COMPANY NUMBER: 2746621

REED ELSEVIER (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



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DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2002.

TRADING RESULTS AND DIVIDENDS

The profit before taxation for the year was £98,547,000 (2001 - £95,974,000) and the profit after tax was £133,935,000 (2001 - £88,542,000). Dividends paid were £150,000,000 (2001 - £150,000,000) and as the Directors do not propose payment of a further dividend for the year, the retained loss of £16,065,000 (2001 - £61,458,000) has been transferred from reserves.

PRINCIPAL ACTIVITIES

The Company's principal activities include providing services to its subsidiaries and other companies in the Reed Elsevier Group plc group, and professional publishing through the *LexisNexis Butterworths Tolley* business.

The Company was a wholly owned subsidiary throughout the year and accordingly group accounts have not been prepared.

REVIEW OF OPERATIONS

LexisNexis Butterworths Tolley is a leading UK professional publisher, which has provided information to the legal, tax and allied professions for nearly two centuries. An increasing amount of its information is now available online, through the web-based *LexisNexis Butterworths Direct* service which provides a resource for legal and tax information in the UK. LexisNexis Butterworths Tolley's most widely known publications are *Halsbury's Laws of England, The Encyclopaedia of Forms and Precedents, Simon's Taxes* and *Butterworths Company Law Service. LexisNexis Butterworths Tolley* is a leader in 'first point of reference' tax publishing, through its single volume guides and its looseleaf services.

LexisNexis Butterworths Direct is a leader in electronic legal publishing both in terms of content and functionality. It comprises several services, including: *Law Direct*, a current awareness service; *Tax Direct*, a comprehensive news and reference database for tax and accounting professionals; *All England Direct*, a 24-hour case reporting service; the entire *All England Law Reports*; and *Halsbury's Laws Direct*, comprising the complete text of the 56 volume set of the latest edition, fully updated.

Turnover was up 1% and gross profit up 1%. The outlook for the professional publishing activities of the Company is good.

The Company has continued to provide services to subsidiary undertakings and other companies generating income of £17,808,000 (2001 - £16,406,000).

During 2002, the Company completed a major programme of reorganisation. Costs amounting to £5,080,000 (2001 - £700,000) have been provided during the year and have been included in operating exceptional items (note 6).

DIRECTORS' REPORT CONTINUED

EMPLOYEE RELATIONS

The Company is fully committed to the concept of employee involvement and participation. Where appropriate, major announcements are communicated to employees through internal briefings. Information on performance, development, organisational changes and other matters of interest is communicated through briefings and electronic bulletins. The Reed Elsevier Group plc SAYE Share Option Scheme enables employees to participate in the future prosperity of the Company. The Company is an equal opportunity employer. It does not discriminate on the grounds of race, sex, religion, physical handicap or marital status in its recruitment or employment policies. All judgements about people for the purpose of recruitment, development and promotion are made solely on the basis of their ability and potential in relation to the needs of the job.

DISABLED PERSONS

It is the policy of the Company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

DONATIONS

Donations made during the year for charitable purposes in the UK amounted to £29,000 (2001 - £21,000). There were no donations for political purposes (2001 - £nil).

DIRECTORS

The following persons have served as Directors of the Company since 1 January 2002:
M H Armour
S J Cowden
T A Jenkins
A J Joseph

DIRECTORS' INTERESTS

No Director was beneficially interested at any time in the share capital of the Company or other group companies.

DIRECTORS' REPORT CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SUPPLIER PAYMENT POLICY

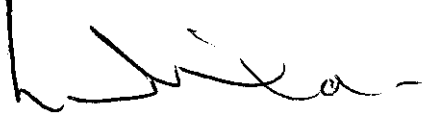
The Company agrees terms and conditions for its business transactions and suppliers, and payment is made on these terms. The estimated average time taken to pay suppliers was between 30 and 45 days (2001 - 30 and 45 days).

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Deloitte & Touche have informed the Directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the Directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

By Order of the Board
25 Victoria Street
London SW1H 0EX



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L Dixon,
Secretary

25th July 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED ELSEVIER (UK) LIMITED

We have audited the financial statements of Reed Elsevier (UK) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

