vesting
BIP	*2006*	*PLC ord*	*26 400*		*£5 470*	*26,400*	*£4 94*	*£130,416*	-	*3 Apr 2009*
		NV ord	*17 636*		*€11 74*	*17,636*	*€8 14*	*€143,557*	-	*3 Apr 2009*
	2007	PLC ord	21,548		£6 155				21,548	4 Apr 2010
		NV ord	14,574		€13 49				14,574	4 Apr 2010
	2008	PLC ord	20,030		£6 600				20,030	8 Apr 2011
		NV ord	13,505		€12 44				13,505	8 Apr 2011
	2009	PLC ord		**32,335**	£4 985				32,335	8 Apr 2012
		NV ord		**21,626**	€8 201				21,626	8 Apr 2012
LTIP	*2006*	*PLC ord*	*83,656*		*£5 350*	*158,109*	*£5 245*	*£829,282*	-	*27 Feb 2009*
		NV ord	*55 085*		*€11 76*	*104,110*	*€8 864*	*€922,831*	-	*27 Feb 2009*
	2007	PLC ord	62,623		£6 445				62,623	17 Feb 2010
		NV ord	41 359		€14 51				41 359	17 Feb 2010
	2008	PLC ord	68,000		£6 275				68,000	21 Feb 2011
		NV ord	44 500		€12 21				44 500	21 Feb 2011
	2009	PLC ord		**105,881**	£5 420				105,881	19 Feb 2012
		NV ord		**68,750**	€9 415				68,750	19 Feb 2012
Total PLC ords			282,257	**138,216**		*184,509*		*£959,698*	310,417	
Total NV ords			186,659	**90,376**		*121,746*		*€1,066,388*	204,314	

Sir Crispin Davis

Sir Crispin Davis ceased to be a director on 19 March 2009 and formally retired on 31 March 2009 The tables below reflect the position as at 31 March 2009

Options

	Year of grant	Option over	No of options held on 1 Jan 2009	No of options granted during 2009	Option price	No of options exercise during 2009	Market price per share at exercise	Gross gains made on exercise £/€	No of options held on 31 Mar 2009	Unvested options vesting on	Options exercisable until
ESOS	1999	PLC ord	321 199		£4 67	150	£5 01	£51	321,049*		1 Sept 2009
		NV ord	191 550		€12 00				191,550*		1 Sept 2009
	2000	PLC ord	171 821		£4 365				171 821		2 May 2010
		NV ord	120 245		€10 73				120,245		2 May 2010
	2001	PLC ord	122,914		£6 590				122,914		23 Feb 2011
		NV ord	87,601		€14 75				87 601		23 Feb 2011
	2002	PLC ord	148,500		£6 000				148,500		22 Feb 2012
		NV ord	104 204		€13 94				104,204		22 Feb 2012
	2003	PLC ord	209,192		£4 515				209,192		30 Sep 2012
		NV ord	148 946		€9 34				148 946		30 Sep 2012
	2004	PLC ord	305,303		£4 872				305,303		30 Sep 2012
		NV ord	209 645		€10 57				209,645		30 Sep 2012
	2005	PLC ord	292,409		£5 335				292,409		30 Sep 2012
		NV ord	199,481		€11 31				199,481		30 Sep 2012
	2006	PLC ord	305 824		£5 305				305 824		30 Sep 2012
		NV ord	205 480		€11 47				205,480		30 Sep 2012
	2007	**PLC ord	251,730		£6 445				188,797		30 Sep 2012
		**NV ord	166,254		€14 51				124,690		30 Sep 2012
	2008	**PLC ord	276,000		£6 275				115,000		30 Sep 2012
		**NV ord	182,000		€12 21				75,833		30 Sep 2012
LTIP	2004	PLC ord	571 616		£4 872				571,616		30 Sep 2012
		NV ord	392,516		€10 57				392,516		30 Sep 2012
SAYE	2006	PLC ord	3,793		£4 244				3,793		30 Sep 2009
Total PLC ords			2 980,301	-		150		£51	2 756,218		
Total NV ords			2,007 922	-					1,860,191		

*The options lapsed unexercised on 1 September 2009

Shares

	Year of grant	Type of security	No of unvested shares held on 1 Jan 2009	No of shares awarded during 2009	Market price per share at award	No of shares vested during 2009	Market price per share at vesting	Notional gross gains at vesting £/€	No of unvested shares held on 31 Mar 2009	Date of vesting
BIP	2006	PLC ord	42 092		£5 470				42,092	4 Apr 2009
		NV ord	27,810		€11 74				27,810	4 Apr 2009
	2007	PLC ord	74,708		£6 155				74,708	4 Apr 2010
	2008	PLC ord	96,227		£6 600				96,227	8 Apr 2011
LTIP	2006	PLC ord	144,550		£5 350	273,199	£5 245	£1,432,929	-	27 Feb 2009
		NV ord	95 181		€11 76	179,892	€8 864	€1,594 563	-	27 Feb 2009
	2007	**PLC ord	118,942		£6 445				89,206	17 Feb 2010
		**NV ord	78,555		€14 51				58,916	17 Feb 2010
	2008	**PLC ord	129,000		£6 275				53,750	21 Feb 2011
		**NV ord	85,000		€12 21				35,416	21 Feb 2011
Total PLC ords			605 519	-		273,199		£1,432,929	355,983	
Total NV ords			286,546	-		179,892		€1,594,563	122,142	

**All awards granted in 2007 and 2008 under ESOS and LTIP have been prorated for service

Ian Smith

Ian Smith ceased to be a director on 10 November 2009 The tables below reflect the position as at 10 November 2009

Options

	Year of grant	Option over	No of options held on 1 Jan 2009	No of options granted during 2009	Option price	No of options exercised during 2009	Market price per share at exercise	Gross gains made on exercise £/€	No of options held at 10 Nov 2009	Unvested options vesting on	Options exercisable until
ESOS	2009	PLC ord		83,025	£5 420				-	Lapsed	
		NV ord		53,910	€9 415				-	Lapsed	
SAYE	2009	PLC ord		3,896	£4 016				-	Lapsed	
Total PLC ords			-	86,921					-		
Total NV ords			-	53,910					-		

Shares

	Year of grant	Type of security	No of unvested shares held on 1 Jan 2009	No of shares awarded during 2009	Market price per share at award	No of shares vested during 2009	Market price per share at vesting	Notional gross gains at vesting at £/€	No of unvested shares held on 10 Nov 2009	Date of vesting
LTIP	2009*	PLC ord		64,541	£6 275				-	Lapsed
		NV ord		43,956	€12 21				-	Lapsed
	2009	PLC ord		112,084	£5 420				-	Lapsed
		NV ord		72,778	€9 415				-	Lapsed
Total PLC ords			-	176,625					-	
Total NV ords			-	116,734					-	

*Pro-rated target grant under the 2008-10 LTIP cycle equivalent to 90% of salary

Employee Benefit Trust
Any ordinary shares required to satisfy entitlements under nil cost restricted share or performance share awards are provided by the Employee Benefit Trust (EBT) from market purchases As a potential beneficiary under the EBT in the same way as other employees of Reed Elsevier Group plc, each executive director is deemed to be interested in all the shares held by the EBT which, at 31 December 2009, amounted to 15,350,605 Reed Elsevier PLC ordinary shares (1 23% of issued share capital) and 8,219,196 Reed Elsevier NV ordinary shares (1 13% of issued share capital)

Other required disclosures in respect of share-based awards
Options granted under ESOS vest on the third anniversary and expire on the tenth anniversary of the date of grant The proportion of the target award that may vest in relation to the 2007, 2008 and 2009 LTIP grants is subject to growth in Adjusted EPS and relative TSR measured against a group of comparator companies during the performance period The number of shares subject to the target award are reflected in the above tables which are determined by reference to an assumed achievement of growth in Adjusted EPS of 12% for the 2008 award (10% for the 2007 LTIP grants) and median TSR, which would result in 100% of the award vesting Depending on actual Adjusted EPS growth and TSR, the proportion of the award that may vest could be lower or higher The maximum that can potentially vest in respect of LTIP is 189% of the number of shares comprised in the target awards shown in the tables above In respect of ESOS and BIP, the maximum that can vest corresponds to the number of shares disclosed in the table

Options under the SAYE scheme, in which all eligible UK employees are invited to participate, are granted at a maximum discount of 20% to the market price at time of grant They are normally exercisable after the expiry of three or five years from the date of grant No performance targets are attached to these option grants as it is an all-employee scheme

The middle market prices of a Reed Elsevier PLC ordinary share on the date of the 2009 award under BIP and LTIP were £4 985 and £5 42 respectively The middle market prices of a Reed Elsevier NV ordinary share on the date of the 2009 award under BIP and LTIP were €8 201 and €9 415 respectively

DIRECTORS' REMUNERATION REPORT

The middle market price of a Reed Elsevier PLC ordinary share during the year was in the range of £4 20 to £5 595 and at 31 December 2009 was £5 115 The middle market price of a Reed Elsevier NV ordinary share during the year was in the range of €7 19 to €9 415 and at 31 December 2009 was €8 601

Approved by the board of Reed Elsevier Group plc on 17 February 2010

Signed on behalf of the Remuneration Committee by Stephen J Cowden, Company Secretary

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the members of Reed Elsevier Group plc

We have audited the consolidated financial statements of Reed Elsevier Group plc for the year ended 31 December 2009 ("the consolidated financial statements'), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of financial position, the consolidated statement of changes in equity, the group accounting policies, and the related notes 1 to 34 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs") as adopted by the European Union

We have reported separately on the company financial statements of Reed Elsevier Group plc for the year ended 31 December 2009

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for preparation of the Annual Report and the consolidated financial statements and for being satisfied that they give a true and fair view and for such internal control as it is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' responsibilities

Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) and to express an opinion on the consolidated financial statements based on the audit Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors and plan to perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditors' consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group s affairs as at 31 December 2009 and of its profit for the year then ended, and
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the members of Reed Elsevier Group plc

Matters on which we are required to report by exception

We have nothing to report in respect of the Companies Act 2006, which requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit

Douglas King (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
17 February 2010

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Revenue - continuing operations	1	**6,011**	5,281
Cost of sales		**(2,232)**	(1,902)
Gross profit		**3,779**	3,379
Selling and distribution costs		**(1,111)**	(1,052)
Administration and other expenses		**(1,939)**	(1,482)
Operating profit before joint ventures		**729**	845
Share of results of joint ventures		**15**	18
Operating profit - continuing operations	3	**744**	863
Finance income	8	**11**	53
Finance costs	8	**(660)**	(553)
Net finance costs		**(649)**	(500)
Disposals and other non operating items	9	**(57)**	(93)
Profit before tax - continuing operations		**38**	270
Taxation	10	**(8)**	(99)
Net profit from continuing operations		**30**	171
Net profit from discontinued operations	2	**-**	18
Net profit for the year		**30**	189
Attributable to			
Parent companies' shareholders		**26**	185
Non-controlling interests		**4**	4
Net profit for the year		**30**	189

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Net profit for the year		**30**	189
Exchange difference on translation of foreign operations		**621**	(1,535)
Cumulative exchange differences on disposal of foreign operations		**-**	27
Actuarial gains/(losses) on defined benefit pension schemes	6	**6**	(347)
Fair value movements on available for sale investments		**(52)**	(99)
Cumulative fair value movements on disposal of available for sale investments		**1**	-
Fair value movements on cash flow hedges		**62**	(194)
Transfer to net profit from hedge reserve (net of tax)	19	**43**	(18)
Tax recognised directly in equity	10	**(27)**	152
Other comprehensive income/(expense) for the year		**654**	(2,014)
Total comprehensive income/(expense) for the year		**684**	(1,825)
Attributable to			
Parent companies shareholders		**680**	(1,829)
Non-controlling interests		**4**	4
Total comprehensive income/(expense) for the year		**684**	(1,825)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flow from operating activities - continuing operations			
Cash generated from operations	12	**1,550**	1,401
Interest paid		**(219)**	(146)
Interest received		**6**	31
Net interest paid to Reed Elsevier NV		**(21)**	(62)
Net interest paid to from Reed Elsevier PLC		**(1)**	(1)
Net interest paid to the Elsevier Reed Finance BV group		**(437)**	(302)
Tax paid		**(90)**	(160)
Net cash from operating activities		**788**	761
Cash flows from investing activities - continuing operations			
Acquisitions	12	**(94)**	(2,161)
Purchases of property plant and equipment		**(78)**	(57)
Expenditure on internally developed intangible assets		**(163)**	(115)
Purchase of investments		**(2)**	(4)
Net purchase of shares in Reed Elsevier PLC and Reed Elsevier NV		**-**	(54)
Proceeds from disposal of property, plant and equipment		**4**	5
Proceeds from other disposals		**2**	7
Dividends received from joint ventures		**23**	23
Net cash used in investing activities		**(308)**	(2,356)
Cash flows from financing activities - continuing operations			
Dividends paid		**-**	(1,453)
Distributions to non-controlling interests		**(4)**	-
(Decrease)/increase in net borrowings from shareholders and fellow affiliates		**(504)**	139
Increase/(decrease) in short term bank loans, overdrafts and commercial paper		**31**	(429)
Issuance of other loans		**1,255**	1,555
Repayment of other loans		**(1,843)**	(411)
Repayment of finance leases		**(2)**	(56)
Redemption of debt related derivative financial instrument		**-**	51
Proceeds on issue of ordinary shares		**913**	-
Net cash used in financing activities		**(154)**	(604)
Net cash used in discontinued operations	2	**-**	(48)
Increase/(decrease) in cash and cash equivalents	12	**326**	(2,247)
Movement in cash and cash equivalents			
At start of year		**244**	2,345
Increase/(decrease) in cash and cash equivalents		**326**	(2,247)
Exchange translation differences		**(26)**	146
At end of year		**544**	244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	2009 £m	2008 £m
Non-current assets			
Goodwill	15	**4,342**	4 905
Intangible assets	16	**3,486**	4,233
Investments in joint ventures	17	**135**	145
Other investments	17	**183**	242
Property, plant and equipment	18	**291**	328
Net pension assets	6	**110**	152
Deferred tax assets	20	**205**	349
		8,752	10,354
Current assets			
Inventories and pre-publication costs	21	**267**	343
Trade and other receivables	22	**1,477**	1,675
Derivative financial instruments		**13**	12
Amounts owed by Reed Elsevier PLC		**796**	540
Amounts owed by the Elsevier Reed Finance BV group		**8**	173
Cash and cash equivalents	12	**544**	244
		3,105	2,987
Assets held for sale	23	**5**	49
Total assets		**11,862**	13,390
Current liabilities			
Trade and other payables	24	**2,413**	2,719
Derivative financial instruments		**70**	207
Borrowings	25	**250**	63
Amounts owed to Reed Elsevier NV		**1,121**	1,518
Amounts owed to Reed Elsevier PLC		**1,317**	1,317
Amounts owed to Reed Holding BV		**1**	21
Amounts owed to the Elsevier Reed Finance BV group	25	**2,140**	1,750
Taxation		**385**	453
Provisions	27	**134**	79
		7,831	8,127
Non-current liabilities			
Borrowings	25	**2,656**	3,718
Amounts owed to the Elsevier Reed Finance BV group	25	**4,914**	6,290
Deferred tax liabilities	20	**1,265**	1,517
Net pension obligations	6	**345**	521
Provisions	27	**61**	35
		9,241	12,081
Liabilities associated with assets held for sale	23	**5**	2
Total liabilities		**17,077**	20,210
Net liabilities		**(5,215)**	(6,820)
Capital and reserves			
Share capital	29	**-**	-
Share premium	30	**1,237**	324
Translation reserve	31	**(668)**	(1,290)
Other reserves	32	**(5,811)**	(5,882)
Consolidated shareholders' deficit		**(5,242)**	(6,848)
Non-controlling interests		**27**	28
Total deficit		**(5,215)**	(6,820)

