Company Number: 2746616

REED ELSEVIER PLC
REPORT AND ACCOUNTS 1999

DIRECTORS' REPORT

Board of Directors

M Tabaksblat *	- Chairman	
C H L Davis	- Chief Executive Officer	(appointed 1 September 1999)
M H Armour	- Chief Financial Officer	
J F Brock*		(appointed 15 April 1999)
D J Haank		(appointed 15 November 1999)
O Laman Trip		
R J Nelissen*		(appointed 15 April 1999)
S Perrick*		
Dr R W H Stomberg*		(appointed 1 January 1999)
D G C Webster*		

*Indicates non-executive director

Contents

The directors present their report and the audited accounts for the year to 31 December 1999.

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 by Reed International P.L.C. ("Reed") and Elsevier NV ("Elsevier").

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Overview

1999 results were disappointing. Underlying revenue growth was low at 3% and behind market growth. Adjusted profits before tax were down 9% at constant exchange rates.

Nevertheless, important steps were taken through the course of the year to get the business back on track. The directors believe that Reed Elsevier plc is now positively placed to meet evolving customer needs and to realise the significant growth opportunities that these represent.

Results and dividends

Turnover (excluding joint ventures) for the year was £3,386 million (1998 : £3,191 million) and operating profit (including joint ventures) before exceptional items and amortisation of goodwill and intangible assets was £785 million (1998 : £807 million). The operating margin of the continuing operations of 23.2% is 2.3 percentage points lower than last year.

The loss before tax of £26 million (1998 : profit of £930 million) includes net exceptional charges amounting to £232 million (1998 : net exceptional gains £612 million) and charges for the amortisation of goodwill and intangible assets of £367 million (1998 : £323 million). The most significant item in the net exceptional charge is the £161 million of restructuring costs in the year. Other exceptional charges of £71 million principally comprise acquisition related restructuring costs and expenditure on the Year 2000 compliance programme.

The group loss for the year, after exceptional items, taxation and minority interests, amounted to £208 million (1998 : profit £644 million). The total tax charge of £159 million for the year is higher as a proportion of the loss/profit before tax principally due to non tax-deductible amortisation, the non-recognition of potential deferred tax assets and taxes arising on restructuring related business consolidation. The effective tax rate on profits before exceptional items and amortisation of goodwill and intangible assets was 30.4% (1998 30.0%).

The directors do not recommend a final ordinary dividend (1998 : £nil). During the year the company paid £172 million (1998 : £170 million) on the "R" ordinary shares and preference dividends of £7,500 (1998 : £7,500). Subsidiary undertakings paid a further £167 million (1998 : £218 million) to Elsevier in respect of its holding of special dividend shares in Reed Elsevier Nederland BV. The company did not pay any dividends on the "E" ordinary shares (1998 : £nil). After these dividends and amounts due to minority interests of £23 million (1998 : £24 million) there was a retained loss of £547 million (1998 : profit £256 million).

At 31 December 1999 gross borrowings of £874 million (1998 : £1,138 million) were partially offset by cash and short-term investments of £405 million (1998 : £660 million). In addition, net borrowings from shareholders and Elsevier Reed Finance BV group amounted to £2,443 million *(1998 : £2,149 million)*.

Reed Elsevier plc's gross borrowings have a maturity and interest profile, partly achieved through the use of interest rate swaps, that secures a high degree of protection of profit from interest rate movements.

Operating business review

The results of businesses are reported in three segments: Scientific, Legal and Business publishing, which comprise the continuing operations of the group. Discontinued operations comprise IPC Magazines and the remaining consumer book publishing operations, which were the final elements of the Consumer segment sold in 1998. Adjusted operating profit is presented as an additional performance measure and is shown after share of operating profit in joint ventures and before amortisation of goodwill and intangible assets and exceptional items. Unless otherwise stated, all prior year comparisons quoted in the following commentary refer to percentage movements at constant exchange rates, using the 1998 full year average rates and exclude intra-affiliate transactions.

Scientific

Turnover in the Scientific segment at £648 million increased by 4% and adjusted operating profits at £228 million increased by 3%, including acquisitions, at appropriate rates of exchange.

Sales growth at Elsevier Science of 5%, which included a 3% benefit from acquisitions, was adversely affected by the impact on subscription renewals of currency movements on library budgets, particularly in Japan and Continental Europe. Adjusted operating profits excluding acquisitions increased by 4%.

Good progress was made during the year in the roll-out of ScienceDirect, the web-based scientific information service, with over 25% of journal subscription revenues now covering both print journals and the ScienceDirect service. Over 800,000 scientific research articles are now available in the online database. Usage is growing rapidly, significantly increasing the value of our information to the scientific community. An increasing number of publishers now include their information within ScienceDirect, and linkages have been established with other major databases. The new pricing approach introduced in the year, moderating the impact of currencies so as to give more predictable journal pricing for customers, has contributed to the continuing success of the migration of revenue from print to electronic delivery. Acquisitions in the year included Cell Press with its four first class journals in the field of molecular biology.

The outlook for Elsevier Science is positive. Considerable additional investment is being made in the ScienceDirect product line and in sales and marketing and other initiatives. This is being funded from cost savings across the businesses and most particularly in production, pre-press and distribution through the re-engineering of processes and technology advances.

The medical publishing and communications businesses in 1999 reported turnover growth of 6%, due to acquisitions, with underlying adjusted operating profits down 12% due to some weakness in the sponsored communications business and in France. A much stronger performance is expected in 2000 from improvements in the market and in organisational effectiveness.