31 July 2003

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002	2001
		£'000	£'000
TURNOVER			
Continuing operations	2	144,874	142,943
Cost of sales	3	(49,305)	(48,688)
GROSS PROFIT		95,569	94,255
Distribution and selling costs	3	(19,326)	(20,203)
Administrative expenses (including amortisation of intangible assets and goodwill)	3	(74,153)	(79,478)
Other operating income	4	17,808	16,406
Income from shares in group undertakings		85,029	108,957
OPERATING PROFIT			
Continuing operations	5	104,927	119,937
Interest receivable and similar income	7	18,211	20,844
Interest payable and similar charges	8	(13,861)	(6,709)
Amounts written off investments in subsidiary undertakings	16	(10,730)	(35,583)
Amounts written off other investments		-	(2,515)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		98,547	95,974
Tax credit/(charge) on profit on ordinary activities	9	35,388	(7,432)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		133,935	88,542
Dividends paid	10	(150,000)	(150,000)
RETAINED LOSS TRANSFERRED FROM RESERVES	26	(16,065)	(61,458)

The Company had no recognised gains or losses this year or during the prior year other than those reflected in the above profit and loss account. Consequently, a separate statement of total recognised gains and losses is not presented.

The notes on pages 7 to 19 form part of these accounts.

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002	2001
		£'000	£'000
FIXED ASSETS			
Intangible assets and goodwill	14	206,438	222,905
Tangible assets	15	11,904	10,620
Investments in subsidiary undertakings	16	2,358,380	2,369,110
Other investments	17	-	-
		2,576,722	2,602,635
CURRENT ASSETS			
Stocks	18	7,429	8,528
Debtors: amounts falling due within one year	19	241,369	332,597
Debtors: amounts falling due after one year	20	2,070	2,318
Short term investments	21	201,942	51,008
Cash at bank and in hand		123	7
		452,933	394,458
CREDITORS FALLING DUE WITHIN ONE YEAR	22	(1,769,983)	(1,677,356)
NET CURRENT LIABILITIES		(1,317,050)	(1,282,898)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,259,672	1,319,737
CREDITORS FALLING DUE AFTER ONE YEAR	23	(73,500)	(117,500)
NET ASSETS		1,186,172	1,202,237
Called up share capital	25	1,161	1,161
Share premium account	26	383,899	383,899
Profit and loss account	26	801,112	817,177
EQUITY SHAREHOLDERS' FUNDS	26	1,186,172	1,202,237

These financial statements were approved by the Board of Directors on 25th July 2003.

Signed on behalf of the Board of Directors

M H Armour,
Director

The notes on pages 7 to 19 form part of these accounts.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002

1. Accounting policies

Compliance with accounting standards
These financial statements are presented under the historical cost convention and in accordance with applicable accounting standards.

Turnover
Turnover represents the invoiced value of sales less anticipated returns on transactions completed by performance, excluding VAT.
Sales are recognised for the various revenue sources as follows: subscriptions – over the period of the subscription; circulation – on despatch; advertising – on publication or period of online display.

Translation of overseas currencies into Sterling
Profit and loss items are translated at the exchange rate ruling at transaction date. Monetary assets and liabilities are translated at rates ruling at the balance sheet date or contracted rates where applicable. The currency gains or losses on trading items are taken to the profit and loss account.

Goodwill and intangible assets
On the acquisition of a business, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis, with any excess purchase consideration representing goodwill.
Acquired goodwill and intangible assets are capitalised and amortised systematically over their estimated useful lives, up to a maximum period of 20 years. Intangible assets comprise publishing rights and titles, databases and other intangible assets, which are stated at fair value on acquisition and are not subsequently revalued.

Tangible fixed assets
Depreciation is provided on cost at the following annual rates on a straight-line basis intended to write off the assets over their estimated useful lives.

Freehold buildings	2%
Plant, machinery and office equipment	20%
Motor vehicles	25%
Furniture and fittings	15%

Short leasehold property and improvements are amortised over the period of the lease. No depreciation is provided on freehold land.

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

Debtors
Debtors are stated net of provisions for doubtful debts, returns and other allowances.

Stocks
Stocks and work in progress are stated at the lower of cost, including attributable overheads, and estimated net realisable value.

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.

Pensions
The Reed Elsevier Pension Scheme (a defined benefit scheme) is administered on a Reed Elsevier Group plc basis and total contributions are assessed by a qualified actuary, based on the cost of providing pensions across all participating Reed Elsevier Group plc companies. Costs are not determined separately for each participating company, hence contributions are charged to the profit and loss account in the period on the basis of amounts payable.

1. Accounting policies (continued)

Leases
Operating lease charges are recognised in the profit and loss account in the year in which they are incurred.

2. Turnover

Analysis of sales by business segment:	2002 £'000	2001 £'000
Legal	144,874	142,943
Analysis of sales by geographic market:		
Continuing operations:		
United Kingdom	132,568	129,494
North America	2,315	3,245
Europe	3,789	3,808
Rest of the world	6,202	6,396
	144,874	142,943

3. Net operating expenses

	2002 £'000	2001 £'000
Cost of sales:		
Continuing operations	49,305	48,688
Distribution and selling costs:		
Continuing operations	19,326	20,203
Administrative expenses (including amortisation of intangible assets and goodwill):		
Continuing operations	74,153	79,478

Administrative expenses include operating exceptional items detailed in note 6.