The financial statements of Reed Elsevier Group plc, registered number 2746616 were approved by the board of directors and authorised for issue on 17 February 2010

M H Armour

Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Note	Share capital	Share premium	Translation reserve	Other reserves	Consolidated shareholders' equity	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009		–	324	(1,290)	(5,882)	(6,848)	28	(6,820)
Total comprehensive income for the year		–	–	621	59	680	4	684
Dividends declared	14	–	–	–	–	–	(4)	(4)
Issue of ordinary shares, net of expenses		–	913	–	–	913	–	913
Increase in share based remuneration reserve		–	–	–	16	16	–	16
Settlement of share awards		–	–	–	(3)	(3)	–	(3)
Exchange differences on translation of capital and reserves		–	–	1	(1)	–	(1)	(1)
Balance at 31 December 2009		–	1,237	(668)	(5,811)	(5,242)	27	(5,215)

	Note	Share capital	Share premium	Translation reserve	Other reserves	Consolidated shareholders' equity	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2008		–	324	216	(4,152)	(3,612)	11	(3,601)
Total comprehensive income for the year		–	–	(1,508)	(321)	(1,829)	4	(1,825)
Dividends declared	14	–	–	–	(1,453)	(1,453)	–	(1,453)
Increase in share based remuneration reserve		–	–	–	46	46	–	46
Settlement of share awards		–	–	–	–	–	–	–
Acquisitions		–	–	–	–	–	11	11
Exchange differences on translation of capital and reserves		–	–	2	(2)	–	2	2
Balance at 31 December 2008		–	324	(1,290)	(5,882)	(6,848)	28	(6,820)

ACCOUNTING POLICIES

Basis of preparation

The Reed Elsevier Group plc financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and as issued by the International Accounting Standards Board (IASB), and are prepared on a going concern basis

The Reed Elsevier Group plc accounting policies under IFRS are set out below

In addition to the figures required to be reported by applicable accounting standards, adjusted operating profit figures have been presented as an additional performance measure Adjusted operating profit is shown before the amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, and is also grossed up to exclude the equity share of taxes in joint ventures

In preparing the consolidated financial statements, subsidiaries of Reed Elsevier Group plc are accounted for under the purchase method and investments in associates and joint ventures are accounted for under the equity method All transactions and balances between the consolidated businesses are eliminated

On acquisition of a subsidiary, or interest in an associate or joint venture, fair values, reflecting conditions at the date of acquisition are attributed to the net assets, including identifiable intangible assets, acquired This includes those adjustments made to bring accounting policies into line with those of the consolidated businesses The results of subsidiaries sold or acquired are included in the consolidated financial statements up to or from the date that control passes from or to the consolidated businesses

Non-controlling interests in the net assets of the consolidated businesses are identified separately from Reed Elsevier Group plc shareholders' equity Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the minority share of changes in equity since the date of acquisition

Foreign exchange translation

The consolidated financial statements are presented in pounds sterling

Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction At each statement of financial position date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the statement of financial position date Exchange differences arising are recorded in the income statement other than where hedge accounting applies as set out below

Assets and liabilities of foreign operations are translated at exchange rates prevailing on the statement of financial position date Income and expense items and cash flows of foreign operations are translated at the average exchange rate for the period Significant individual items of income and expense and cash flows in foreign operations are translated at the rate prevailing on the date of transaction Exchange differences arising are classified as equity and transferred to the translation reserve When foreign operations are disposed of, the related cumulative translation differences are recognised within the income statement in the period

Reed Elsevier Group plc uses derivative financial instruments, primarily forward contracts, to hedge its exposure to certain foreign exchange risks Details of Reed Elsevier Group plc's accounting policies in respect of derivative financial instruments are set out below

Revenue

Revenue represents the invoiced value of sales less anticipated returns on transactions completed by performance, excluding customer sales taxes and sales between the group

Revenues are recognised for the various categories of turnover as follows subscriptions – on periodic despatch of subscribed product or rateably over the period of the subscription where performance is not measurable by despatch, circulation and transactional – on despatch or occurrence of the transaction, advertising – on publication or over the period of online display, and exhibitions – on occurrence of the exhibition

Where sales consist of two or more independent components whose value can be reliably measured, revenue is recognised on each component as it is completed by performance, based on attribution of relative value

ACCOUNTING POLICIES

Employee benefits

The expense of defined benefit pension schemes and other post-retirement employee benefits is determined using the projected unit credit method and charged in the income statement as an operating expense, based on actuarial assumptions reflecting market conditions at the beginning of the financial year Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur

Past service costs are recognised immediately to the extent that benefits have vested, or, if not vested, on a straight line basis over the period until the benefits vest

Net pension obligations in respect of defined benefit schemes are included in the statement of financial position at the present value of scheme liabilities, less the fair value of scheme assets Where schemes are in surplus, i e assets exceed liabilities, the net pension assets are separately included in the statement of financial position Any net pension asset is limited to the extent that the asset is recoverable through reductions in future contributions

The expense of defined contribution pension schemes and other employee benefits is charged in the income statement as incurred

Share based remuneration

The fair value of share based remuneration is determined at the date of grant and recognised as an expense in the income statement on a straight line basis over the vesting period, taking account of the estimated number of shares that are expected to vest Market based performance criteria are taken into account when determining the fair value at the date of grant Non-market based performance criteria are taken into account when estimating the number of shares expected to vest The fair value of share based remuneration is determined by use of a binomial or Monte Carlo simulation model as appropriate All Reed Elsevier Group plc group's share based remuneration is equity settled by the ultimate holding companies, Reed Elsevier PLC and Reed Elsevier NV, and is accounted for as equity settled in Reed Elsevier Group plc

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to bring to use are capitalised All other interest on borrowings is expensed as incurred The cost of issuing borrowings is generally expensed over the period of borrowing so as to produce a constant periodic rate of charge

Taxation

The tax expense represents the sum of the tax payable on the current year taxable profits adjustments in respect of prior year taxable profits, and the movements on deferred tax that are recognised in the income statement

The tax payable on current year taxable profits is calculated using the applicable tax rates that have been enacted, or substantively enacted, by the statement of financial position date

Deferred tax is the tax arising on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that, based on current forecasts, it is probable that taxable profits will be available against which deductible temporary differences can be utilised Deferred tax is not recognised on temporary differences arising in respect of goodwill that is not deductible for tax purposes

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is expected to be settled or the asset realised Full provision is made for deferred tax which would become payable on the distribution of retained profits from foreign subsidiaries, associates or joint ventures

Movements in deferred tax are charged or credited in the income statement, except when they relate to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity Deferred tax credits in respect of share based remuneration are recognised in equity to the extent that expected tax deductions exceed the related expense

ACCOUNTING POLICIES

Goodwill

On the acquisition of a subsidiary or business, the purchase consideration is allocated between the net tangible and intangible assets on a fair value basis, with any excess purchase consideration representing goodwill Goodwill arising on acquisitions also includes amounts corresponding to deferred tax liabilities recognised in respect of acquired intangible assets

Goodwill is recognised as an asset and reviewed for impairment at least annually Any impairment is recognised immediately in the income statement and not subsequently reversed

On disposal of a subsidiary or business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Intangible assets

Intangible assets acquired as part of a business combination are stated in the statement of financial position at their fair value as at the date of acquisition, less accumulated amortisation Internally generated intangible assets are stated in the statement of financial position at the directly attributable cost of creation of the asset, less accumulated amortisation

Intangible assets acquired as part of business combinations comprise market related assets (e g trade marks, imprints, brands), customer related assets (e g subscription bases, customer lists, customer relationships), editorial content, software and systems (e g application infrastructure, product delivery platforms in-process research and development), contract based assets (e g publishing rights, exhibition rights, supply contracts), and other intangible assets Internally generated intangible assets typically comprise software and systems development where an identifiable asset is created that is probable to generate future economic benefits

Intangible assets, other than brands and imprints determined to have indefinite lives, are amortised systematically over their estimated useful lives The estimated useful lives of intangible assets with finite lives are as follows market and customer related assets – 3 to 40 years, content, software and other acquired intangible assets – 3 to 20 years, and internally developed intangible assets – 3 to 10 years Brands and imprints determined to have indefinite lives are not amortised and are subject to impairment review at least annually

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation No depreciation is provided on freehold land Freehold buildings and long leases are depreciated over their estimated useful lives up to a maximum of 50 years Short leases are written off over the duration of the lease Depreciation is provided on other assets on a straight line basis over their estimated useful lives as follows leasehold improvements – shorter of life of lease and 10 years, plant – 3 to 20 years, office furniture, fixtures and fittings – 5 to 10 years, computer systems, communication networks and equipment – 3 to 7 years

Investments

Investments, other than investments in joint ventures and associates, are stated in the statement of financial position at fair value Investments held as part of the venture capital portfolio are classified as held for trading, with changes in fair value reported through the income statement All other investments are classified as available for sale with changes in fair value recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is brought into the net profit or loss for the period All items recognised in the income statement relating to investments other than investments in joint ventures and associates, are reported as non operating items

Available for sale investments and venture capital investments held for trading represent investments in listed and unlisted securities The fair value of listed securities is determined based on quoted market prices, and of unlisted securities on management s estimate of fair value based on standard valuation techniques, including market comparisons and discounting of future cash flows, having regard to maximising the use of observable inputs and adjusting for risk Independent valuation experts are used as appropriate

Shares of the parent companies, Reed Elsevier PLC and Reed Elsevier NV, that are purchased by the Reed Elsevier Group plc Employee Benefit Trust are classified as investments available for sale and are held at market value with changes in fair value recognised directly in equity

Investments in joint ventures and associates are accounted for under the equity method and stated in the statement of financial position at cost as adjusted for post-acquisition changes in Reed Elsevier Group plc's share of net assets, less any impairment in value

Impairment

At each statement of financial position date, reviews are carried out of the carrying amounts of tangible and intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount, which is the higher of value in use and fair value less costs to sell, of the asset is estimated in order to determine the extent, if any, of the impairment loss Where the asset does not generate cash flows that are independent from other assets, value in use estimates are made based on the cash flows of the cash generating unit to which the asset belongs Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is any indication that the asset may be impaired

If the recoverable amount of an asset or cash generating unit is estimated to be less than its net carrying amount, the net carrying amount of the asset or cash generating unit is reduced to its recoverable amount Impairment losses are recognised immediately in the income statement in administration and other expenses

Inventories and pre-publication costs

Inventories and pre-publication costs are stated at the lower of cost, including appropriate attributable overheads, and estimated net realisable value Pre-publication costs, representing costs incurred in the origination of content prior to publication, are expensed systematically reflecting the expected sales profile over the estimated economic lives of the related products, generally up to five years

Leases

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are classified as assets held under finance leases and capitalised within property, plant and equipment or software and the corresponding liability to pay rentals is shown net of interest in the statement of financial position as obligations under finance leases The capitalised value of the assets is depreciated on a straight line basis over the shorter of the periods of the leases or the useful lives of the assets concerned The interest element of the lease payments is allocated so as to produce a constant periodic rate of charge

Operating lease rentals are charged to the income statement on a straight line basis over the period of the leases Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short term highly liquid investments and are held in the statement of financial position at fair value

Assets held for sale

Assets of businesses that are available for immediate sale in their current condition and for which a sales process has been initiated are classified as assets held for sale, and are carried at the lower of amortised cost and fair value less costs to sell Non-current assets are not amortised or depreciated following their classification as held for sale Liabilities of businesses held for sale are also separately classified on the statement of financial position

Discontinued operations

A discontinued operation is a component of the group that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale When an operation is classified as discontinued, the comparative income statement and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative period

Financial instruments

Financial instruments comprise investments (other than investments in joint ventures or associates), trade receivables, cash and cash equivalents, payables and accruals provisions borrowings and derivative financial instruments

Investments (other than investments in joint ventures and associates) are classified as either held for trading or available for sale, as described above

Trade receivables are carried in the statement of financial position at invoiced value less allowance for estimated irrecoverable amounts Irrecoverable amounts are estimated based on the ageing of trade receivables, experience and circumstance

Borrowings (other than fixed rate borrowings in designated hedging relationships and for which the carrying value is adjusted to reflect changes in the fair value of the hedged risk), payables, accruals and provisions are recorded initially at fair value and subsequently at amortised cost

Derivative financial instruments are used to hedge interest rate and foreign exchange risks Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised (net of tax) directly in equity in the hedge reserve If a hedged firm commitment or forecasted transaction results in the recognition of a non financial asset or liability, then, at the time that the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss Any ineffective portion of hedges is recognised immediately in the income statement

Derivative financial instruments that are not designated as hedging instruments are classified as held for trading and recorded in the statement of financial position at fair value with changes in fair value recognised in the income statement