Legal

The Professional segment has been renamed Legal to reflect the principal markets of this segment.

The Legal segment turnover of £1,268 million increased by 15% whilst adjusted operating profit of £316 million decreased by 2% at appropriate rates of exchange.

Excluding the effect of acquisitions, principally Matthew Bender and the remaining 50% of Shepard's acquired in August 1998, turnover increased by 5% whereas adjusted operating profits declined by 12%. This result reflected the combination of low revenue growth at LEXIS-NEXIS and continued investment spend, resulting in operating margins 4.2 percentage points lower at 24.9% for the segment.

At LEXIS-NEXIS, turnover increased by 13% whereas adjusted operating profits were down 8% as significant additional investment is made in new product development and in sales and marketing. Excluding acquisitions, turnover was up 2% and adjusted operating profits down 18%. In the US legal market, the LEXIS Publishing businesses had flat revenues with a good performance in the large law firm market offset by weaker revenues in other markets. The print/CD-ROM legal publishing business saw some loss of revenues, principally at Shepard's, due to heavy promotion and discounting by a competitor as its licence to the Shepard's content expired. The Martindale-Hubbell legal directory business had an excellent year with revenues 12% ahead. In the online business information market, NEXIS revenues fell by 4%, reflecting pricing pressures across the industry.

Throughout 1999, LEXIS-NEXIS has been launching innovative web-based legal research products and legal practice tools, which have been well received in the market. The content and editorial strengths of Matthew Bender and Shepard's have been pivotal in these developments. The launch of the web delivered lexis.com service has had a major impact in the law schools where customer preferences are first developed. The benefits of these and other initiatives will mostly be felt as customers migrate from the proprietary systems to the easier to use web format of the lexis.com service, and as subscription contracts come up for renewal.

NEXIS continues to see strong growth in demand for its online business information services, but this is not converting into growing revenues due to pricing pressures across the industry. A step up in new product development to add further value and differentiate from competitors is in hand under a new management team. In January 2000, NEXIS acquired the FT Profile archival business together with a long-term licence agreement for Financial Times content.

LEXIS-NEXIS has very strong positions in the US legal and online business information markets, and is committed to restoring revenue growth to market levels and beyond, through increasing investment in new product and in sales and marketing. The pick up revenues from these investments, both made and planned, will however take time due to the lag involved in changing embedded customer preferences coupled with subscription cycles. Operating margins are, therefore, expected to decline further, although a major re-engineering of the businesses presently in process will release part of the funding required for investment.

The Reed Elsevier Legal Division, comprising Reed Elsevier's legal businesses outside the USA, saw turnover and adjusted operating profits up 13% and 7% respectively, including the benefit of small acquisitions in Austria, Argentina, Australia and South Africa. Excluding these, adjusted operating profit growth was 5% on sales up 7%, led by strong performances in the UK, France and South East Asia.

In the UK, Butterworths Direct, the legal and tax online service, continued to add materials and add to its customer base, accounting for half of Butterworths' new subscriptions. The continued expansion into regulatory publishing was given a significant boost with the acquisition in January 2000 of Eclipse, the leading publisher of employment law and related fields. The outlook for the Reed Elsevier Legal Division remains positive.

The Reed Educational & Professional Publishing business saw turnover and adjusted operating profit increase by 12% and 9% respectively. The UK and US Schools businesses both increased sales by 15% driven by additional government funding for literacy materials and by increased market share. Costs increased faster than revenues as investment was made in new publishing programmes to capture market demand. The Butterworth-Heinemann businesses also performed well with a strong front-list in scientific, technical and medical markets. The outlook for Reed Educational & Professional Publishing is positive with a strong publishing programme for 2000.

Business

Turnover in the Business segment at £1,470 million increased by 3%, whilst adjusted operating profits at £241 million decreased by 9% at appropriate rates of exchange, reflecting low underlying revenue growth, particularly at Cahners, whilst costs rose

Cahners Business Information's turnover was flat for the year, before a 1% reduction due to the net effect of divestments less acquisitions. Adjusted operating profits declined by 40% due to a 5% increase in costs, largely reflecting the full year effect of prior year investments made in the organisation which had anticipated much stronger revenue growth. Whilst the Entertainment & Media, Building & Construction and Retail sectors performed well, this was offset by revenue declines in Manufacturing, Electronics and Travel. Although the slowdown in sales growth began in the second half of 1998, the degree to which this persisted into 1999 was unexpected. A major restructuring of the business took place in the second half of 1999 to realign the cost base.

The revenue outlook for 2000 is more encouraging. Major initiatives for the development of internet services in targeted sectors are planned with a substantial increase in development spending. This is largely financed from funds released from the cost actions taken.

At Reed Business Information, turnover and adjusted operating profits were down 2% and 6% respectively. Weakness in advertising demand, particularly in high margin recruitment, in the first half recovered in the second half as the UK economy strengthened with the exception of the important Computer sector which saw strong competition both in print and online. The Healthcare, Property and Social Services sectors performed particularly well. Online services established around core titles continued to develop well with good growth in subscriptions and growing advertising support. In July 1999, Reed Business Information launched its totaljobs.com Internet recruitment service which by mid-February held 17,000 UK jobs, significantly more than any other service.

The Computer sector is expected to remain very competitive, particularly as online recruitment grows, whilst the outlook for other advertising demand is positive. Significant additional investment is being made in 2000 in totaljobs.com and other internet services which will in large part be funded from cost efficiency savings.