4. Other operating income

Other operating income comprises:	2002 £'000	2001 £'000
Continuing operations:		
Service fee income	17,808	16,406

5. Operating profit

Operating profit is stated after charging:

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets	3,586	4,035
Amortisation of intangible assets and goodwill	16,467	16,467
Auditors' remuneration - audit	106	91
Auditors' remuneration - other services	391	1,385
Exchange losses	-	28
Rental under operating leases:		
Other operating lease rentals	6,460	5,527
Net operating exceptional charges (note 6)	6,274	7,952

Details of staff costs appear in note 11.

6. Exceptional items

Operating exceptional items	2002 £'000	2001 £'000
Reorganisation costs	(5,080)	(700)
Provisions charged against amounts owed by subsidiary undertakings	-	(6,505)
Acquisition related costs	(1,194)	(747)
	(6,274)	(7,952)
Tax credit	45,882	434

Reorganisation costs relate to a major programme of reorganisation commenced in 1999 and principally comprise employee severance costs. The tax credit in 2002 arises principally in respect of prior year disposals.

7. Interest receivable and similar income

	2002 £'000	2001 £'000
Interest on cash deposits and short-term investments	8,152	5,518
Interest receivable from fellow subsidiary undertakings	3	6
Interest receivable on loan to Reed Elsevier PLC	3,823	3,823
Interest receivable from the Elsevier Reed Finance BV group	5,540	11,497
Exchange gains on long term loans	693	-
	18,211	20,844

8. Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable to subsidiary undertakings	(5)	(6)
Interest payable:		
On amounts payable to Reed Elsevier PLC	(5,937)	(3,943)
On amounts due to fellow subsidiary undertakings	(4,106)	-
On all other borrowings	(3,813)	(2,756)
Exchange losses on long term loans	-	(4)
	(13,861)	(6,709)

9. Tax credit/(charge) on profit on ordinary activities

	2002 £'000	2001 £'000
Current tax		
UK corporation tax	(8,364)	(9,511)
Adjustments in respect of prior years	44,000	3,842
Total current tax	35,636	(5,669)
Deferred tax		
Origination and reversal of timing differences (note 24)	(248)	(1,763)
	35,388	(7,432)

The standard rate of current tax for the year and prior year, based on the UK standard rate of corporation tax is 30%. A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is set out below:

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	98,547	95,974
Tax at standard rate	(29,564)	(28,792)
Non tax deductible amortisation of goodwill and intangible assets	(4,940)	(4,940)
Prior year adjustments	44,000	3,842
Non taxable income	25,509	32,687
Permanent differences and other items	(4,786)	(13,950)
Group relief received for nil consideration	5,169	3,721
Reversal of timing differences	248	1,763
Current tax credit/(charge) for the year	35,636	(5,669)

10. Dividends paid

	2002 £'000	2001 £'000
Interim ordinary dividends :		
At £129.20 per share (2001 - £129.20)	150,000	150,000

11. Personnel

Staff costs (including Directors) were:

	2002 £'000	2001 £'000
Wages and salaries	45,288	45,869
Social security costs	5,027	4,333
Other pension costs	139	101
	50,454	50,303

The average monthly number of employees (including Directors) during the year ended 31 December 2002 was 1,303 (2001 – 1,296).

12. Directors' emoluments

The emoluments of the Directors, other than those who worked wholly outside of the United Kingdom whose emoluments are disclosed in the accounts of Reed Elsevier Group plc, were:

	2002 £'000	2001 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	698	1,463
Awards (other than shares and share options) receivable during the year under long term incentive schemes	-	-
Highest paid Director's remuneration: Aggregate of emoluments and awards under long term incentive schemes (excluding pension contributions, share options and awards in the form of shares)	277	283
Accrued annual pension of highest paid Director at 31 December 2002	14	7

	2002 Number	2001 Number
Number of Directors in office at 31 December 2002 who:		
- are members of a defined benefit pension scheme;	4	4
- exercised share options;	1	-
- have received awards during the year in the form of shares under long-term incentive schemes.	-	-

Mr M H Armour was also a Director of the Company's parent undertaking, Reed Elsevier Group plc. It is not practicable to allocate his emoluments for his services to the Company and so no emoluments are included in the above figures. Full details of his remuneration are given in the financial statements of Reed Elsevier Group plc.