Where an effective hedge is in place against changes in the fair value of fixed rate borrowings the hedged borrowings are adjusted for changes in fair value attributable to the risk being hedged with a corresponding income or expense included in the income statement within finance costs The offsetting gains or losses from remeasuring the fair value of the related derivatives are also recognised in the income statement within finance costs When the related derivative expires, is sold or terminated, or no longer qualifies for hedge accounting, the cumulative change in fair value of the hedged borrowing is amortised in the income statement over the period to maturity of the borrowing using the effective interest method

The fair values of interest rate swaps, interest rate options, forward rate agreements and forward foreign exchange contracts represent the replacement costs calculated using observable market rates of interest and exchange The fair value of long term borrowings is calculated by discounting expected future cash flows at observable market rates (These instruments are accordingly classified as level 2 in the IFRS7 fair value hierarchy)

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in equity is either retained in equity until the firm commitment or forecasted transaction occurs, or, where a hedged transaction is no longer expected to occur, is immediately credited or expensed in the income statement

Provisions

Provisions are recognised when a present obligation exists as a result of a past event, and it is probable that settlement of the obligation will be required Provisions are measured at the best estimate of the expenditure required to settle the obligation at the statement of financial position date

ACCOUNTING POLICIES

Critical judgments and key sources of estimation uncertainty

The most significant accounting policies in determining the financial condition and results of the Reed Elsevier Group plc, and those requiring the most subjective or complex judgment relate to the valuation of goodwill and intangible assets, share based remuneration, pensions, taxation and property provisioning The carrying amounts of goodwill and intangible assets are reviewed at least annually, the key areas of judgment being in relation to the forecast long term growth rates and the appropriate discount rates to be applied to forecast cash flows The charge for share based remuneration is determined based on the number of awards that are expected to vest and the fair value of awards at the date of grant by use of binomial or Monte Carlo simulation models as appropriate, which require judgments to be made regarding expected levels of vesting, share price volatility, dividend yield, risk free rates of return and expected option lives Key estimates in accounting for defined benefit pension schemes are determined in conjunction with independent actuaries and include the life expectancy of members expected salary and pension increases inflation, the return on scheme assets and the rate at which future pension payments are discounted Reed Elsevier Group plc's policy is to make provision for tax uncertainties where it is considered probable that tax payments may arise Property provisions are determined based on management's estimates of future sublease income

Standards and amendments effective for the year

IFRS8 – Operating Segments sets out requirements for disclosure of information about an entity s operating segments, its products and services, the geographical areas in which it operates, and its major customers IFRS8 replaces IAS14 – Segment Reporting Adoption of this standard has not changed significantly the disclosure of information in respect of Reed Elsevier Group plc group s operating segments

Amendment to IAS23 – Borrowing Costs removes the option to immediately recognise as an expense borrowing costs relating to assets requiring a substantial period of time to get ready for use or sale and requires such costs to be capitalised Adoption of this standard has required a change of accounting policy on borrowing costs and has not resulted in any significant borrowing costs being capitalised in the year ended 31 December 2009

Amendment to IAS1 – Presentation of Financial Statements introduces changes to the way in which movements in equity must be disclosed and requires an entity to disclose separately each component of other comprehensive income not recognised in profit or loss The amendment also requires disclosure of the amount of income tax relating to each component of other comprehensive income as well as several other minor disclosure amendments

Amendment to IFRS2 – Share Based Payment clarifies that cancellations of share options, whether by the entity or holder, should be accounted for as an acceleration of the vesting period The amendment also restricts the definition of a vesting condition to a condition that includes an explicit or implicit requirement to provide services Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted The amendment has not significantly impacted the measurement, presentation or disclosure of share based remuneration in the financial statements

Amendment to IFRS7 – Financial Instruments Disclosures requires financial instruments held at fair value to be disclosed according to a three tier hierarchy depending on the inputs used in their valuation Adoption of this amendment has resulted in minor changes to Reed Elsevier Group plc group's disclosures for financial instruments

Standards, amendments and interpretations not yet effective

New accounting standards and amendments and their expected impact on the future accounting policies and reporting of Reed Elsevier Group plc are set out below

Amendments to IFRS3 – Business Combinations (effective for the 2010 financial year) The amendments introduce changes that will require future transaction related costs (including professional fees) to be expensed and adjustments to contingent consideration to be recognised in income and will allow non-controlling interests to be measured either at fair value or the proportionate share of net identifiable assets

Amendments to IAS27 – Consolidated and Separate Financial Statements (effective for the 2010 financial year) The amendments introduce changes to the accounting for partial disposals of subsidiaries, associates and joint ventures Adoption of these amendments is not expected to significantly impact the measurement, presentation or disclosure of future disposals

Amendment to IAS39 – Financial Instruments Recognition and Measurement (effective for the 2010 financial year) The amendment clarifies the eligibility of hedge accounting for inflation and hedging with options Adoption of this amendment is not expected to have a significant impact on the measurement, presentation or disclosure of financial instruments in the financial statements

Amendment to IAS32 – Financial Instruments Presentation (effective from the 2010 financial year) The amendment provides relief to companies making rights issues in a currency other than their functional currency This amendment does not affect Reed Elsevier as shares are not issued in currencies other than its functional currencies

IFRS9 – Financial Instruments (effective from the 2013 financial year, with earlier adoption permitted) The standard replaces the existing classification and measurement requirements in IAS39 for financial assets by requiring entities to classify them as being measured either at amortised cost or fair value depending on the business model and contractual cash flow characteristics of the asset Adoption of this standard is not expected to have a significant impact on the measurement, presentation or disclosure of financial assets in the financial statements

Additionally, a number of interpretations have been issued which are not expected to have any significant impact on Reed Elsevier Group plc s accounting policies and reporting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. Segment analysis

Reed Elsevier Group plc has adopted IFRS8 Operating Segments with effect from 1 January 2009 and this has not resulted in a change to reported segments Reed Elsevier Group plc's reported segments are based on the internal reporting structure and financial information provided to the Chief Executive Officer and Board

Reed Elsevier Group plc is a publisher and information provider organised as four business segments Elsevier, comprising scientific, technical and medical publishing, LexisNexis providing legal, tax, regulatory, risk information and analytics, and business information solutions to professional business and government customers, Reed Exhibitions, organising trade exhibitions and conferences, and Reed Business Information providing information and marketing solutions to business professionals

Adjusted operating profit figures are presented as additional performance measures used by management They are stated before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, and are grossed up to exclude the equity share of taxes in joint ventures Exceptional restructuring costs relate to the major restructuring programmes announced in February 2008 and 2009 Exceptional restructuring costs principally comprise severance, outsourcing migration and associated property costs Adjusted operating profit is reconciled to operating profit in note 11

	Revenue		Operating profit		Adjusted operating profit	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Business segment						
Elsevier	**1,925**	1,647	**518**	407	**637**	521
LexisNexis	**2,557**	1,940	**337**	291	**665**	513
Reed Exhibitions	**638**	707	**74**	118	**147**	178
Reed Business Information	**891**	987	**(163)**	54	**88**	125
Sub-total	**6,011**	5,281	**766**	870	**1,537**	1,337
Corporate costs	**-**	-	**(28)**	(46)	**(28)**	(46)
Unallocated net pension credit	**-**	-	**6**	39	**6**	39
Total	**6,011**	5,281	**744**	863	**1,515**	1,330
Geographical origin						
North America	**3,228**	2,544	**248**	333	**774**	617
United Kingdom	**897**	905	**184**	179	**259**	235
The Netherlands	**662**	594	**204**	175	**228**	202
Rest of Europe	**818**	865	**62**	128	**167**	204
Rest of world	**406**	373	**46**	48	**87**	72
Total	**6,011**	5,281	**744**	863	**1,515**	1,330

Revenue is analysed before the £118m (2008 £104m) share of joint ventures' revenue, of which £25m (2008 £23m) relates to LexisNexis, principally to Giuffrè, £90m (2008 £80m) relates to Reed Exhibitions, principally to exhibition joint ventures, and £3m (2008 £1m) relates to Reed Business Information

Share of post-tax results of joint ventures of £15m (2008 £18m) included in operating profit comprises £4m (2008 £4m) relating to LexisNexis, £10m (2008 £14m) relating to Reed Exhibitions and £1m (2008 nil) relating to Reed Business Information The unallocated net pension credit of £6m (2008 £39m) comprises the expected return on pension scheme assets of £189m (2008 £219m) less interest on pension scheme liabilities of £183m (2008 £180m)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 **Segment analysis (continued)**

	2009 £m	2008 £m
Analysis of revenue by geographical market		
North America	**3,302**	2,616
United Kingdom	**510**	577
The Netherlands	**242**	234
Rest of Europe	**1,121**	1,126
Rest of world	**836**	728
Total	**6,011**	5,281

	2009 £m	2008 £m
Analysis of revenue by type		
Subscriptions	**2,682**	2,356
Circulation/transactions	**1,679**	1,116
Advertising	**584**	737
Exhibitions	**626**	702
Other	**440**	370
Total	**6,011**	5,281

	Expenditure on acquired goodwill and intangible assets		Capital expenditure additions		Amortisation and impairment of acquired intangible assets and goodwill		Depreciation and other amortisation	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Business segment								
Elsevier	**4**	31	**72**	54	**66**	65	**72**	50
LexisNexis	**7**	2,705	**139**	74	**231**	137	**99**	68
Reed Exhibitions	**12**	58	**11**	11	**63**	46	**7**	6
Reed Business Information	**-**	64	**18**	26	**173**	31	**29**	25
Sub-total	**23**	2,858	**240**	165	**533**	279	**207**	149
Corporate	**-**	-	**17**	7	**-**	-	**15**	17
Total	**23**	2,858	**257**	172	**533**	279	**222**	166

Capital expenditure comprises additions to property, plant and equipment and internally developed intangible assets Amortisation and impairment of acquired intangible assets and goodwill includes amounts in respect of joint ventures of £12m (2008 £3m) in Reed Exhibitions Other than the depreciation, amortisation and impairment above, non cash items include £16m (2008 £46m) relating to the recognition of share based remuneration and comprise £3m (2008 £7m) in Elsevier, £7m (2008 £8m) in LexisNexis, £2m (2008 £6m) in Reed Business Information, £2m (2008 £3m) in Reed Exhibitions and £2m (2008 £22m) in Corporate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 Segment analysis (continued)

	Total assets	
	2009 £m	2008 £m
Business segment		
Elsevier	**2,752**	3,081
LexisNexis	**5,872**	6,758
Reed Exhibitions	**728**	862
Reed Business Information	**551**	868
Sub-total	**9,903**	11,569
Taxation	**205**	349
Cash	**544**	244
Balances with fellow associated undertakings	**804**	713
Net pension assets	**110**	152
Assets held for sale	**5**	49
Other assets	**291**	314
Total	**11,862**	13,390
Geographical location		
North America	**7,568**	9,103
United Kingdom	**1,962**	1,628
The Netherlands	**685**	747
Rest of Europe	**1,127**	1,301
Rest of world	**520**	611
Total	**11,862**	13,390

Investments in joint ventures of £135m (2008 £145m) included in segment assets above comprise £38m (2008 £42m) relating to LexisNexis, £92m (2008 £99m) relating to Reed Exhibitions and £5m (2008 £4m) relating to Reed Business Information

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 Discontinued operations

Discontinued operations comprise the results of the Education division the disposal of which completed in January 2008 with the sale of the educational assessment business The disposal of the US K-12 Schools Education and International businesses had completed in 2007

	2009 £m	2008 £m
Net profit from discontinued operations		
Revenue	-	12
Operating costs	-	(12)
Operating profit and profit before tax	-	-
Taxation	-	-
Profit after taxation	-	-
Gain on disposals	-	67
Tax on disposals	-	(49)
Net profit from discontinued operations	-	18

	2009 £m	2008 £m
Cash flows from discontinued operations		
Net cash flow from operating activities	-	2
Net cash flow used in investing activities	-	(50)
Net cash flow from financing activities	-	-
Net movement in cash and cash equivalents	-	(48)

Net cash flow from investing activities in 2008 includes cash proceeds, net of expenses, on the completed disposals of £270m and taxes paid on completed disposals of £320m

3 Operating profit

Operating profit from continuing operations is stated after charging/(crediting) the following

	Note	2009 £m	2008 £m
Staff costs			
Wages and salaries		**1,599**	1,375
Social security costs		**181**	162
Pensions	6	**42**	59
Share based remuneration	7	**16**	46
Total staff costs		**1,838**	1,642
Depreciation, amortisation and impairment			
Amortisation of acquired intangible assets	16	**352**	267
Share of joint ventures' amortisation of acquired intangible assets		**4**	3
Impairment of acquired intangible assets and goodwill	15,16	**169**	9
Impairment of goodwill in joint ventures		**8**	-
Amortisation of internally developed intangible assets	16	**138**	87
Depreciation of property, plant and equipment	18	**84**	79
Total depreciation, amortisation and impairment		**755**	445
Other expenses and income			
Pre-publication costs, inventory expenses and other cost of sales		**2,232**	1,902
Royalties payable to the Elsevier Reed Finance BV group		**33**	27
Operating lease rentals expense		**131**	116
Operating lease rentals income		**(12)**	(13)

Depreciation, amortisation and impairment charges are included within administration and other expenses

Staff costs for discontinued operations for the year ended 31 December 2008 were £5m for wages and salaries, nil for social security costs, nil for pensions and nil for share based remuneration

4. Auditors' remuneration

	2009 £m	2008 £m
Auditors' remuneration		
For audit services	**4 3**	4 6
For non audit services	**1.2**	2 1
Total auditors' remuneration	**5 5**	6 7

Auditors' remuneration, for audit services comprises £0 4m (2008 £0 4m) payable to the auditors of the parent company and £3 9m (2008 £4 2m) payable to the auditors of the parent company and their associates for the audit of the financial statements of the operating and financing businesses, including the review and testing of internal controls over financial reporting in accordance with the US Sarbanes-Oxley Act Auditors' remuneration for non audit services comprises £0 7m (2008 £0 6m) for taxation services, £0 1m (2008 £1 3m) for due diligence and other transaction related services and £0 4m (2008 £0 2m) for other non audit services