At OAG Worldwide, adjusted operating profits increased by 18% on turnover down 6%. During the year good progress was made in stabilising the business with certain activities terminated to increase profitability, and plans developed to capitalise on the growing demand for electronic products using OAG data. Whilst good growth is seen in electronic revenues, the shift of customers from print to online services continues to adversely affect overall revenues. OAG is significantly increasing its investment spending and entering into a number of alliance partnerships to capture more fully the benefit from the growing demand for online travel solutions.

Elsevier Business Information, excluding Tuition, saw underlying turnover and adjusted operating profit growth of 3% and 6% respectively as advertising demand in Continental Europe picked up as the year progressed. In the Netherlands, the journal *Elsevier* and the titles in the Human Resources, General Management and Construction sectors performed particularly well, with good profit growth also in Spain and France.

The outlook for 2000 is positive with economic conditions expected to be more favourable. Elsevier Business Information has an ambitious launch programme for new Internet services leveraging the strengths of its core brands, partly funded by cost savings.

Elsevier Tuition turnover and adjusted operating profits both increased by 8%, with good performances in in-company and open training. During the year, management responsibility of the business was moved within Elsevier Business Information to provide combined product focus on targeted customer groups. During 2000, the training portfolio will be reorganised accordingly. In January 2000, Elsevier Tuition acquired the Baard group which is a leading provider of management training in the Netherlands.

Turnover at Reed Exhibition Companies was ahead by 8%, whilst adjusted operating profits rose by 11%, driven by good growth in the annual trade shows, particularly in the US, and the contribution of the PGA golf equipment shows acquired in the previous year. 30 shows were launched in the year in the US, Europe and Asia Pacific, adding over 3% to turnover. The impact of show cycling, i.e. of non-annual shows, and acquisitions was broadly neutral in 1999.

Reed Exhibitions is significantly stepping up its investment in new shows and in show related web services, including information and contact broking to increase the effectiveness of the trade shows for both exhibitors and visiting buyers. Much of this investment will be funded from efficiency savings. The results in 2000 will, however, be adversely affected by the net cycling out of some important non-annual shows.

Future prospects

Reed Elsevier plc's key objective is to become the indispensable partner to its target customers, the scientist, lawyer and business professional, for information-driven services and solutions. This will be achieved through delivery of highly valued and demonstrably superior and flexible information solutions, increasingly via the Internet.

Reed Elsevier plc's goal is to build a global capability and leadership in all its target sectors with immediate focus on the three principal markets of Scientific, Legal and Business to Business.

Success against these objectives will enable Reed Elsevier plc to turnaround its financial performance and deliver progressively stronger results against a transitional year in 2000. By 2002, revenue growth across the whole portfolio is targeted to exceed market growth, which is broadly estimated at 5-6%, and so build share. This will be achieved organically, supplemented by in-fill acquisitions, and driven largely by Internet revenue growth. Accordingly, the directors are targeting double digit earnings growth by 2002.

Treasury policies

The boards of Reed and Elsevier have requested that Reed Elsevier plc have due regard to the best interests of Reed and Elsevier shareholders in the formulation of treasury policies.

Financial instruments are used to finance Reed Elsevier plc's businesses and to hedge transactions. Reed Elsevier plc's businesses do not enter into speculative transactions. The main risks faced by Reed Elsevier plc and its subsidiaries are liquidity risk, interest rate risk and foreign currency risk. The Board of Reed Elsevier plc agrees overall policy guidelines for managing each of these risks. These policies are summarised below and have not changed significantly since the beginning of 1999.

Funding

Reed Elsevier plc develops and maintains a range of borrowing facilities and debt programmes to fund its requirements, at short notice and at competitive rates. It also obtains a substantial amount of funding from an affiliated company, Elsevier Finance SA. The significance of Reed Elsevier 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 plc maintains a maturity profile to facilitate refinancing. Reed Elsevier plc's policy is that not more than $500 million of long-term external debt should mature in any 12 month period. In addition, minimum proportions of net debt with maturities over three years and five years are specified, depending on the level of total borrowings.

Interest rate exposure management

Reed Elsevier plc's interest rate exposure management policy is aimed at reducing the exposure of the business to changes in interest rates. The proportion of interest expense that is fixed on gross debt is determined by reference to the level of gross interest cover in Reed Elsevier plc, its subsidiaries and affiliates. Reed Elsevier plc uses interest rate swaps and forward rate agreements to manage the exposure. Whilst interest rate caps, floors, and collars may also be used, there were no such transactions outstanding at 31 December 1999 or during 1999.

Foreign currency exposure management

Translation exposures arise on the earnings and net assets of business operations in countries other than those of Reed Elsevier 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, within defined limits, in advance of becoming contractual. The precise policy differs according to the commercial situation of the individual businesses, but units are not permitted to hedge or not to hedge according to their views on the outlook for exchange rates. Expected future net cash flows may be covered for sales expected for up to the next 12 months (50 months for Elsevier Science subscription businesses up to limits staggered by duration). Cover takes the form of foreign exchange forward contracts.

At the year end, the amount of outstanding foreign exchange cover in respect of transactions was £420m.

DIRECTORS' REPORT

MANAGEMENT STRUCTURE

At their respective Annual General Meetings in April 1999, the shareholders of Reed and Elsevier approved the terms of an Amended and Restated Governing Agreement, which governs the terms of the relationship between Reed and Elsevier.

