

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH  
Submitted electrically through [www.ifrs.org](http://www.ifrs.org)

8 March 2011

Dear Sirs,

**Exposure Draft: Hedge Accounting (ED/2010/13)**

I am pleased to confirm Reed Elsevier's support for the proposals set out in this Exposure Draft but with concern over questions 8 and 13, as stated below. In general, we believe the proposals are an improvement on IAS39 and will enable Reed Elsevier to align designated hedging relationships with well established risk management policies and practices so leading to a greater understanding of hedging objectives and a stronger control environment. In particular:

**Question 3** - we agree that an aggregated exposure which is a combination of another exposure and a derivative may be designated as a hedged item. Reed Elsevier raises finance from a wide variety of markets in order to obtain the greatest access to finance and the finest borrowing costs. Derivative instruments are then used to convert finance raised into a single portfolio of floating rate US dollar debt. The interest rate risk on this single debt portfolio is then hedged according to policy using short to medium term interest rate derivatives. The ability to designate an aggregated exposure (comprising the original debt and derivatives which swap the debt into floating rate US dollars) is critical in allowing Reed Elsevier to designate hedging relationships which are in line with well established risk management policy and practice.

**Question 6** – we agree the proposed hedge effectiveness requirements as such objective-based assessment is more closely aligned with how management monitor and report on the effectiveness of a hedging relationship in practice. Such an approach is also likely to require less resource in carrying out effectiveness tests and reflect better the simple risk management practices operated by a corporate such as Reed Elsevier.

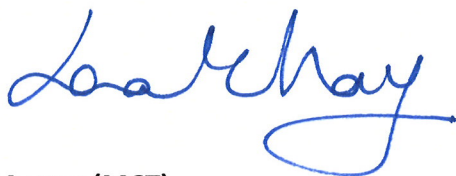
**Question 8** – we do not agree that an entity should be prohibited from discontinuing hedge accounting for a hedging relationship that still meets the risk management objective. It is common for companies to designate forward foreign exchange contracts as a cash flow hedge of forecast foreign currency revenues or costs however, once the sale is invoiced or purchased goods are received, the hedging relationship is de-designated on the basis that movements in the foreign exchange contract offset movements in the foreign currency receivable or payable.

**Question 11** – we agree with the criteria for the eligibility of groups of items as a hedged item as we believe this will enable Reed Elsevier to designate groups of hedged items, such as the portfolio of floating rate debt described above, in line with risk management practice.

**Question 13** – we would be concerned if the proposals are interpreted as requiring disclosure of commercially sensitive data. Whilst disclosure of certain, aggregated metrics may be acceptable, we would not be comfortable in disclosing more detailed information such as forecast revenues, the amount hedged and the hedged rates achieved.

Please do not hesitate to contact me if you would like to discuss this matter further.

Yours Faithfully,



**Laura McMurray (MCT)**  
Deputy Group Treasurer  
Reed Elsevier Group plc