5 Personnel

Number of people employed - continuing operations

	At 31 December		Average during the year	
	2009	2008	2009	2008
Business segment				
Elsevier	**6,600**	7,000	**6,700**	7,000
LexisNexis	**15,200**	15,900	**15,400**	13,800
Reed Exhibitions	**2,500**	2,700	**2,600**	2,700
Reed Business Information	**6,900**	8,200	**7,500**	8,300
Sub-total	**31,200**	33 800	**32,200**	31,800
Corporate/shared functions	**900**	800	**900**	800
Total	**32,100**	34,600	**33,100**	32,600
Geographical location				
North America	**17,600**	18,800	**18,000**	16,600
United Kingdom	**4,900**	5,300	**5,000**	5,400
The Netherlands	**2,000**	2,300	**2,100**	2,400
Rest of Europe	**4,100**	4,600	**4,500**	4,700
Rest of world	**3,500**	3,600	**3,500**	3,500
Total	**32,100**	34,600	**33,100**	32,600

6 Pension schemes

A number of pension schemes are operated around the world The major schemes are of the defined benefit type with assets held in separate trustee administered funds The largest schemes, which cover the majority of employees, are in the UK, the US and the Netherlands Under these plans, employees are entitled to retirement benefits dependent on the number of years service provided

The principal assumptions for the purpose of valuation under IAS19 - Employee Benefits are determined for each scheme in conjunction with the respective schemes' independent actuaries and are presented below as the weighted average of the various defined benefit pension schemes The defined benefit pension expense for each year is based on the assumptions and scheme valuations set at 31 December of the prior year

	As at 31 December		
	2009	2008	2007
Discount rate	**5 8%**	6 2%	5 9%
Expected rate of return on scheme assets	**7 0%**	7 1%	7 1%
Expected rate of salary increases	**4 0%**	3 7%	4 4%
Inflation	**3 1%**	2 7%	3 1%
Future pension increases	**3 1%**	2 8%	3 2%

The expected rates of return on individual categories of scheme assets are determined by reference to relevant market indices and market expectations of real rates of return The overall expected rate of return on scheme assets is based on the weighted average of each asset category

Mortality assumptions used in assessing defined benefit obligations make allowance for future improvements in longevity and have been determined by reference to applicable mortality statistics and the actuaries' expectations for each scheme The average life expectancies assumed in the valuation of the defined benefit obligations are set out below

6. Pension schemes (continued)

Average life expectancy (at 31 December)	2009 Male (years)	2009 Female (years)	2008 Male (years)	2008 Female (years)
Member currently aged 60	**88**	**87**	86	87
Member currently aged 45	**88**	**87**	86	87

The pension expense recognised within the income statement comprises

	2009 £m	2008 £m
Service cost (including curtailment credits of £43m (2008 nil))	**24**	75
Interest on pension scheme liabilities	**183**	180
Expected return on scheme assets	**(189)**	(219)
Net defined benefit pension expense	**18**	36
Defined contribution pension expense	**24**	23
Total pension expense	**42**	59

6 Pension schemes (continued)

The amount recognised in the statement of financial position in respect of defined benefit pension schemes at the start and end of the year and the movements during the year were as follows

	2009			2008		
	Defined benefit obligations £m	Fair value of scheme assets £m	Net pension obligations £m	Defined benefit obligations £m	Fair value of scheme assets £m	Net pension obligations £m
At start of year	(3,051)	2,682	(369)	(2,968)	3,018	50
Service cost	(24)	-	(24)	(75)	-	(75)
Interest on pension scheme liabilities	(183)	-	(183)	(180)	-	(180)
Expected return on scheme assets	-	189	189	-	219	219
Actuarial (loss)/gain	(295)	301	6	418	(765)	(347)
Contributions by employer	-	101	101	-	79	79
Contributions by employees	(12)	12	-	(13)	13	-
Benefits paid	134	(134)	-	119	(119)	-
Acquisitions	-	-	-	(9)	-	(9)
Curtailment on disposal of operations	-	-	-	3	-	3
Exchange translation differences	129	(84)	45	(346)	237	(109)
At end of year	(3,302)	3,067	(235)	(3,051)	2,682	(369)

The net pension obligations of £235m (2008 £369m) at 31 December 2009 comprise schemes in deficit with net pension obligations of £345m (2008 £521m) and schemes in surplus with net pension assets of £110m (2008 £152m)

As at 31 December 2009 the defined benefit obligations comprise £3,172m (2008 £2,923m) in relation to funded schemes and £130m (2008 £128m) in relation to unfunded schemes The weighted average duration of defined benefit scheme liabilities is 19 years (2008 19 years) Deferred tax liabilities of £31m (2008 £44m) and deferred tax assets of £122m (2008 £190m) are recognised in respect of the pension scheme surpluses and deficits respectively

6 Pension schemes (continued)

The fair value of scheme assets held as equities, bonds and other assets, and their expected rates of return as at 31 December, is shown below

	2009			2008		
	Expected rate of return on scheme assets	Fair value of scheme assets £m	Proportion of total scheme assets	Expected rate of return on scheme assets	Fair value of scheme assets £m	Proportion of total scheme assets
Equities	**8.6%**	**1,827**	**60%**	8 9%	1,408	52%
Bonds	**4.5%**	**1,069**	**35%**	4 3%	1 167	44%
Other	**5 3%**	**171**	**5%**	5 5%	107	4%
Total	**7 0%**	**3,067**	**100%**	7 1%	2,682	100%

The actual return on scheme assets for the year ended 31 December 2009 was a £490m gain (2008 £546m loss)

A summary of pension balances in respect of funded and unfunded schemes for the five years ended 31 December 2009 is set out below

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**3,067**	2,682	3,018	2,772	2,575
Defined benefit obligations	**(3,302)**	(3,051)	(2,968)	(3,008)	(2,980)
Net pension (obligations)/surplus	**(235)**	(369)	50	(236)	(405)

Gains and losses arising on the revaluation of pension scheme assets and liabilities that have been recognised in the statement of comprehensive income are set out below

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Gains and losses arising during the year					
Experience gains/(losses) on scheme liabilities	**18**	(9)	(28)	(30)	(25)
Experience gains/(losses) on scheme assets	**301**	(765)	34	99	230
Actuarial gains/(losses) arising on the present value of scheme liabilities due to changes in					
- discount rates	**(249)**	202	367	198	(217)
- inflation	**(124)**	198	(152)	(77)	-
- life expectancy and other actuarial assumptions	**60**	27	3	(51)	(25)
	6	(347)	224	139	(37)
Net cumulative (losses)/gains at start of year	**(95)**	252	28	(111)	(74)
Net cumulative (losses)/gains at end of year	**(89)**	(95)	252	28	(111)

Regular contributions to defined benefit pension schemes in 2010 are expected to be approximately £89m

6 Pension schemes (continued)

Sensitivity analysis

Valuation of the Reed Elsevier Group plc group s pension scheme liabilities involves judgement about uncertain events, including the life expectancy of the members, salary and pension increases, inflation and the rate at which the future pension payments are discounted Estimates are used for each of these factors, determined in conjunction with independent actuaries Differences arising from actual experience or future changes in assumptions may materially affect future pension charges In particular, changes in assumptions for discount rates, inflation and life expectancies would have the following approximate effects on the annual net pension expense and the defined benefit pension obligations

	£m
Increase/decrease of 0 25% in the discount rate	
Decrease/increase in annual net pension expense	5
Decrease/increase in defined benefit pension obligations	143
Increase/decrease of one year in assumed life expectancy	
Increase/decrease in annual net pension expense	5
Increase/decrease in defined benefit pension obligations	75
Increase/decrease of 0 25% in the expected inflation rate	
Increase/decrease in annual net pension expense	6
Increase/decrease in defined benefit pension obligations	122

Additionally, the annual net pension expense includes an expected return on scheme assets A 5% increase/decrease in the market value of equity investments held by the defined benefit pension schemes would, absent any change in their expected long term rate of return, increase/decrease the amount of the expected return on scheme assets by £8m and would increase/decrease the amount of the net pension surplus by £91m

7 Share based remuneration

The Reed Elsevier Group plc group provides a number of share based remuneration schemes to directors and employees The principal share based remuneration schemes are the Executive Share Option Scheme (ESOS), the Long Term Incentive Plan (LTIP), the Retention Share Plan (RSP) and the Bonus Investment Plan (BIP) Share options granted under ESOS and LTIP are exercisable after three years and up to ten years from the date of grant at a price equivalent to the market value of the respective shares at the date of grant Conditional shares granted under ESOS, LTIP, RSP and BIP are exercisable after three years for nil consideration if conditions are met Other awards principally relate to all employee share saving schemes in the UK and the Netherlands

Share based remuneration awards are, other than in exceptional circumstances, subject to the condition that the employee remains in employment at the time of exercise Share options and conditional shares granted under LTIP, RSP and BIP are subject to the achievement of growth targets of Reed Elsevier PLC and Reed Elsevier NV adjusted earnings per share measured at constant exchange rates LTIP grants made in 2006, 2007, 2008 and 2009 are also variable subject to the achievement of an additional total shareholder return performance target The numbers of share options and conditional shares included in the tables below are calculated on the basis that 100% of the awards will vest Further details of performance conditions are given in the Directors' Remuneration Report

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7 Share based remuneration (continued)

The estimated fair values of grants made in the two years ended 31 December 2009 are set out below The fair values of grants are recognised in the income statement over the vesting period, typically three years

	In respect of Reed Elsevier PLC ordinary shares			In respect of Reed Elsevier NV ordinary shares			Total fair value
	Number of shares '000	Weighted average fair value per award £	Fair value £m	Number of shares '000	Weighted average fair value per award £	Fair value £m	£m
2009 grants							
Share options							
- ESOS	4,303	0 93	4	2,799	1.44	4	8
- Other	1,284	1 25	2	588	0.87	1	3
Total share options	5,587	1 00	6	3,387	1 34	5	11
Conditional shares							
- ESOS	770	4 91	4	500	7.52	4	8
- LTIP	1,845	6 26	12	1,198	9.73	12	24
- RSP	204	4 95	1	133	7 58	1	2
- BIP	661	4 48	3	352	6 48	2	5
Total conditional shares	3,480	5 55	20	2,183	8.57	19	39
Total			26			24	50
2008 grants							
Share options							
- ESOS	4,397	1 14	5	2,891	1 57	4	9
- Other	656	1 73	1	694	0 97	1	2
Total share options	5,053	1 22	6	3,585	1 45	5	11
Conditional shares							
- ESOS	717	5 79	4	469	8 85	4	8
- LTIP	1 524	6 98	11	1,006	10 85	11	22
- RSP	19	5 79	-	13	8 89	-	-
- BIP	720	6 17	4	319	9 10	3	7
Total conditional shares	2,980	6 49	19	1 807	10 01	18	37
Total			25			23	48

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7 **Share based remuneration (continued)**

The main assumptions used to determine the fair values, which have been established with advice from and data provided by independent actuaries, are set out below

Assumptions for grants made during the year	In respect of Reed Elsevier PLC ordinary shares		In respect of Reed Elsevier NV ordinary shares	
	2009	2008	**2009**	2008
Weighted average share price at date of grant				
- ESOS	**£5.39**	£6 26	**€9.35**	€12 16
- LTIP	**£5.44**	£6 27	**€9.50**	€12 19
- RSP	**£5.42**	£6 28	**€9.42**	€12 21
- BIP	**£4.91**	£6 68	**€8.05**	€12 51
- Other	**£5.02**	£6 30	**€8.31**	€11 55
Expected share price volatility	**26%**	22%	**26%**	22%
Expected option life	**4 years**	4 years	**4 years**	4 years
Expected dividend yield	**3.1%**	2 7%	**3 4%**	3 2%
Risk free interest rate	**2.0%**	4 4%	**2 4%**	3 6%
Expected lapse rate	**3-5%**	3-5%	**3-4%**	3-4%

Expected share price volatility has been estimated based on relevant historic data in respect of the Reed Elsevier PLC and Reed Elsevier NV ordinary share prices Expected share option life has been estimated based on historical exercise patterns in respect of Reed Elsevier PLC and Reed Elsevier NV share options

The share based remuneration awards outstanding as at 31 December 2009, in respect of both Reed Elsevier PLC and Reed Elsevier NV ordinary shares, are set out below

	ESOS		LTIP		Other		Total	
Share options Reed Elsevier PLC	Number of shares '000	Weighted average exercise price (pence)	Number of shares '000	Weighted average exercise price (pence)	Number of shares '000	Weighted average exercise price (pence)	Number of shares '000	Weighted average exercise price (pence)
Outstanding at 1 January 2008	34,067	547	2,872	489	3,110	434	40,049	534
Granted	4,397	626	-	-	656	504	5,053	610
Exercised	(6,134)	517	(547)	487	(659)	411	(7,340)	505
Forfeited	(846)	607	-	-	(441)	459	(1,287)	556
Expired	(1,312)	570	-	-	(35)	407	(1,347)	561
Outstanding at 1 January 2009	**30,172**	**562**	**2,325**	**489**	**2,631**	**454**	**35,128**	**549**
Granted	**4,303**	**539**	-	-	**1,284**	**402**	**5,587**	**508**
Exercised	**(781)**	**436**	-	-	**(436)**	**404**	**(1,217)**	**424**
Forfeited	**(1,638)**	**602**	-	-	**(578)**	**469**	**(2,216)**	**549**
Expired	**(1,490)**	**522**	**(66)**	**487**	**(41)**	**408**	**(1,597)**	**518**
Outstanding at 31 December 2009	**30,566**	**562**	**2,259**	**489**	**2,860**	**436**	**35,685**	**547**
Exercisable at 31 December 2008	19,692	540	2,325	489	69	420	22,086	534
Exercisable at 31 December 2009	**20,763**	**547**	**2,259**	**489**	**349**	**422**	**23,371**	**540**

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7. **Share based remuneration (continued)**

Share options Reed Elsevier NV	ESOS Number of shares '000	ESOS Weighted average exercise price €	LTIP Number of shares '000	LTIP Weighted average exercise price €	Other Number of shares '000	Other Weighted average exercise price €	Total Number of shares '000	Total Weighted average exercise price €
Outstanding at 1 January 2008	23,893	12 16	1,918	10 60	2,044	12 54	27,855	12 08
Granted	2,891	12 16	-	-	694	11 55	3,585	12 04
Exercised	(2,579)	10 78	(109)	10 57	(5)	10 85	(2,693)	10 77
Forfeited	(560)	13 04	-	-	(376)	12 94	(936)	13 00
Expired	(1,834)	13 43	-	-	-	-	(1,834)	13 43
Outstanding at 1 January 2009	**21,811**	**12 23**	**1,809**	**10 60**	**2,357**	**12 19**	**25,977**	**12 11**
Granted	**2,799**	**9 35**	**-**	**-**	**588**	**8 31**	**3,387**	**9 17**
Exercised	**-**	**-**	**-**	**-**	**(32)**	**7 93**	**(32)**	**7 93**
Forfeited	**(1,203)**	**11 73**	**-**	**-**	**(376)**	**12 00**	**(1,579)**	**11.84**
Expired	**(1,790)**	**11 98**	**(46)**	**10 57**	**-**	**-**	**(1,836)**	**11.94**
Outstanding at 31 December 2009	**21,617**	**11.88**	**1,763**	**10 60**	**2,537**	**11 32**	**25,917**	**11.74**
Exercisable at 31 December 2008	14,875	12 04	1,809	10 60	2,357	12 19	19,041	11 92
Exercisable at 31 December 2009	**15,217**	**12 01**	**1,763**	**10 60**	**2,537**	**11 32**	**19,517**	**11.79**