The terms of the Amended and Restated Governing Agreement provide, inter alia, for the implementation of a harmonised management structure for Reed Elsevier plc, Reed and Elsevier. Under the new management structure, all three companies now have a common non-executive Chairman and a common Chief Executive Officer. The boards of all three companies will, so far as is practicable, be harmonised, with a majority of non-executive directors on each board.

A joint Nominations Committee was established by Reed and Elsevier during 1999, which is responsible for making recommendations to the boards of Reed Elsevier plc, Reed and Elsevier concerning the appointment to, and the retirement from, those boards.

DIRECTORS

The directors at the date of this Report are shown on page 1.

M Tabaksblat became Chairman in April 1999 in place of D G C Webster, who remains as a non-executive director. C H L Davis was appointed Chief Executive Officer in September 1999, and D J Haank was appointed an executive director in November 1999. Dr R W H Stomberg was appointed as a non-executive director in January 1999 and two additional non-executive directors, J F Brock and R J Nelissen, were appointed in April 1999.

Since the date of the last Report the following directors retired from the board:
P J Vinken and L van Vollenhoven on 6 April 1999;
R S Bodman and Sir Christopher Lewinton on 15 April 1999;
G R N Cusworth and J B Mellon on 30 April 1999;
H J Bruggink and N J Stapleton on 30 September 1999; and
H P Spruijt on 15 November 1999.
The board wishes to thank all of them for their considerable contribution since the formation of Reed Elsevier plc.

No director had, during the year, any interest in the share capital of the company. The interests of the directors and their families in the issued share capital of Reed International P.L.C. and Elsevier NV at the beginning and end of the year are shown in the Reed Elsevier plc Remuneration Report on pages 9 to 15.

EMPLOYEE INVOLVEMENT

The board of Reed Elsevier plc is fully committed to the concept of employee involvement and participation, and encourages each of its businesses to formulate its own tailor-made approach with the co-operation of employees. The group is an equal opportunities employer, and recruits and promotes employees on the basis of suitability for the job. Appropriate training and development opportunities are available to all employees. Codes of Conduct applicable to employees within the Reed Elsevier plc group have been adopted throughout its businesses.

The company's UK SAYE Share Option Scheme, which was introduced in 1993, made a further grant of options over Reed International P.L.C. shares to eligible employees in the UK in 1999 and over 1,600 employees participated in that grant.

Elsevier NV has arrangements in place, which are open to all employees based in the Netherlands after one year's service, under which interest-bearing loans may be subscribed in cash by participants for a period of five years, during which time they may be converted on a prescribed basis into Elsevier NV ordinary shares.

THE ENVIRONMENT

Reed Elsevier plc comprises a number of business units operating within different countries. Operational responsibility for complying with the relevant environmental regulations applicable to the businesses is devolved to the Chief Executive Officer of each unit. The operations of Reed Elsevier plc, as a publisher and information provider, have a limited impact on the environment. Considerable effort is made to ensure that the resources consumed by the group are sustainable, capable of recycling and used effectively. A very wide range of local initiatives includes supply chain management, energy saving at all major premises, active recycling and waste recovery, the use of electronic communications to reduce the consumption of paper and other products and the use of video teleconferencing to reduce travel, where practicable.

COMMUNITY RELATIONS

The policy of Reed Elsevier plc is that, in line with local practice, the business units should be able to support charities and institutions whose activities are dedicated to, or connected with, the specific industries or communities within which each unit operates. This results in a very wide range of philanthropic action. Institutional support typically takes the form of awards or scholarships for schools, universities or libraries. Community and charitable support focuses on meeting local needs, by direct donation, matching of employee contributions or direct employee involvement in fundraising, service or assistance.

UNITED KINGDOM CHARITABLE AND POLITICAL DONATIONS

Reed Elsevier plc companies in the United Kingdom made donations during the year for charitable purposes amounting to £40,000 (1998 : £50,000) of which £1,000 (1998: £7,000) was for educational purposes. There were no donations for political purposes.

CORPORATE GOVERNANCE

Internal Financial Control Statement

The board of Reed Elsevier plc has put in place an organisation structure with clearly defined lines of responsibility and delegation of authority. The board meets regularly and has adopted a schedule of matters which are required to be brought to it for decision.

The Reed Elsevier plc group's businesses are closely monitored and actual results are reported regularly to the board against the approved annual budget and forecasts, which are prepared regularly. There are also established procedures for the appraisal and authorisation of acquisitions, divestments, capital expenditure and development projects.

An established framework of procedures and internal financial controls is set out in a group Policies and Procedures Manual, with which the management of each business is required to comply, reporting annually to the board and Audit Committee. Group businesses are required to maintain systems of internal control which are appropriate to the nature and scale of their activities and which address all significant financial and operational risks that they face.

The internal financial control system is monitored and supported by an internal audit function, operated on a global basis. This work of the internal audit function is focused on areas of greatest risk, determined through a formalised approach to risk assessment.

The external auditors, in co-ordination with the internal auditors, review and test the system of internal financial control and the information contained in the Report and Accounts, to the extent necessary to express their opinion on the financial statements.

The Audit Committee reviews the internal financial control environment of Reed Elsevier plc, and considers reports from the executive directors and from the internal and external auditors on a regular basis.