13. Pension scheme

The Company participates in the Reed Elsevier Pension Scheme. This scheme is of the defined benefit type providing benefits to certain employees within Reed Elsevier Group plc and its assets are held separately from the group's assets.

The main UK scheme was subject to a valuation by Watson Wyatt Partners as at 5 April 2000. The actuarial value placed on the assets was sufficient to cover 121% of the benefits that had accrued to the members. The actuarial surplus is being spread as a level amount over the average service lives of employees.

Financial Reporting Standard 17: Retirement Benefits (FRS17), under its transitional arrangements, requires certain disclosures to be made. The Reed Elsevier Pension Scheme is a defined benefit scheme. The Company is unable to identify its share of the underlying assets and liabilities and consequently would report contributions paid as if it were a defined contribution scheme. Under FRS17 methodologies, the net surplus in the scheme was £52 million (2001 - £250 million). Based on the advice of the scheme actuaries at the time of the last formal valuation in 2000, and with the agreement of the scheme trustees, no employer contributions are currently being made.

Full disclosure of the scheme is given in the financial statements of Reed Elsevier Group plc and the Reed Elsevier Annual Reports and Financial Statements 2002.

14. Intangible assets and goodwill

	Cost	Amortisation	Net book amount
Intangible assets	£'000	£'000	£'000
At 1 January 2002	291,780	(100,212)	191,568
Charge for the year	-	(14,589)	(14,589)
At 31 December 2002	291,780	(114,801)	176,979
Goodwill			
At 1 January 2002	37,704	(6,367)	31,337
Charge for the year	-	(1,878)	(1,878)
At 31 December 2002	37,704	(8,245)	29,459
Total intangible assets and goodwill			
At 1 January 2002	329,484	(106,579)	222,905
Charge for the year	-	(16,467)	(16,467)
At 31 December 2002	329,484	(123,046)	206,438

15. Tangible fixed assets

	Land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2002	2,188	27,571	29,759
Additions	-	5,222	5,222
Disposals	-	(1,114)	(1,114)
At 31 December 2002	2,188	31,679	33,867
Depreciation			
At 1 January 2002	787	18,352	19,139
Charge for the year	39	3,547	3,586
Disposals	-	(762)	(762)
At 31 December 2002	826	21,137	21,963
Net book amount			
At 31 December 2002	1,362	10,542	11,904
At 31 December 2001	1,401	9,219	10,620

Land and buildings at cost:	2002	2001
	£'000	£'000
Freehold	1,741	1,741
Short leasehold	447	447
	2,188	2,188

Freehold property includes land at a cost of £251,000 (2001 - £251,000) which has not been depreciated.

There were no fixed assets held under finance leases (2001 - £nil).

16. Investments in subsidiary undertakings

	Cost	Provisions	Net book value
	£'000	£'000	£'000
At 1 January 2002	2,460,898	(91,788)	2,369,110
Provided	-	(10,730)	(10,730)
At 31 December 2002	2,460,898	(102,518)	2,358,380

Principal subsidiary undertakings	Country of incorporation	Proportion of equity capital held	
Name	and operation	Direct	Indirect
		%	%
Exhibitions			
Reed Exhibitions Limited	Great Britain	100%	
Publishing			
Eclipse Group Limited	Great Britain	100%	
Elsevier Limited	Great Britain	100%	
Harcourt Education Limited	Great Britain	100%	
Reed Business Information Limited	Great Britain		100%
Holding companies			
Butterworth & Co (Publishers) Ltd	Great Britain		100%
Heinemann Publishers (Oxford) Limited	Great Britain		100%
Reed Consumer Books Limited	Great Britain	100%	
Reed Elsevier (UK) Holdings Limited	Great Britain	100%	
Reed Overseas Corporation Limited	Great Britain	100%	
Reed Publishing Limited	Great Britain	100%	
Reed Elsevier (UIG) Limited	Great Britain	100%	

Details of additional undertakings where the nominal value of the Company's holding is 20% or more of any class of shares, are included as an annexe to the Company's annual return.

In the opinion of the directors the value of the Company's investments in its subsidiaries is not less than the amount at which they are stated in the balance sheet.

17. Other investments

Unlisted investments	Cost £'000	Provisions £'000	Net book value £'000
At 1 January 2002 and 31 December 2002	2,800	(2,800)	-

The Directors' valuation of other investments at 31 December 2002 is £nil (2001 - £nil).

18. Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	671	654
Work in progress	2,236	3,452
Finished goods	4,522	4,422
	7,429	8,528

19. Debtors: amounts falling due within one year

Amounts falling due within one year:	2002 £'000	2001 £'000
Trade debtors	35,332	35,355
Amounts owed by fellow subsidiary undertakings	8,043	37,446
Amounts owed by subsidiary undertakings	26,451	14,819
Amounts owed by Reed Elsevier PLC	36,404	36,404
Amounts owed by Reed Elsevier NV	32	-
Amounts owed by the Elsevier Reed Finance BV group	126,198	196,363
Other debtors	991	2,716
Prepayments and accrued income	7,918	9,494
	241,369	332,597

The amount receivable from Reed Elsevier PLC is a 10.5% subordinated loan.

20. Debtors: amounts falling due after one year

	2002 £'000	2001 £'000
Amounts falling due after one year:		
Deferred taxation (note 24)	2,070	2,318

21. Short term investments

	2002 £'000	2001 £'000
Cash deposits with terms in excess of seven days	201,942	51,008

22. Creditors amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	1,544	1,744
Amounts owed to fellow subsidiary undertakings	92,691	18,752
Amounts owed to subsidiary undertakings	1,010,231	1,000,676
Amounts owed to Reed Elsevier PLC	570,175	554,139
Amount owed to parent undertaking	19,936	27,338
Other creditors	215	498
Corporation tax payable	17,421	21,744
Social security costs	2,120	1,372
Accruals and deferred income	55,650	51,093
	1,769,983	1,677,356

23. Creditors falling due after one year

	2002 £'000	2001 £'000
Loans repayable between two and five years	17,500	17,500
Corporation tax payable	56,000	100,000
	73,500	117,500

24. Deferred Taxation

	2002 £'000	2001 £'000
Deferred taxation liabilities	-	-
Deferred taxation assets (note 20)		
Excess of tax allowances over related amortisation	1,059	1,114
Short term timing differences	1,011	1,204
	2,070	2,318
Total	2,070	2,318

	2002 £'000	2001 £'000
Deferred tax asset at 1 January	2,318	4,081
Charged to the profit and loss account (note 9)	(248)	(1,763)
Deferred tax asset at 31 December	2,070	2,318

25. Called up share capital

	Authorised		Issued and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
At 31 December 2002	1,500,000	1,500	1,161,000	1,161
At 31 December 2001	1,500,000	1,500	1,161,000	1,161

26. Reconciliation of movement in shareholders' funds and statement of movement on reserves

	Share capital	Share premium account	Profit and loss account	Shareholders' funds 2002	Shareholders' funds 2001
	£'000	£'000	£'000	£'000	£'000
At 1 January	1,161	383,899	817,177	1,202,237	1,263,695
Retained loss	-	-	(16,065)	(16,065)	(61,458)
At 31 December	1,161	383,899	801,112	1,186,172	1,202,237

27. Operating leases

The annual commitments under non-cancellable operating leases are:

Expiry of operating lease:	2002 Land and buildings £'000	2002 Other £'000	2001 Land and buildings £'000	2001 Other £'000
Land and buildings				
Within one year	-	14	174	-
Within two to five years	273	8	234	30
After five years	6,863	-	5,925	-
	7,136	22	6,333	30

28. Group accounts and cash flow statement

The Company is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member State of the European Union and the parent undertaking prepares group accounts. Accordingly these financial statements present information about this Company as an individual undertaking and not as a group. Similarly, a cash flow statement is not required under Financial Reporting Standard 1 (Revised) (Cash Flow Statements).

29. Ultimate parent company

The Company's ultimate parent undertaking and controlling entity is Reed Elsevier Group plc (formerly Reed Elsevier plc), a company incorporated in Great Britain. The smallest and largest group into which the accounts of the Company for the year ended 31 December 2002 are consolidated is Reed Elsevier Group plc. Copies of the consolidated accounts of Reed Elsevier Group plc may be obtained from its registered office at 25 Victoria Street, London SW1H 0EX. Reed Elsevier Group plc is jointly owned by Reed Elsevier PLC (formerly Reed International P.L.C.) a company incorporated in Great Britain and Reed Elsevier NV (formerly Elsevier NV) a company incorporated in the Netherlands.

30. Related party transactions

The Company has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) not to disclose transactions with entities that are part of Reed Elsevier Group plc as the consolidated financial statements of Reed Group Elsevier plc, in which the Company is included, are publicly available.

The fellow associated undertakings of the Company's ultimate parent undertaking are Elsevier Reed Finance BV and its subsidiaries. Elsevier Reed Finance BV is incorporated in the Netherlands and is jointly owned by Reed Elsevier PLC and Reed Elsevier NV. The Elsevier Reed Finance BV group provides a range of treasury services to the Reed Elsevier Group plc group.