Conditional shares Reed Elsevier PLC	Number of shares '000 ESOS	LTIP	RSP	BIP	Total
Outstanding at 1 January 2008	1,656	3,432	145	1,843	7,076
Granted	717	1,524	19	720	2,980
Exercised	(85)	-	(101)	(561)	(747)
Forfeited	(237)	(440)	(28)	(101)	(806)
Outstanding at 1 January 2009	**2,051**	**4,516**	**35**	**1,901**	**8,503**
Granted	**770**	**1,845**	**204**	**661**	**3,480**
Exercised	**(867)**	**(1,767)**	**(24)**	**(622)**	**(3,280)**
Forfeited	**(87)**	**(442)**	**-**	**(26)**	**(555)**
Outstanding at 31 December 2009	**1,867**	**4,152**	**215**	**1,914**	**8,148**

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7 **Share based remuneration (continued)**

	Number of shares '000				
Conditional shares: Reed Elsevier NV	ESOS	LTIP	RSP	BIP	Total
Outstanding at 1 January 2008	1,058	2,231	98	724	4,111
Granted	469	1,006	13	319	1,807
Exercised	(57)	-	(63)	(176)	(296)
Forfeited	(112)	(259)	(24)	(29)	(424)
Outstanding at 1 January 2009	**1,358**	**2,978**	**24**	**838**	**5,198**
Granted	**500**	**1,198**	**133**	**352**	**2,183**
Exercised	**(580)**	**(1,162)**	**(17)**	**(315)**	**(2,074)**
Forfeited	**(65)**	**(311)**	**-**	**(10)**	**(386)**
Outstanding at 31 December 2009	**1,213**	**2,703**	**140**	**865**	**4,921**

The weighted average share price at the date of exercise of share options and conditional shares during 2009 was 506p (2008 632p) for Reed Elsevier PLC ordinary shares and €8 45 (2008 €12 22) for Reed Elsevier NV ordinary shares

	2009		2008	
Range of exercise prices for outstanding share options	Number of shares under option '000	Weighted average remaining period until expiry (years)	Number of shares under option '000	Weighted average remaining period until expiry (years)
Reed Elsevier PLC ordinary shares (pence)				
351-400	**16**	**0 3**	252	1 2
401-450	**2,157**	**2.6**	1,927	1 5
451-500	**8,219**	**2.9**	9,111	4 6
501-550	**12,638**	**6 0**	9,834	6 1
551-600	**3,593**	**2.3**	3,856	3 4
601-650	**6,600**	**7 6**	7,452	8 5
651-700	**2,462**	**1 2**	2,696	2 2
Total	**35,685**	**4 3**	35,128	5 3
Reed Elsevier NV ordinary shares (euro)				
7 01-8 00	**175**	**9 2**	-	-
8 01-9 00	**511**	**9 0**	-	-
9 01-10 00	**4,011**	**6 8**	1,617	4 3
10 01-11 00	**4,912**	**4 4**	5,771	4 8
11 01-12 00	**6,297**	**5 1**	6,866	6 2
12 01-13 00	**2,854**	**7 4**	3,362	8 7
13 01-14 00	**2,990**	**2 5**	3,777	3 0
14 01-15 00	**3,971**	**4 0**	4,382	4 9
15 01-16 00	**196**	**1 3**	202	2 4
Total	**25,917**	**5 2**	25,977	5 4

Share options are expected, upon exercise, to be met principally by the issue of new ordinary shares but may also be met from shares held by the Reed Elsevier Group plc Employee Benefit Trust (EBT) (see note 17) Conditional shares will be met from shares held by the EBT

8 Net finance costs

	2009 £m	2008 £m
Interest on short term bank loans, overdrafts and commercial paper	(10)	(27)
Interest on other loans	(177)	(100)
Interest payable to Reed Elsevier NV	(20)	(61)
Interest payable to Reed Elsevier PLC	(2)	(1)
Interest payable to the Elsevier Reed Finance BV group	(439)	(334)
Interest on obligations under finance leases	(1)	-
Total borrowing costs	(649)	(523)
Acquisition related finance costs	-	(17)
Losses on derivatives not designated as hedges	(11)	(12)
Fair value losses on interest rate derivatives formerly designated as cash flow hedges transferred from equity	-	(1)
Finance costs	(660)	(553)
Interest on bank deposits	4	24
Gains on loans and derivatives not designated as hedges	5	-
Dividends received from Reed Elsevier PLC	2	18
Dividends received from Reed Elsevier NV	-	11
Finance income	11	53
Net finance costs	(649)	(500)

Finance costs include £3m (2008 £1m) transferred from the hedge reserve A net loss of £1m (2008 £15m) on interest rate derivatives designated as cash flow hedges was recognised directly in equity in the hedge reserve to be recognised in future periods

Acquisition related finance costs in 2008 comprised underwriting and arrangement fees relating to the ChoicePoint acquisition incurred prior to completion

9 Disposals and other non operating items

	2009 £m	2008 £m
Revaluation of held for trading investments	8	(6)
Loss on disposal and write down of businesses and other assets	(65)	(87)
Net loss on disposals and other non operating items	(57)	(93)

The loss on disposal and write down of businesses and other assets in 2009 principally comprises severance and excess property costs in relation to assets held for sale and related closures, in particular RBI US controlled circulation titles

10 Taxation

	2009 £m	2008 £m
Current tax		
United Kingdom	37	40
The Netherlands	39	34
Rest of world	(29)	(1)
Total current tax charge	47	73
Deferred tax		
Origination and reversal of temporary differences	(39)	26
Total taxation charge on profit from continuing operations	**8**	99

The current tax charge includes a tax credit of £28m (2008 nil) in respect of prior year disposals

A reconciliation of the notional tax charge based on average applicable rates of tax (weighted in proportion to accounting profits) to the actual total tax expense is set out below

	2009 £m	2008 £m
Profit before tax from continuing operations	38	270
Tax at average applicable rates	6	91
Non taxable income	-	(9)
Tax on share of results of joint ventures	(6)	(5)
Prior year credits on disposals	(28)	-
Non deductible goodwill impairment	19	-
Net tax on share based remuneration	10	20
Non deductible amounts and other items	7	2
Tax expense	**8**	99
Tax expense as a percentage of profit before tax	**21%**	37%

The following tax has been recognised directly in equity during the year

	2009 £m	2008 £m
Tax on actuarial movements on defined benefit pension schemes	(10)	116
Tax on fair value movements on cash flow hedges	(17)	55
Deferred tax charge on share based remuneration	-	(19)
Net tax (charge)/credit recognised directly in equity	**(27)**	152

11 Adjusted profit

The Reed Elsevier Group plc group uses adjusted operating profit as an additional performance measure Adjusted operating profit is stated before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition related costs, disposals and other non operating items Adjusted operating profit is also grossed up to exclude the equity share of taxes in joint ventures Exceptional restructuring costs relate to the major restructuring programmes announced in February 2008 and 2009 Acquisition related costs relate to acquisition integration and fees incurred in connection with acquisition financing

Continuing operations	2009 £m	2008 £m
Operating profit - continuing operations	**744**	863
Adjustments		
Amortisation of acquired intangible assets	**356**	270
Impairment of acquired intangible assets and goodwill	**177**	9
Exceptional restructuring costs	**182**	152
Acquisition related costs	**48**	27
Reclassification of tax in joint ventures	**8**	9
Adjusted operating profit from continuing operations	**1,515**	1,330

12 Statement of cash flows

Reconciliation of operating profit before joint ventures to cash generated from operations - continuing operations	Note	2009 £m	2008 £m
Operating profit before joint ventures		**729**	845
Amortisation and impairment of acquired intangible assets and goodwill	15,16	**521**	276
Amortisation of internally developed intangible assets	16	**138**	87
Depreciation of property, plant and equipment	18	**84**	79
Share based remuneration	7	**16**	46
Total non cash items		**759**	488
Decrease in inventories and pre-publication costs		**48**	6
Decrease/(increase) in receivables		**115**	(107)
(Decrease)/increase in payables		**(101)**	169
Decrease in working capital		**62**	68
Cash generated from operations		**1,550**	1,401

12 Statement of cash flows (continued)

Cash flow on acquisitions – continuing operations	Note	2009 £m	2008 £m
Purchase of businesses	13	(9)	(2,112)
Payment of ChoicePoint change of control and other non operating payables assumed		(56)	(19)
Deferred payments relating to prior year acquisitions		(29)	(30)
Total		(94)	(2,161)

Reconciliation of net borrowings	Cash & cash equivalents £m	Borrowings £m	Related derivative financial instruments £m	Net borrowings from shareholders and fellow affiliates £m	2009 £m	2008 £m
At start of year	244	(3,781)	-	(10,183)	(13,720)	(7,265)
Increase/(decrease) in cash and cash equivalents	326	-	-	-	326	(2,247)
Net movement in short term bank loans, overdrafts and commercial paper	-	(31)	-	-	(31)	429
Issuance of other loans	-	(1,255)	-	-	(1,255)	(1,555)
Repayment of other loans	-	1,843	-	-	1,843	411
Repayment of finance leases	-	2	-	-	2	56
Redemption of debt related derivative financial instrument	-	-	-	-	-	(51)
Net movement in borrowings from shareholders and fellow affiliates	-	-	-	504	504	(139)
Change in net borrowings resulting from cash flows	326	559	-	504	1,389	(3,096)
Borrowings in acquired businesses	-	-	-	-	-	(219)
Inception of finance leases	-	(26)	-	-	(26)	(1)
Fair value adjustments to borrowings and related derivatives	-	18	(9)	-	9	-
Exchange translation differences	(26)	324	-	990	1,288	(3,139)
At end of year	544	(2,906)	(9)	(8,689)	(11,060)	(13,720)

Net borrowings comprise cash and cash equivalents, loan capital. finance leases promissory notes, bank and other loans, and those derivative financial instruments that are used to hedge the fair value of fixed rate borrowings

Cash and cash equivalents include £5m (2008 £55m) held in trust to satisfy liabilities in respect of change of control obligations related to the acquisition of ChoicePoint

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13 Acquisitions

During the year a number of small acquisitions were made for a total consideration of £11m (2008 £2,131m, including £1,931m in respect of the acquisition of ChoicePoint, Inc) after taking account of net cash acquired of £3m

The net assets of the businesses acquired are incorporated at their fair value to the group Provisional fair values of the consideration given and the assets and liabilities acquired are summarised below

	Note	Book value on acquisition 2009 £m	Fair value 2009 £m	Fair value 2008 £m
Goodwill	(i)	-	6	1,279
Intangible assets		-	17	1,579
Property, plant and equipment		-	-	48
Current assets		-	-	128
Current liabilities		(11)	(11)	(237)
Borrowings		-	-	(219)
Current tax		-	-	22
Deferred tax		-	(1)	(469)
Net assets acquired		**(11)**	**11**	2,131
Consideration (after taking account of £3m net cash acquired)			**11**	2,131
Less consideration deferred to future years			**(2)**	(19)
Net cash flow			**9**	2,112

(i) Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces, acquisition synergies that are specific to Reed Elsevier Group plc and high barriers to market entry In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortisation does not qualify for tax deductions

The fair values of the assets and liabilities acquired are provisional pending the completion of the valuation exercises Final fair values will be incorporated in the 2010 consolidated financial statements There were no significant adjustments to the provisional fair values of prior year acquisitions established in 2008

The businesses acquired in 2009 contributed £6m to revenue, £1m to adjusted operating profit, £1m to adjusted profit attributable, increased profit attributable by £1m and contributed £2m net cash inflow from operating activities for the part year under Reed Elsevier Group plc ownership and before taking account of acquisition financing costs Had the businesses been acquired at the beginning of the year, on a proforma basis the Reed Elsevier Group plc group revenues, adjusted operating profit and net profit for the year would have been £6,012m, £1,515m and £30m respectively before taking account of acquisition financing costs

14 Equity dividends

	£ per share		£ million	
	2009	2008	2009	2008
Dividends declared in the year				
Dividends declared by subsidiary undertakings to Reed Elsevier NV	-	95,300	-	953
Dividends declared by Reed Elsevier Group plc				
Interim to "E" ordinary shareholders	-	-	-	-
Interim to "R" ordinary shareholders	-	50,000	-	500
Total			-	1,453

The dividends paid by subsidiary undertakings relate to Reed Elsevier NV's holding of shares carrying special dividend rights in Reed Elsevier Overseas BV These shares do not carry any capital rights beyond the right to repayment of their nominal value

The dividends to be paid by the company are regulated by the equalisation arrangements between Reed Elsevier PLC and Reed Elsevier NV, the company s shareholders The arrangements have the effect of requiring dividends to be paid by the company according to the respective requirements of the shareholders to enable them to pay dividends on their ordinary shares on an equalised basis Accordingly, the proportion in which dividends are paid on either class of share will vary from one dividend payment to another

15 Goodwill

	2009 £m	2008 £m
At start of year	**4,905**	2,464
Acquisitions	**6**	1,279
Disposals	**(7)**	(4)
Impairment	**(110)**	(9)
Reclassified from held for sale	**22**	-
Exchange translation differences	**(474)**	1,175
At end of year	**4,342**	4,905

The carrying amount of goodwill is after cumulative amortisation of £1,573m (2008 £1,715m) which was charged prior to the adoption of IFRS

Impairment charges comprise £93m in Reed Business Information, principally relating to its US and International businesses which have seen a significant contraction in print advertising revenues, and £17m in Reed Exhibitions relating to deteriorating prospects for a number of minor exhibitions, principally in Reed Exhibitions Continental Europe