The directors, having reviewed the effectiveness of the systems of internal financial control, believe that the systems provide reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly, and that material errors or irregularities are either prevented or would be detected within a timely period. It is noted that no system of internal financial control can provide absolute assurance against material mis-statement or loss.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by English company law to prepare financial statements as at the end of 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. They acknowledge their responsibility for maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and its subsidiaries and associated undertakings.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

The directors are responsible to the company for taking reasonable steps to safeguard its assets and to prevent and detect fraud and other irregularities.

GOING CONCERN

The directors, having made appropriate enquiries, consider that adequate resources exist for the group businesses to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing these financial statements.

YEAR 2000

The Reed Elsevier plc Year 2000 compliance programme has so far proved very effective with negligible disruption over the millennium date change. Total costs of the programme were £114 million of which £50 million was expensed in 1999 (1998 £53 million).

EUROPEAN ECONOMIC AND MONETARY UNION

On 1 January 1999, the euro was introduced as the *de facto* currency of the 11 European countries participating in European Economic and Monetary Union (EMU). The Netherlands is a participant; the United Kingdom is not.

In 2002, the Dutch guilder, like the currencies of other participants, will be fully replaced by the euro once notes and coins are substituted. In the interim, the euro and the participating currencies co-exist and are inextricably linked by fixed conversion rates.

The implications for Reed Elsevier plc businesses have been initially low relative to many other multinational European companies. Principally this is because, with the significant exception of Elsevier Science, which already publishes global prices, Reed Elsevier plc's businesses have limited cross border trade. The most significant issue, therefore, has been the timing of euro based marketing and invoicing and the transfer to euro denominated business and financial systems. In this respect, Reed Elsevier plc's businesses have put in place systems to accommodate the euro.

The profit and loss expense of moving to a euro currency environment is not expected to be significant.

FORWARD-LOOKING STATEMENTS

The Report and Accounts contain forward-looking statements within the meaning of Section 27A of the US Securities Act 1933, as amended, and Section 21E of the US Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently 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 conditions and business conditions in Reed Elsevier plc's markets, customers' acceptance of its products and services, the actions of competitors, changes in law and legal interpretation affecting Reed Elsevier plc's intellectual property rights, and the impact of technological change.

PAYMENTS TO SUPPLIERS

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.

AUDITORS

Resolutions for the reappointment of Deloitte & Touche 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
W M St John Radcliffe
Secretary

23 February 2000

Registered Office:
25 Victoria Street
London
SW1H 0EX

The Remuneration Committee, which is chaired by Dr Rolf Stomberg, consists wholly of independent non-executive directors: John Brock, Roelof Nelissen and Rolf Stomberg. The committee is responsible for recommending to the board the remuneration (in all its forms), and the terms of the service contracts and all other terms and conditions of employment of the executive directors. The committee also provides advice to the Chief Executive Officer on major policy issues affecting the remuneration of executives at a senior level below the board. The committee works closely with the Nominations Committee, and draws on external professional advice as necessary in making its recommendations.

Remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the board with the aid of external professional advice.

The non-executive directors do not participate in any of the company's share option schemes, longer-term incentive arrangements or pension schemes.

Compliance with the Best Practice Provisions

In designing its performance-related remuneration policy, the Remuneration Committee has complied with Schedule A of the Combined Code, issued in June 1998, appended to the Listing Rules of the London Stock Exchange. In relation to disclosure of directors' remuneration, Reed International, a UK company listed on the London Stock Exchange, has complied with Schedule B of the Combined Code, issued in June 1998, appended to the Listing Rules of the London Stock Exchange.

Remuneration policy

In determining its policy on executive directors' remuneration, the committee's principal objective is to attract, retain and motivate people of the highest calibre and experience needed to meet the challenges faced by Reed Elsevier plc group businesses both within its traditional businesses and in the transition to electronic publishing media.

The committee also has regard to, and balances as far as practicable, the following objectives:

(i) to ensure that it maintains a competitive package of pay and benefits, commensurate with comparable packages available within other multinational companies operating in global markets and reflecting, where appropriate, local practice within the country in which an individual director is based;

(ii) to ensure that it encourages enhanced performance by directors and fairly recognises the contribution of individual directors to the performance of the Reed Elsevier plc group, whilst also encouraging a team approach which will work towards achieving the long-term strategic objectives of the Reed Elsevier plc group;

(iii) to link reward to individual directors' performance and company performance so as to align the interests of the directors with the shareholders of the parent companies.

The remuneration of executive directors consists of the following elements:

- Base salary, which is set at the median of the market range based on comparable positions in businesses of similar size and complexity. Salaries are reviewed annually by the Remuneration Committee.
- A variable annual cash bonus, based on achievement of specific realistic but stretching financial and individual performance-related targets. Targets are set at the beginning of the year by the Remuneration Committee. The maximum potential bonus for 1999 was 50% of basic salary.
- Share options, where the directors and other senior executives are granted options annually over shares in Reed International or Elsevier at no less than the market price at the date of grant. The Remuneration Committee approves the grant of any option and sets performance conditions attaching to options.
- Longer-term incentives, which have until 1999 comprised the grant of nil cost options to acquire shares in Reed International, where exercise is conditional upon the attainment of long-term performance objectives, set at the date of grant by the Remuneration Committee. Following a review by the committee of longer-term incentives, the annual grant of nil cost options has ceased, and a proposal will be submitted to Reed International and Elsevier shareholders at their forthcoming Annual General Meetings to introduce a new longer-term incentive arrangement for the executive directors and other senior executives.
- Post-retirement benefits, which comprise only pensions, where Reed Elsevier plc group companies have different retirement schemes which apply depending on local competitive market practice, length of service and age of the director. The only element of remuneration which is pensionable is base salary.