Impairment review

Impairment testing of goodwill and indefinite lived intangible assets is performed at least annually based on cash generating units (CGUs) A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets CGUs which are not individually significant have been aggregated for presentation purposes Typically, when an acquisition is made the acquired business is fully integrated into the relevant business unit and CGU, and the goodwill arising is allocated to the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition

15. Goodwill (continued)

The carrying value of goodwill recorded in the major groups of CGUs is set out below

	2009 £m	2008 £m
Goodwill		
Elsevier	963	1,074
LexisNexis US Legal	1,012	1,104
LexisNexis Risk Solutions	1,659	1,846
LexisNexis International	133	137
LexisNexis	2,804	3,087
Reed Exhibitions Continental Europe	304	336
Reed Exhibitions other	60	71
Reed Exhibitions	364	407
Reed Business Information US	73	162
Reed Business Information UK	69	71
Reed Business Information NL	29	33
Reed Business Information International	40	71
Reed Business Information	211	337
Total	4,342	4,905

The carrying value of each CGU is compared with its estimated value in use, which is determined to be its recoverable amount Value in use is calculated based on estimated future cash flows, discounted to their present value Estimated future cash flows are determined by reference to latest budgets and forecasts for the next five years approved by management, after which a long-term perpetuity growth rate is applied The estimates of future cash flows are consistent with past experience adjusted for management's estimates of future performance The key assumptions used in the value in use calculations are discount rates and perpetuity growth rates The discount rates used are based on the Reed Elsevier Group plc weighted average cost of capital, adjusted to reflect a risk premium specific to each CGU The Reed Elsevier Group plc weighted average cost of capital reflects an assumed equity return, based on the risk free rate for government bonds adjusted for an equity risk premium, and the Reed Elsevier Group plc post tax cost of debt The pre-tax discount rates applied are 9 5% for Elsevier, 10 0-10 5% for LexisNexis, 10 5-11 0% for Reed Exhibitions and 10 5-16 0% for Reed Business Information Cash flows subsequent to the forecast period of five years are assumed to grow at nominal perpetuity growth rates The rates assumed are based on long-term historic growth rates of the territories where the CGUs operate and the growth prospects for the sectors in which the CGUs operate The nominal perpetuity growth rates for all CGUs do not exceed 3%

The value in use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and cash flow growth A sensitivity analysis has been performed based on changes in key assumptions considered to be possible by management an increase in discount rate of 0 5%, a decrease in the compound annual growth rate (CAGR) for adjusted operating cash flow in the five year forecast period of between 2 0% and 5 0%, depending on the CGU, and a decrease in perpetuity growth rates of 0 5% The sensitivity analysis shows that no impairments would result under each of the sensitivity scenarios other than in the case of a 5 0% decline in adjusted operating cash flow CAGR over the five year forecast period which, if applied across all CGUs, would result in an impairment of £111m

16 Intangible assets

	Market and customer related £m	Content, software and other £m	Total acquired developed intangible assets £m	Internally developed intangible assets £m	Total £m
Cost					
At 1 January 2008	818	2,714	3,532	635	4,167
Acquisitions	1,349	230	1,579	-	1,579
Additions	-	-	-	115	115
Disposals	-	(15)	(15)	(19)	(34)
Exchange translation differences	652	801	1,453	207	1,660
At 1 January 2009	**2,819**	**3,730**	**6,549**	**938**	**7,487**
Acquisitions	**5**	**12**	**17**	**-**	**17**
Additions	**-**	**-**	**-**	**179**	**179**
Disposals	**(1)**	**(14)**	**(15)**	**(22)**	**(37)**
Reclassified (to)/from held for sale and other transfers	**-**	**(233)**	**(233)**	**21**	**(212)**
Exchange translation differences	**(288)**	**(292)**	**(580)**	**(78)**	**(658)**
At 31 December 2009	**2,535**	**3,203**	**5,738**	**1,038**	**6,776**
Amortisation and impairment					
At 1 January 2008	151	1,706	1,857	360	2,217
Charge for the year	84	183	267	87	354
Disposals	-	(15)	(15)	(8)	(23)
Exchange translation differences	75	506	581	125	706
At 1 January 2009	**310**	**2,380**	**2,690**	**564**	**3,254**
Charge for the year	**155**	**197**	**352**	**138**	**490**
Impairment	**7**	**52**	**59**	**-**	**59**
Disposals	**(1)**	**(8)**	**(9)**	**(20)**	**(29)**
Reclassified (to)/from held for sale and other transfers	**-**	**(217)**	**(217)**	**2**	**(215)**
Exchange translation differences	**(34)**	**(188)**	**(222)**	**(47)**	**(269)**
At 31 December 2009	**437**	**2,216**	**2,653**	**637**	**3,290**
Net book amount					
At 31 December 2008	2,509	1,350	3,859	374	4,233
At 31 December 2009	**2,098**	**987**	**3,085**	**401**	**3,486**

16 Intangible assets (continued)

Intangible assets acquired as part of business combinations comprise market related assets (e g trade marks, imprints, brands), customer related assets (e g subscription bases, customer lists, customer relationships), and content, software and other intangible assets (e g editorial content, software and product delivery systems, other publishing rights, exhibition rights and supply contracts) Included in content, software and other acquired intangible assets are assets with a net book value of £698m (2008 £902m) that arose on acquisitions completed prior to the adoption of IFRS that have not been allocated to specific categories of intangible assets Internally developed intangible assets typically comprise software and systems development where an identifiable asset is created that is probable to generate future economic benefits

Included in market and customer related intangible assets are £356m (2008 £397m) of brands and imprints relating to Elsevier determined to have indefinite lives based on an assessment of their historical longevity and stable market positions Indefinite lived intangibles are tested for impairment at least annually using the same value in use assumptions as set out in note 15

Impairment charges in 2009 comprise amounts of £10m in Reed Exhibitions, relating to deteriorating prospects for a number of minor exhibitions, and £49m in Reed Business Information's' US and International businesses which have seen a significant contraction in print advertising revenues

17. Investments

	2009 £m	2008 £m
Investments in joint ventures	135	145
Available for sale investments	9	24
Shares in Reed Elsevier NV and Reed Elsevier PLC	142	193
Venture capital investments held for trading	32	25
Total	318	387

At 31 December 2009 the Reed Elsevier Group plc Employee Benefit Trust ('EBT") held 15,350,605 (2008 20,078,899) Reed Elsevier PLC ordinary shares and 8,219,196 (2008 11 177,422) Reed Elsevier NV ordinary shares The EBT purchases Reed Elsevier PLC and Reed Elsevier NV shares which, at the Trustee's discretion, can be used in respect of the exercise of share options and to meet commitments under conditional share awards

The number of shares held by the EBT and parent companies were reduced in 2008 by the share consolidations of the parent companies which accompanied the payment of the special distribution from the net proceeds of the disposal of the Education division The ordinary share capitals of the parent companies were consolidated on the basis of 58 new ordinary shares for every 67 existing ordinary shares, reflecting the ratio of the aggregate special distribution to the combined market capitalisation of Reed Elsevier PLC and Reed Elsevier NV (excluding the 5 8% indirect equity interest in Reed Elsevier NV held by Reed Elsevier PLC) as at 12 December 2007, the date of the announcement of the special distribution

The value of shares in Reed Elsevier PLC and Reed Elsevier NV and of £11m (2008 £9m) of venture capital investments held for trading has been determined by reference to quoted market prices The value of other venture capital investments and available for sale investments has been determined by reference to other observable market inputs

17 Investments (continued)

An analysis of changes in the carrying value of investments in joint ventures is set out below

	2009 £m	2008 £m
At start of year	**145**	116
Share of results of joint ventures	**15**	18
Dividends received from joint ventures	**(23)**	(23)
Additions	**-**	4
Exchange translation differences	**(2)**	30
At end of year	**135**	145

Share of results of joint ventures includes impairment charges of £8m (2008 nil) in respect of minor joint ventures in Reed Exhibitions

The principal joint ventures at 31 December 2009 are exhibition joint ventures within Reed Exhibitions and Giuffrè (an Italian legal publisher in which Reed Elsevier Group plc has a 40% shareholding) within LexisNexis

Summarised aggregate information in respect of joint ventures and Reed Elsevier Group plc's share is set out below

	Total joint ventures		Reed Elsevier Group plc share	
	2009 £m	2008 £m	2009 £m	2008 £m
Revenue	**246**	209	**118**	104
Net profit for the year	**51**	37	**15**	18
Total assets	**316**	325	**149**	152
Total liabilities	**(152)**	(163)	**(73)**	(75)
Net assets	**164**	162	**76**	77
Goodwill			**59**	68
Total			**135**	145

18 Property, plant and equipment

	2009			2008		
	Land and buildings £m	Fixtures and equipment £m	Total £m	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost						
At start of year	**259**	**641**	**900**	157	507	664
Acquisitions	-	-	-	30	18	48
Capital expenditure	**10**	**68**	**78**	13	44	57
Disposals	**(8)**	**(54)**	**(62)**	(1)	(65)	(66)
Reclassified from held for sale	-	**18**	**18**	-	-	-
Exchange translation differences	**(23)**	**(50)**	**(73)**	60	137	197
At end of year	**238**	**623**	**861**	259	641	900
Accumulated depreciation						
At start of year	**106**	**466**	**572**	71	355	426
Disposals	**(2)**	**(50)**	**(52)**	(1)	(56)	(57)
Reclassified from held for sale	-	**12**	**12**	-	-	-
Charge for the year	**12**	**72**	**84**	10	69	79
Exchange translation differences	**(10)**	**(36)**	**(46)**	26	98	124
At end of year	**106**	**464**	**570**	106	466	572
Net book amount	**132**	**159**	**291**	153	175	328

No depreciation is provided on freehold land of £50m (2008 £51m) The net book amount of property, plant and equipment at 31 December 2009 includes £4m (2008 £6m) in respect of assets held under finance leases relating to fixtures and equipment

19 Financial instruments

Details of the objectives, policies and strategies pursued by the Reed Elsevier Group plc group in relation to financial instruments are set out in the Directors' Report The main financial risks faced by the Reed Elsevier Group plc group are liquidity risk and market risk - comprising interest rate risk and foreign exchange risk – and credit risk Financial instruments are used to finance the group s businesses and to hedge interest rate and foreign exchange risks. The group's businesses do not enter into speculative derivative transactions Details of financial instruments subject to liquidity, market and credit risks are described below

Liquidity risk

The Reed Elsevier Group plc group maintains a range of borrowing facilities and debt programmes to fund its requirements, at short notice and at competitive rates The remaining contractual maturities for borrowings and derivative financial instruments are shown in the table below The table shows undiscounted principal and interest cash flows and includes contractual gross cash flows to be exchanged as part of cross currency interest rate swaps and forward foreign exchange contracts where there is a legal right of set-off

19 Financial instruments (continued)

At 31 December 2009	Carrying amount £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
		Contractual cash flows						
Borrowings								
Fixed rate borrowings owing to								
Third parties	(2,662)	(189)	(530)	(438)	(153)	(473)	(2,266)	(4,049)
Elsevier Reed Finance BV group	(6,444)	(2,250)	(1,557)	(1,288)	(1,387)	(672)	(319)	(7,473)
Floating rate borrowings owing to								
Third parties	(244)	(244)	-	-	-	-	-	(244)
Elsevier Reed Finance BV group	(610)	(263)	(430)	-	-	-	-	(693)
Reed Elsevier NV	(1,121)	(1,121)	-	-	-	-	-	(1,121)
Reed Elsevier PLC	(1,317)	(1,317)	-	-	-	-	-	(1,317)
Derivative financial liabilities								
Interest rate derivatives	(21)	(7)	(5)	(2)	(3)	(4)	(12)	(33)
Forward foreign exchange contracts	(49)	(464)	(367)	(160)	-	-	-	(991)
Derivative financial assets								
Interest rate derivatives	-	7	2	-	-	-	-	9
Forward foreign exchange contracts	13	439	362	161	-	-	-	962
Total	(12,455)	(5,409)	(2,525)	(1,727)	(1,543)	(1,149)	(2,597)	(14,950)

At 31 December 2008	Carrying amount £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
		Contractual cash flows						
Borrowings								
Fixed rate borrowings owing to								
Third parties	(1,577)	(95)	(94)	(474)	(371)	(53)	(1,431)	(2,518)
Elsevier Reed Finance BV group	(7,915)	(2,093)	(1,725)	(1,723)	(1,422)	(1,405)	(1,093)	(9,461)
Floating rate borrowings owing to								
Third parties	(2,204)	(117)	(758)	(1,417)	-	-	-	(2,292)
Elsevier Reed Finance BV group	(125)	(125)	-	-	-	-	-	(125)
Reed Elsevier NV	(1,518)	(1,518)	-	-	-	-	-	(1,518)
Reed Elsevier PLC	(1,317)	(1,317)	-	-	-	-	-	(1,317)
Derivative financial liabilities								
Interest rate derivatives	(40)	(11)	(14)	(11)	(4)	(2)	-	(42)
Forward foreign exchange contracts	(167)	(567)	(345)	(171)	(43)	-	-	(1,126)
Derivative financial assets								
Interest rate derivatives	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	12	484	294	151	40	-	-	969
Total	(14,851)	(5,359)	(2,642)	(3,645)	(1,800)	(1,460)	(2,524)	(17,430)

Fixed rate term debt of $1,500m (£955m) and £300m were issued in the year and used to repay floating rate borrowings maturing within two years The term debt was issued in five, eight and ten year maturities

19. Financial instruments (continued)

The carrying amount of derivative financial liabilities comprises £9m (2008 nil) in relation to fair value hedges, £42m (2008 £168m) in relation to cash flow hedges and £19m (2008 £39m) held for trading The carrying amount of derivative financial assets comprises £12m (2008 £7m) in relation to cash flow hedges and £1m (2008 £5m) held for trading Derivative financial assets and liabilities held for trading comprise interest rate derivatives and forward foreign exchange contracts that were not designated as hedging instruments

At 31 December 2009, the group had access to a $2,500m committed bank facility maturing in May 2010, which was undrawn, and a $2,000m committed bank facility, forward starting in May 2010 and maturing in May 2012 In January 2010 the $2,500m committed bank facility maturing in May 2010 was cancelled and the start date of the $2,000m committed bank facility brought forward to start immediately This backup facility provides security of funding for $2,000m of short term debt to May 2012

After taking account of the maturity of committed bank facilities that back short term borrowings at 31 December 2009, and after utilising available cash resources, no third party borrowings mature within one year (2008 nil) no borrowings mature in the second year (2008 17%), 14% of borrowings mature in the third year (2008 50%), 15% in the fourth and fifth years (2008 9%), 54% in the sixth to tenth years (2008 13%), and 17% beyond the tenth year (2008 11%)

The Reed Elsevier Group plc group also has borrowings from its affiliate Elsevier Finance SA totalling £7,054m (2008 £8,040m) of which 30% mature in the next year (2008 22%), 18% mature in the second year (2008 17%), 16% mature in the third year (2008 18%), 27% mature in the fourth and fifth years (2008 31%), and 9% mature in the sixth to tenth years (2008 12%)

Market Risks

The Reed Elsevier Group plc group's primary market risks are to interest rate fluctuations and exchange rate movements Derivatives are used to hedge or reduce the risks of interest rate and exchange rate movements and are not entered into unless such risks exist Derivatives used by the group for hedging a particular risk are not specialised and are generally available from numerous sources The impact of market risks on net post employment benefit obligations and taxation is excluded from the following market risk sensitivity analysis

Interest rate risk

The Reed Elsevier Group plc group's interest rate exposure management policy is aimed at reducing the exposure of its businesses to changes in interest rates

At 31 December 2009, 81% of net borrowings were either fixed rate or had been fixed through the use of interest rate swaps, forward rate agreements and options A 100 basis point reduction in interest rates would result in an estimated decrease in net finance costs of £21m (2008 £39m), based on the composition of financial instruments including cash, cash equivalents, balances with fellow joint ventures and Reed Elsevier Group plc's shareholders, bank loans and commercial paper borrowings at 31 December 2009 A 100 basis point rise in interest rates would result in an estimated increase in net finance costs of £21m (2008 £39m)

The impact on net equity of a theoretical change in interest rates as at 31 December 2009 is restricted to the change in carrying value of floating rate to fixed rate interest rate derivatives in a designated cash flow hedge relationship and undesignated interest rate derivatives A 100 basis point reduction in interest rates would result in an estimated reduction in net equity of £3m (2008 £15m) and a 100 basis point increase in interest rates would increase net equity by an estimated £3m (2008 £14m) The impact of a change in interest rates on the carrying value of fixed rate borrowings in a designated fair value hedge relationship would be offset by the change in carrying value of the related interest rate derivative Fixed rate borrowings not in a designated hedging relationship are carried at amortised cost

19 Financial instruments (continued)

Foreign exchange rate risk

Translation exposures arise on the earnings and net assets of business operations in countries with currencies other than sterling, most particularly in respect of the US businesses These exposures are hedged, to a significant extent, by a policy of denominating borrowings in currencies where significant translation exposures exist, most notably US dollars (see note 25)

A theoretical weakening of all currencies by 10% against sterling at 31 December 2009 would decrease the carrying value of net assets, excluding net borrowings, by £476m (2008 £558m) This would be offset by a decrease in net borrowings of £911m (2008 £1,139m) A strengthening of all currencies by 10% against sterling at 31 December 2009 could increase the carrying value of net assets excluding net borrowings, by £593m (2008 £695m) and increase net borrowings by £1,114m (2008 £1,392m)

A retranslation of the group's net profit for the year assuming a 10% weakening of all foreign currencies against sterling but excluding transactional exposures would increase net profit by £13m (2008 decrease £10m) A 10% strengthening of all foreign currencies against sterling on this basis would reduce net profit for the year by £16m (2008 increase £12m)

Credit risk

The Reed Elsevier Group plc group seeks to limit interest rate and foreign exchange risks described above by the use of financial instruments and as a result has a credit risk from the potential non performance by the counterparties to these financial instruments, which are unsecured The amount of this credit risk is normally restricted to the amounts of any hedge gain and not the principal amount being hedged The group also has a credit exposure to counterparties for the full principal amount of cash and cash equivalents Credit risks are controlled by monitoring the credit quality of these counterparties, principally licensed commercial banks and investment banks with strong long term credit ratings, and the amounts outstanding with each of them

The Reed Elsevier Group plc group has treasury policies in place which do not allow concentrations of risk with individual counterparties and do not allow significant treasury exposures with counterparties which are rated lower than A by Standard and Poor's, Moody's or Fitch

The Reed Elsevier Group plc group also has credit risk with respect to trade receivables due from its customers that include national and state governments, academic institutions and large and small enterprises including law firms, book stores and wholesalers The concentration of credit risk from trade receivables is limited due to the large and broad customer base Trade receivable exposures are managed locally in the business units in which they arise Where appropriate, business units seek to minimise this exposure by taking payment in advance and through management of credit terms Allowance is made for bad and doubtful debts based on management's assessment of the risk, taking into account the ageing profile, experience and circumstance The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, recorded in the statement of financial position

Included within trade receivables are the following amounts which are past due but for which no allowance has been made Past due up to one month £241m (2008 £279m), past due two to three months £66m (2008 £123m), past due four to six months £24m (2008 £35m), and past due greater than six months nil (2008 £10m) Examples of trade receivables which are past due but for which no allowance has been made include those receivables where there is no concern over the credit worthiness of the customer and where the history of dealings with the customer indicate the amount will be settled

Hedge accounting

The hedging relationships that are designated under IAS39 – Financial Instruments are described below

Fair value hedges

The Reed Elsevier Group plc group has entered into interest rate swaps and cross currency interest rate swaps to hedge the exposure to changes in the fair value of fixed rate borrowings due to interest rate and foreign currency movements which could affect the income statement

19 Financial instruments (continued)

Interest rate derivatives with a principal amount of £300m were in place at 31 December 2009 swapping a fixed rate term debt issue denominated in sterling to floating rate sterling debt for the whole of its term

The gains and losses on the borrowings and derivatives designated as fair value hedges, which are included in the income statement, for the two years ended 31 December 2009, were as follows

Gains/(losses) on borrowings and related derivatives	1 January 2008 £m	Fair value movement gain/(loss) £m	De-designated £m	Exchange gain/(loss) £m	1 January 2009 £m	Fair value movement gain/(loss) £m	Exchange gain/(loss) £m	31 December 2009 £m
GBP debt	-	-	-	-	-	9	-	9
Related interest rate swaps	-	-	-	-	-	(9)	-	(9)
	-	-	-	-	-	-	-	-
USD debt	(13)	(37)	51	(1)	-	-	-	-
Related interest rate swaps	13	37	(51)	1	-	-	-	-
	-	-	-	-	-	-	-	-
EUR debt	(149)	161	-	(12)	-	-	-	-
Related EUR to USD cross-currency interest rate swaps	149	(161)	-	12	-	-	-	-
	-	-	-	-	-	-	-	-
Total GBP, USD and EUR debt	(162)	124	51	(13)	-	9	-	9
Total related interest rate derivatives	162	(124)	(51)	13	-	(9)	-	(9)
	-	-	-	-	-	-	-	-
Net gain	-	-	-	-	-	-	-	-

All fair value hedges were highly effective throughout the two years ended 31 December 2009

Gross borrowings as at 31 December 2009 included £49m (2008 £64m) in relation to fair value adjustments to borrowings previously designated in a fair value hedge relationship which were de-designated in 2008 The related derivatives were closed out on de-designation with a cash inflow of £51m £9m (2008 nil) of these fair value adjustments were amortised in the year as a reduction to finance costs

Cash flow hedges

The Reed Elsevier Group plc group enters into two types of cash flow hedge

1) Interest rate derivatives which fix the interest expense on a portion of forecast floating rate debt (including commercial paper, short term bank loans and floating rate term debt)

2) Foreign exchange derivatives which fix the exchange rate on a portion of future foreign currency subscription revenues forecast by the Elsevier science and medical businesses for up to 50 months

19. Financial instruments (continued)

Movements in the hedge reserve (pre-tax) in 2008 and 2009, including gains and losses on cash flow hedging instruments, were as follows

	Transition loss £m	Interest rate hedges £m	Foreign exchange hedges £m	Total hedge reserve pre-tax £m
Hedge reserve at 1 January 2008 (losses)/gains deferred	(1)	-	33	32
Losses arising in 2008	-	(15)	(179)	(194)
Amounts recognised in income statement	1	-	(24)	(23)
Exchange translation differences	-	(4)	(4)	(8)
Hedge reserve at 1 January 2009 losses deferred	-	**(19)**	**(174)**	**(193)**
(Losses)/gains arising in 2009	-	**(1)**	**63**	**62**
Amounts recognised in income statement	-	**3**	**57**	**60**
Exchange translation differences	-	**2**	**3**	**5**
Hedge reserve at 31 December 2009 losses deferred	-	(15)	(51)	(66)

All cash flow hedges were highly effective throughout the two years ended 31 December 2009

A tax credit of £21m (2008 £57m) in respect of the above gains and losses at 31 December 2009 was also deferred in the hedge reserve

Of the amounts recognised in the income statement in the year, losses of £57m (2008 gains of £24m) were recognised in revenue and losses of £3m (2008 £1m) were recognised in finance costs A tax credit of £17m (2008 charge of £5m) was recognised in relation to these items

The deferred losses on cash flow hedges at 31 December 2009 are currently expected to be recognised in the income statement in future years as follows

	Interest rate hedges £m	Foreign exchange hedges £m	Total hedge reserve pre-tax £m
2010	**(5)**	**(33)**	**(38)**
2011	**(4)**	**(16)**	**(20)**
2012	**(4)**	**(1)**	**(5)**
2013	**(2)**	**(1)**	**(3)**
2014	-	-	-
Losses deferred in hedge reserve at end of year	**(15)**	**(51)**	**(66)**

The cash flows for these hedges are expected to occur in line with the recognition of the losses in the income statement, other than in respect of certain forward foreign exchange hedges on subscriptions, where the cash flows may be expected to occur in advance of the subscription year, and in respect of the interest rate hedges where the cash flows occurred in January 2009 on the close out of the derivatives

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

20. Deferred tax

	2009 £m	2008 £m
Deferred tax assets	205	349
Deferred tax liabilities	(1,265)	(1,517)
Total	**(1,060)**	(1 168)

Movements in deferred tax liabilities and assets are summarised as follows

	Deferred tax liabilities				Deferred tax assets				
	Excess of tax allowances over amortisation £m	Acquired intangible assets £m	Pensions assets £m	Other temporary differences £m	Excess of amortisation over tax allowances £m	Tax losses carried forward £m	Pensions liabilities £m	Other temporary differences £m	Total £m
Deferred tax (liability)/asset at 1 January 2008	(125)	(498)	(51)	(15)	8	5	52	72	(552)
(Charge)/credit to profit	(37)	69	(6)	(5)	2	-	(10)	(39)	(26)
Credit to equity	-	-	13	7	-	-	103	29	152
Acquisitions	-	(536)	-	-	-	-	4	63	(469)
Disposals	-	7	-	-	-	-	-	-	7
Exchange translation differences	(57)	(281)	-	(2)	-	1	41	18	(280)
Deferred tax (liability)/asset at 1 January 2009	(219)	(1,239)	(44)	(15)	10	6	190	143	(1,168)
(Charge)/credit to profit	(20)	118	(4)	3	19	3	(24)	(56)	39
Credit to equity	-	-	17	-	-	-	(27)	(17)	(27)
Transfers	-	-	-	-	-	-	-	(17)	(17)
Acquisitions	-	(1)	-	-	-	-	-	-	(1)
Exchange translation differences	23	115	-	1	(2)	-	(17)	(6)	114
Deferred tax (liability)/asset at 31 December 2009	(216)	(1,007)	(31)	(11)	27	9	122	47	(1,060)

21. Inventories and pre-publication costs

	2009 £m	2008 £m
Raw materials	9	11
Pre-publication costs	166	232
Finished goods	92	100
Total	267	343

22 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	1,358	1,571
Allowance for doubtful debts	(80)	(77)
	1,278	1,494
Prepayments and accrued income	199	181
Total	1,477	1,675

Trade receivables are predominantly non-interest bearing and their carrying amounts approximate to their fair value

Trade receivables are stated net of allowances for bad and doubtful debts The movements in the provision during the year were as follows

	2009 £m	2008 £m
At start of year	77	48
Charge for the year	33	29
Trade receivables written off	(24)	(20)
Acquisitions	-	4
Exchange translation differences	(6)	16
At end of year	80	77

23 Assets and liabilities held for sale

The major classes of assets and liabilities of operations classified as held for sale are as follows

	2009 £m	2008 £m
Goodwill	-	24
Intangible assets	-	3
Property, plant and equipment	-	7
Trade and other receivables	5	15
Total assets held for sale	5	49
Trade and other payables	5	2
Total liabilities associated with assets held for sale	5	2

Assets held for sale as at 31 December 2009 relate to Reed Business Information's US controlled circulation titles In 2009 assets and associated liabilities held for sale at 31 December 2008 were retained and reclassified accordingly

24. Trade and other payables

	2009 £m	2008 £m
Payables and accruals	**1,208**	1,362
Deferred income	**1,205**	1,357
Total	**2,413**	2,719

25 Borrowings

	2009			2008		
	Falling due within 1 year £m	**Falling due in more than 1 year £m**	**Total £m**	Falling due within 1 year £m	Falling due in more than 1 year £m	Total £m
Financial liabilities measured at amortised cost						
Amounts owed to the Elsevier Reed Finance BV Group	**2,140**	**4,914**	**7,054**	1,750	6,290	8,040
Short term bank loans, overdrafts and commercial paper	**89**	**-**	**89**	61	-	61
Finance leases	**7**	**20**	**27**	2	1	3
Other loans	**154**	**1,990**	**2,144**	-	3,311	3,311
Other loans in fair value hedging relationships	**-**	**291**	**291**	-	-	-
Other loans previously in fair value hedging relationships	**-**	**355**	**355**	-	406	406
Total	**2,390**	**7,570**	**9,960**	1,813	10,008	11,821

The total fair value of financial liabilities measured at amortised cost is £9,908m (2008 £11,989m) The total fair value of other loans in fair value hedging relationships is £344m (2008 nil) The total fair value of other loans previously in fair value hedging relationships is £376m (2008 £472m)