Service contracts

Each of the executive directors has a service contract, the notice periods of which are described below:

(i) MH Armour was appointed a director on 1 July 1996 and his service contract provides for a notice period of 24 months.

(ii) CHL Davis was appointed a director on 1 September 1999 and his service contract provides initially for a notice period of 24 months, reducing to 12 months after 1 September 2000. In the event of loss of employment on a change of control after 1 September 2000 but before 1 September 2002, 12 months' salary would be payable to CHL Davis in addition to any other sums payable on termination.

(iii) O Laman Trip and DJ Haank were appointed directors on 15 September 1997 and 15 November 1999 respectively. Their service contracts, which are subject to Dutch law, provide for six months' notice and, in the event of termination without cause by the company, salary and the value of the employer's pension contributions for 18 months by way of liquidated damages.

The notice periods in respect of individual directors have been reviewed by the Remuneration Committee. The committee believes that as a general rule for future contracts, the initial notice period should be 24 months, reducing to 12 months, and that the directors should, subject to practice within the country in which the director is based, be required to mitigate their damages in the event of termination. The committee will, however, have regard to local market conditions so as to ensure that the terms offered are appropriate to recruit and retain key executives operating in a global business.

The non-executive directors do not have a service contract.

External appointments

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 and may retain remuneration arising from such non-executive directorships. The committee believes that the Reed Elsevier plc group benefits from the broader experience gained by executive directors in such appointments.

Directors' remuneration

The remuneration of the directors of Reed Elsevier plc (including any entitlement to remuneration from either Reed International, Elsevier or Elsevier Reed Finance BV) was as follows:

a) Aggregate remuneration

	1999 £000	1998 £000
Salaries and fees	2,505	3,202
Benefits	108	111
Annual performance-related bonuses	412	278
Pension contributions	476	463
Pension to former director	214	209
One-off bonuses (i)	277	–
Compensation and payments to former directors (i)	3,474	1,424
Total	7,466	5,687

(i) See paragraph (d).

b) Individual remuneration of executive directors

	Salary £	Benefits £	Bonuses £	Total £	1998 £
MH Armour	361,551	18,105	10,847	390,503	387,047
HJ Bruggink (until 30.9.99)	368,131	9,689	147,118	524,938	497,064
GRN Cusworth (until 30.4.99)	76,979	7,584	–	84,563	268,513
CHL Davis (from 1.9.99)	250,000	9,158	275,000	534,158	–
DJ Haank (from 15.11.99)	31,716	1,168	952	33,836	–
O Laman Trip	189,872	10,571	5,673	206,116	207,470
JB Mellon (until 30.4.99)	162,155	24,763	–	186,918	509,550
HP Spruijt (until 15.11.99)	199,369	9,077	–	208,446	253,960
NJ Stapleton (until 30.9.99)	450,000	18,495	250,000	718,495	706,868

Taking into account gains of £329,851 on the exercise of share options, HJ Bruggink was the highest paid director in 1999.

c) Recruitment of new Chief Executive Officer

CHL Davis was appointed Chief Executive Officer of Reed Elsevier plc, and Reed International and Elsevier, on 1 September 1999. CHL Davis's base salary is £750,000 per annum. He was entitled, under his service contract, to a bonus, in respect of 1999, of £275,000. Potential bonus for 2000 will be up to 50% of base salary.

On the date of his appointment, CHL Davis was granted nil cost options over 535,332 ordinary shares in Reed International and 319,250 ordinary shares in Elsevier. The terms of these options provide that the options shall become exercisable on or after 1 September 2002, provided he has not voluntarily terminated, or given notice to terminate, his employment prior to that date.

Options were also granted on 1 September 1999 under the Reed Elsevier plc Executive Share Option Scheme over shares in Reed International and Elsevier with an aggregate option price of four times base salary. Further details of the number of options, the option price and the exercise period are contained in the note under Share Options.

d) Compensation and payments to former directors

As indicated in last year's report, Reed International's and Elsevier's decision to move to a unitary management structure of a single non-executive Chairman and a sole Chief Executive Officer for the parent companies and Reed Elsevier plc gave HJ Bruggink and NJ Stapleton the right to treat their employment with Reed Elsevier plc as having been terminated immediately by the company. In order to maintain continuity of senior management, Messrs Bruggink and Stapleton agreed to defer their right to leave the company until after the appointment of a single Chief Executive Officer. In recognition, inter alia, of agreeing to provide continuity of senior management during the search for a single Chief Executive Officer, a one-off bonus was paid in 1999 of £136,966 to HJ Bruggink, and £140,000 to NJ Stapleton. Because NJ Stapleton committed to stay at least until 31 August 1999 and, if necessary, until 31 December 1999, he also received a credit of one year's service for pension purposes and a guaranteed annual bonus in 1999 of 20% of salary. HJ Bruggink and NJ Stapleton ceased to be directors on 30 September 1999. On termination of their respective employments, HJ Bruggink received a payment representing two years' salary and an amount equal to two years' employer's pension contributions, the aggregate amount of which was £1,457,528, and NJ Stapleton received a payment of £1,200,000, representing two years' salary, and two years' pension augmentation as compensation for termination of their service agreements. The capital cost of NJ Stapleton's pension augmentation was £830,000. NJ Stapleton also received £103,656 salary and other benefits during the period October to November 1999.

HP Spruijt ceased to be a director on 15 November 1999 and, as compensation for termination of his service agreement, received a payment representing two years' salary and an amount equal to two years' employer's pension contributions plus certain other benefits, the aggregate amount of which was £656,221. HP Spruijt also received £28,481 salary during the period November and December 1999.

GRN Cusworth was paid £27,992 in respect of consultancy services provided during the period May to December 1999.

e) Pensions

The Remuneration Committee reviews the pension arrangements for the executive directors to ensure that the benefits provided are consistent with those provided by other multinational companies in its principal countries of operation.

The policy for executive directors based in the United Kingdom is to provide pension benefits at a normal retirement age of 60, equivalent to two-thirds of base salary in the 12 months prior to retirement, provided they have completed 20 years' service with the Reed Elsevier plc group. The target pension for CHL Davis at normal retirement age of 60 is 45% of base salary in the 12 months prior to retirement. The way in which pension benefits are provided will depend on when the individual director commenced service, and can be either through the Reed Elsevier Pension Scheme (REPS) or through Inland Revenue unapproved, unfunded arrangements, or a combination of both. In 1989, the Inland Revenue introduced a cap on the amount of pension that can be provided from an approved pension scheme. GRN Cusworth, JB Mellon and NJ Stapleton commenced service prior to the introduction of the cap and so all of their pension benefits will be provided from the REPS. MH Armour's and CHL Davis's pension benefits will be provided from a combination of the REPS and the company's unapproved, unfunded pension arrangements.

Directors who are members of the Dutch pension scheme accrue a pension at normal retirement age of 60, according to length of service and their final salary. At normal retirement age, the pension entitlements of the directors are up to 70% of final annual salary.
The pension arrangements for all the directors 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' pension, after deduction of contributions, is shown below:

	Increase in accrued annual pension during the period £	Total accrued annual pension as at 31.12.1999 £	Transfer value Increase after Deduction of directors' Contributions £
MH Armour	11,288	59,228	174,793
CHL Davis *(from 1.9.99)*	*11,815*	*11,815*	220,994
DJ Haank	985	66,567	5,970
O Laman Trip	4,765	29,882	45,671

(i) GRN Cusworth retired on 30 April 1999 and received a lump sum of £420,743 and a reduced pension of £123,536 pa. This did not represent an increase in the value of his benefits since the start of the year.

(ii) JB Mellon retired on 30 April 1999 and received a lump sum of £875,800 and a reduced pension of £244,269 pa. (excluding pension provided from AVCs). This did not represent an increase in the value of his benefits since the start of the year.

(iii) HJ Bruggink retired on 30 September 1999 and became entitled to a deferred pension of £204,420 pa (excluding pension provided from AVCs). This represents an increase in the transfer value of his benefits since the start of the year of £149,253.

(iv) HP Spruijt retired on 15 November 1999 and became entitled to a deferred pension of £104,317 pa (excluding pension provided from AVCs). This represents an increase in the transfer value of his benefits since the start of the year of £162,985.

(v) NJ Stapleton retired on 30 November 1999 and received a lump sum of £701,794 and a reduced pension of £228,670 pa (excluding pension provided from AVCs). This represents an increase in the transfer value of his benefits since the start of the year of £697,262.

(vi) The transfer value increase in respect of individual directors represents a liability in respect of directors' pension entitlement, and is not an amount paid or payable to the director.

f) Individual remuneration of non-executive directors

	1999 £	1998 £
RS Bodman (until 15.4.99)	7,708	90,361
JF Brock (from 15.4.99)	27,196	–
AA Greener (until 31.12.98)	–	24,000
Lord Hamlyn (until 29.4.98)	–	8,334
Sir Christopher Lewinton (until 15.4.99)	26,667	80,000
RJ Nelissen (i)	30,197	30,000
S Perrick (from 1.7.98)	43,530	26,666
RWH Stomberg (from 1.1.99)	35,260	–
M Tabaksblat (from 1.7.98) (ii)	125,277	26,666
PJ Vinken (until 6.4.99)	31,731	80,000
L van Vollenhoven (until 6.4.99)	17,450	52,500
DGC Webster (iii)	70,260	84,555

(i) RJ Nelissen was a member of the Supervisory Board of Elsevier throughout 1998 and 1999, and a director of Reed Elsevier plc for only part of 1998 and 1999. His fees above relate to the amounts he received in respect of each of those capacities.

(ii) M Tabaksblat was appointed Chairman of Reed Elsevier plc and Reed International, and Chairman of the Supervisory Board of Elsevier in April 1999. Fees in respect of M Tabaksblat were paid to Unilever NV until May 1999, at which point he retired from Unilever.

(iii) The emoluments of DGC Webster include an additional fee payable to him to reflect the significant additional duties he has undertaken, including those arising from his appointment as non-executive Chairman of Reed Elsevier plc during the period August 1998 to April 1999.

Share options

Executive directors have been granted options over Reed International and Elsevier shares.

Options over shares in Reed International and Elsevier have been granted under the Reed Elsevier plc Executive Share Option Scheme, in which executive directors and other senior executives participate. The scheme grants options at the market price at the time of grant, which are normally exercisable between three and ten years from the date of grant.

Under the Reed Elsevier plc Executive Share Option Schemes, the number of options that a participant may hold at any one time is limited to four times their remuneration. A proposal will be submitted to the forthcoming Annual General Meeting of Reed International seeking shareholder approval to amend the rules of the schemes so as to remove this limit.