25 Borrowings (continued)

Analysis by year of repayment	Short term bank loans, overdrafts and commercial paper £m	Other loans £m	Amounts owed to ERF BV Group £m	Finance leases £m	Total £m
As at 31 December 2009					
Within 1 year	89	154	2,140	7	2,390
Within 1 to 2 years	-	340	1,288	7	1,635
Within 2 to 3 years	-	279	1,097	6	1,382
Within 3 to 4 years	-	-	1,264	7	1,271
Within 4 to 5 years	-	341	625	-	966
After 5 years	-	1,676	640	-	2,316
	-	2,636	4,914	20	7,570
Total	89	2,790	7,054	27	9,960
As at 31 December 2008					
Within 1 year	61	-	1,750	2	1,813
Within 1 to 2 years	-	733	1,351	1	2,085
Within 2 to 3 years	-	1,790	1,435	-	3,225
Within 3 to 4 years	-	311	1,222	-	1,533
Within 4 to 5 years	-	-	1,280	-	1,280
After 5 years	-	883	1,002	-	1,885
	-	3,717	6,290	1	10,008
Total	61	3,717	8,040	3	11,821

Fixed rate term debt of $1,500m (£955m) and £300m were issued in the period and used to repay floating rate borrowings maturing within two years The term debt was issued in five, eight and ten year maturities Short term bank loans, overdrafts and commercial paper were backed up at 31 December 2009 by a $2,500m (£1,548m) committed bank facility maturing in May 2010, which was undrawn, with an additional $2,000m (£1,238m) committed bank facility, forward starting in May 2010 and maturing in May 2012 In January 2010 the $2,500m committed bank facility maturing in May 2010 was cancelled and the start date of the $2,000m committed bank facility brought forward to start immediately This facility provides security of funding for $2,000m of short term debt to May 2012

25 Borrowings (continued)

Analysis by currency	Short term bank loans, overdrafts and commercial paper £m	Other loans £m	Amounts owed to ERF BV Group £m	Finance leases £m	Total £m
As at 31 December 2009					
US Dollars	**61**	**2,099**	**6,323**	**27**	**8,510**
£ Sterling	**-**	**691**	**32**	**-**	**723**
Euro	**-**	**-**	**619**	**-**	**619**
Other currencies	**28**	**-**	**80**	**-**	**108**
Total	**89**	**2,790**	**7,054**	**27**	**9,960**
As at 31 December 2008					
US Dollars	-	3,317	7,347	3	10,667
£ Sterling	-	400	9	-	409
Euro	-	-	607	-	607
Other currencies	61	-	77	-	138
Total	61	3,717	8,040	3	11,821

26 Lease arrangements

Finance leases

At 31 December 2009 future finance lease obligations fall due as follows

	2009 £m	2008 £m
Within one year	7	2
In the second to fifth years inclusive	23	1
	30	3
Less future finance charges	(3)	-
Total	27	3
Present value of future finance lease obligations payable		
Within one year	7	2
In the second to fifth years inclusive	20	1
Total	27	3

The fair value of the lease obligations approximates to their carrying amount

Operating leases

The Reed Elsevier Group plc group leases various properties, principally offices and warehouses, which have varying terms and renewal rights that are typical to the territory in which they are located

At 31 December 2009 outstanding commitments under non-cancellable operating leases fell due as follows

	2009 £m	2008 £m
Within one year	139	144
In the second to fifth years inclusive	353	424
After five years	228	291
Total	720	859

Of the above outstanding commitments, £674m (2008 £801m) relate to land and buildings

The Reed Elsevier Group plc group has a number of properties that are sub-leased The future lease receivables contracted with sub-tenants fall as follows

	2009 £m	2008 £m
Within one year	17	21
In the second to fifth years inclusive	36	52
After five years	7	14
Total	60	87

27 Provisions

	2009			2008		
	Property £m	Restructuring £m	Total £m	Property £m	Restructuring £m	Total £m
At start of year	45	69	114	21	-	21
Charged	70	157	227	22	57	79
Utilised	(20)	(114)	(134)	(9)	-	(9)
Exchange translation differences	(6)	(6)	(12)	11	12	23
At end of year	**89**	**106**	**195**	45	69	114

Property provisions relate to estimated sub-lease shortfalls and guarantees given in respect of certain property leases for various periods up to 2024 Restructuring provisions relate to costs incurred in connection with the major restructuring programmes announced in February 2008 and 2009, principally in respect of severance and outsourcing migration costs, and the restructuring in anticipation of sale and related closures of Reed Business Information's US controlled circulation titles

Provisions have been analysed between current and non-current as set out below

	2009 £m	2008 £m
Current liabilities	**134**	79
Non-current liabilities	**61**	35
Total	**195**	114

28. Contingent liabilities and capital commitments

There are contingent liabilities amounting to £22m (2008 £26m) in respect of property lease guarantees

The Company has accepted, in accordance with clause 403 Book 2 of the Dutch Civil Code, responsibilities for the liabilities, including trade creditors and external borrowings, totalling £104m (2008 £115m) of subsidiary undertakings registered in the Netherlands

29 Share capital

Authorised	Number	£
Preference shares (cumulative) of £1 each		
- Irredeemable 7 50%	**100,000**	**100,000**
Ordinary shares of £1 each		
- 'R' ordinary shares	**20,000**	**20,000**
- 'E' ordinary shares	**20,000**	**20,000**
Total	**140,000**	**140,000**

All of the preference shares rank equally in respect of the right to receive fixed dividends

All of the "R ordinary shares rank equally in respect of voting rights and the right to receive dividends All of the 'E" ordinary shares rank equally in respect of voting rights and the right to receive dividends

29 Share capital (continued)

Called up, issued and fully paid	Preference shares Number	R shares Number	E shares Number	Preference shares £	R shares £	E shares £
At 1 January 2008 and 2009	100,000	10,000	10,000	100,000	10,000	10,000
Issue of ordinary shares	-	**4,634**	**4,634**	-	**4,634**	**4,634**
At 31 December 2009	**100,000**	**14,634**	**14,634**	**100,000**	**14,634**	**14,634**

During the year the company issued 9,268 ordinary shares to the existing shareholders for a total consideration of £913m

30 Share premium

	2009 £m	2008 £m
At start of year	**324**	324
Issue of ordinary shares, net of expenses	**913**	-
At end of year	**1,237**	324

31 Translation reserve

	2009 £m	2008 £m
At start of year	**(1,290)**	216
Exchange differences on translation of foreign operations	**621**	(1,535)
Cumulative exchange differences on disposal of foreign operations	-	27
Exchange translation differences on capital and reserves	**1**	2
At end of year	**(668)**	(1,290)

32. Other reserves

	Hedge reserve 2009 £m	Other reserves 2009 £m	Total 2009 £m	Total 2008 £m
At start of year	(136)	(5,746)	(5,882)	(4,152)
Profit attributable to parent companies' shareholders	-	26	26	185
Dividends declared	-	-	-	(1,453)
Actuarial gains/(losses) on defined benefit pension schemes	-	6	6	(347)
Fair value movements on available for sale investments	-	(52)	(52)	(99)
Cumulative fair value movements on disposals of available for sale investments	-	1	1	-
Fair value movements on cash flow hedges	62	-	62	(194)
Tax recognised directly in equity	(17)	(10)	(27)	152
Increase in share based remuneration reserve	-	16	16	46
Settlement of share awards	-	(3)	(3)	-
Transfer from hedge reserve to net profit (net of tax)	43	-	43	(18)
Exchange translation differences	3	(4)	(1)	(2)
At end of year	(45)	(5,766)	(5,811)	(5,882)

Other reserves principally comprise retained earnings, the share based remuneration reserve, and available for sale investment reserve

33 Related party transactions

The company is jointly owned and controlled by Reed Elsevier PLC and Reed Elsevier NV

There were no material transactions during the year between the Reed Elsevier Group plc group and its fellow joint ventures, other than those disclosed in these accounts

The group's fellow joint ventures are Elsevier Reed Finance BV and its subsidiaries Elsevier Reed Finance BV is incorporated in the Netherlands and jointly owned and controlled by Reed Elsevier PLC and Reed Elsevier NV The Elsevier Reed Finance BV group provides a range of treasury services and funding to the Reed Elsevier Group plc group

Foreign exchange contracts entered into during 2009 by Reed Elsevier Group plc and its subsidiaries with its fellow joint ventures amounted to £3 261m (2008 £1,208m)

Transactions between the Reed Elsevier Group plc group's businesses have been eliminated within the financial statements Transactions with joint ventures were made on normal market terms of trading and comprise sales of goods and services of £2m (2008 £4m) As at 31 December 2009, amounts owed by joint ventures were £4m (2008 £3m) Key management personnel are also related parties and comprise the executive directors of Reed Elsevier Group plc Transactions with key management personnel are set out below

	2009 £m	2008 £m
Salaries and other short term employee benefits	6	7
Post employment benefits	1	1
Termination benefits	1	-
Share based remuneration	1	10
Total	9	18

Post employment benefits represent the service cost under IAS19 – Employee Benefits in relation to defined benefit schemes, together with any contributions made to defined contribution schemes Share based remuneration is the amount charged in respect of executive directors under IFRS2 – Share Based Payment

34 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors of Reed Elsevier Group plc on 17 February 2010

PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2009

PARENT COMPANY BALANCE SHEET
As at 31 December 2009

	2009 £m	2008 £m
Fixed assets		
Intangible assets	6	-
Investments		
Shares in subsidiary undertakings		
Cost	1,778	866
Provided	(4)	(4)
Net book amount	1,774	862
Joint ventures (cost and net book value)	29	29
	1,809	891
Current assets		
Amounts owed by Reed Elsevier PLC	3	2
	3	2
Total assets	1,812	893
Creditors falling due within one year		
Amounts owed to subsidiary undertakings	(446)	(411)
Trade and other payables	(6)	-
	(452)	(411)
Net current liabilities	(449)	(409)
Non-current liabilities		
Trade and other payables	(19)	-
Net assets	1,341	482
Capital and reserves		
Called up share capital	-	-
Share premium account	1,237	324
Profit and loss reserves	104	158
Shareholders' funds	1,341	482

Approved by the board of Reed Elsevier Group plc, 17 February 2010

M H Armour
Chief Financial Officer

PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2009

PARENT COMPANY RECONCILIATION OF SHAREHOLDERS' FUNDS
For the year ended 31 December 2009

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
At 1 January 2008	-	324	663	987
Loss attributable to ordinary shareholders	-	-	(5)	(5)
Ordinary dividends paid	-	-	(500)	(500)
At 1 January 2009	-	**324**	**158**	**482**
Loss attributable to ordinary shareholders	-	-	**(54)**	**(54)**
Issue of ordinary shares	-	**913**	-	**913**
At 31 December 2009	-	**1,237**	**104**	**1,341**

ACCOUNTING POLICIES

Basis of preparation

The parent company financial statements have been prepared under the historical cost convention in accordance with UK Generally Accepted Accounting Practice (UK GAAP) Unless otherwise indicated, all amounts in the financial statements are in millions of pounds

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account The Reed Elsevier Group plc accounting policies under UK GAAP are set out below and have been applied consistently in the current and prior year

Investments

Fixed asset investments are stated at cost, less provision, if appropriate, for any impairment in value

Principal joint ventures and subsidiaries are set out in the supplementary information page

Foreign exchange translation

Transactions entered into in foreign currencies are recorded at the exchange rates applicable at the time of the transaction

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

INDEPENDENT AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS
To the members of Reed Elsevier Group plc

We have audited the individual parent company financial statements of Reed Elsevier Group plc for the year ended 31 December 2009 ("the company financial statements") which comprise the parent company balance sheet, the parent company reconciliation of shareholders' funds and the parent company accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

We have reported separately on the group financial statements of Reed Elsevier Group plc for the year ended 31 December 2009

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement the directors are responsible for preparing the Annual Report and the parent company financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the parent company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- we have not received all the information and explanations we require for our audit

Douglas King (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
17 February 2010

SUPPLEMENTARY INFORMATION

Principal subsidiary undertakings at 31 December 2009

Holding Companies	
Reed Elsevier (UK) Limited (1)	
Reed Elsevier (Holdings) Ltd (6)	
Reed Elsevier (Investments) plc	
Reed Elsevier Holdings B V	(The Netherlands)
Reed Elsevier Nederland B V	(The Netherlands)
Reed Elsevier Overseas B V	(The Netherlands)
Reed Elsevier US Holdings Inc	(USA)
Reed Elsevier Inc (1)	(USA)
Reed Elsevier Capital Inc	(USA)
Reed Elsevier Properties Inc	(USA)
Elsevier	
Elsevier Limited	
Elsevier B V	(The Netherlands)
Excerpta Medica Medical Communications B V	(The Netherlands)
Elsevier Inc	(USA)
Excerpta Medica Inc	(USA)
Academic Press (2)	(USA)
Elsevier Health Sciences (2)	(USA)
Mosby, Inc	(USA)
MC Strategies Inc	(USA)
Masson SAS	(France)
Masson SA	(Spain)
MDL Information Systems GmbH	(Germany)
LexisNexis	
LexisNexis Risk Assets Inc	(USA)
LexisNexis Butterworths Tolley (3)	
LexisNexis (4)	(USA)
Matthew Bender and Company, Inc	(USA)
Martindale-Hubbell (4)	(USA)
LexisNexis Risk Solutions FL Inc	(USA)
LexisNexis Risk Data Management Inc	(USA)
LexisNexis SA	(France)
Butterworths Australia (5)	(Australia)
Reed Exhibitions	
Reed Exhibitions Limited	
Reed Exhibitions (4)	(USA)
Reed Expositions France SA	(France)
Reed Midem Organisation SA	(France)
Groupe Strategies SA	(France)
Reed Exhibitions Japan Limited	(Japan)
Reed Business Information	
Reed Business Information Limited	
Reed Business B V	(The Netherlands)
Reed Business Information US (4)	(USA)
Reed Construction Data LLC	(USA)
BuyerZone com LLC	(USA)

All are wholly owned subsidiary undertakings registered and operating in England and Wales unless otherwise stated

(1) Holding company, but also trades through one or more operating divisions
(2) Division of Elsevier Inc
(3) Division of Reed Elsevier (UK) Limited
(4) Division of Reed Elsevier Inc
(5) Division of Reed International Books Australia Pty Ltd
(6) Direct subsidiary undertaking of Reed Elsevier Group plc

Principal joint ventures at 31 December 2009

Operating in		*Principal place of business*
Dott A Giuffrè Editore Spa	40%	Italy, Via Busto Arsizio, Milan