Since 1996 the Remuneration Committee has applied a precondition to the grant of options under executive share option schemes, which required the attainment of EPS growth targets in the three years prior to the date of grant. The Remuneration Committee reviewed its previous policy during 1999, in the light of new tax laws introduced in the Netherlands in 1998. As a consequence of this review, the committee decided that the exercise of options granted from 1999 onwards under the Reed Elsevier plc Executive Share Option Scheme should be subject to performance criteria. In order for an option to become exercisable, the compound growth in the average of the Reed International and Elsevier adjusted EPS (i.e. before exceptional items, amortisation of goodwill and intangible assets and UK tax credit equalisation) in a consecutive three year period after the grant is made, must exceed the compound growth in the average of the UK and Dutch retail price index during the same period, by a minimum of 6%.

Under arrangements for Dutch based executives, options to subscribe for Elsevier shares were granted prior to 1999 to members of the Elsevier Executive Board and to a small number of other senior executives, and were exercisable for a period up to five years from the date of grant. In relation to options granted in April 1999 to Dutch based executives, account has been taken of the impact of the tax treatment on the grant of options in the Netherlands. Dutch directors and senior executives were granted either a five year option at an option price representing a premium of 26% to the market price, or a ten year option at market price, or a combination of both. Since April 1999 all options have been granted under the terms of the Reed Elsevier plc Executive Share Option Schemes.

Grants have also been made over shares in Reed International under the Reed Elsevier plc UK SAYE Scheme, in which all eligible UK employees are invited to participate. The SAYE Scheme grants options at a maximum discount of 20% to the market price at the time of grant, which are normally exercisable after the expiry of three or five years from the date of grant.

Elsevier has arrangements in place, which are open to all eligible employees in the Netherlands, under which interest-bearing loans may be subscribed by participants for a period of five years, during which time they may be converted into Elsevier shares.

Details of options held by directors in the ordinary shares of Reed International and Elsevier as at 31 December 1999, and movements during the period are shown below:

Over shares in Reed International

		1 January 1999 *(i)*	Granted *during the year*	Option *price*	Exercised *during the year*	Market price *at exercise date*	31 December *1999*	Exercisable between
MH Armour	- Executive Scheme	189,600		400.75p	130,000	548.5p	59,600	2000/2005
		30,000		585.25p			30,000	2000/2006
		52,000		565.75p			52,000	2000/2007
		66,900		523.00p			66,900	2001/2008
			33,600	537.50p			33,600	2002/2009
	– SAYE Scheme		3,924	430.00p			3,924	2004
Total		338,500	37,524		130,000 (ii)		246,024	
CHL Davis	– Executive Scheme		160,599	467p			160,599	2002/2009
			80,300	467p			80,300	2003/2009
			80,300	467p			80,300	2004/2009
	– Nil cost options (iii)		535,332	Nil			535,332	2002
Total			856,531				856,531	
DJ Haank	– Executive Scheme	18,498		677.25p			18,498	2000/2004
		18,497		537.5p			18,497	2000/2009
Total		36,995					36,995	

(i) On date of appointment if after 1 January 1999.
(ii) Retained an interest in 2,500 shares.
(iii) See paragraph (c).

The middle market price of a Reed International ordinary share during the year was in the range 343.75p to 629.75p and at 31 December 1999 was 463.5p.

Over shares in Elsevier

		1 January 1999 (i)	Granted during the year	Option price *Euro*	Exercised during the year	Market price at exercise date *Euro*	31 December 1999	Exercisable between
MH Armour	– Executive Scheme		20,244	13.55			20,244	2002/2009
Total			20,244				20,244	
CHL Davis	– Executive Scheme		95,774	12.00			95,774	2002/2009
			47,888	12.00			47,888	2003/2009
			47,888	12.00			47,888	2004/2009
	– Nil cost options (ii)		319,250	Nil			319,250	2002
Total			510,800				510,800	
DJ Haank	– Executive Scheme	8,500		7.71	8,500 (iii)	11.27		
		35,000		11.93			35,000	2000/2001
		30,000		14.11			30,000	2000/2002
		30,000		15.25			30,000	2000/2003
		10,926		17.07			10,926	2000/2004
		10,925		13.55			10,925	2000/2009
	– Convertible Debentures	12,540		14.36	3,000	10.14	9,540	2000/2002
Total		137,891			11,500		126,391	
O Laman Trip	– Executive Scheme	49,590		12.50			49,590	2000/2003
			11,667	17.07			11,667	2000/2004
			35,001	13.55			35,001	2000/2009
Total		49,590	46,668				96,258	

(i) On date of appointment if after 1 January 1999.
(ii) See paragraph (c).
(iii) Retained an interest in 1,500 shares.

The market price of an Elsevier ordinary share during the year was in the range euro 8.95 to euro 15.25 and at 31 December 1999 was euro 11.86.

The aggregate notional pre-tax gain made by the directors on the exercise of Reed International and Elsevier share options was £543,947.

Longer term incentives

A Longer Term Incentive Plan ('the Plan'), which has granted options to certain executive directors of Reed International since 1991, was discontinued following the grant in respect of 1999/2001.

Under the Plan, options over Reed International ordinary shares are only exercisable if Reed International achieves significant growth in adjusted EPS over a three-year period. The maximum number of shares over which options were granted and the EPS performance targets were approved by the Remuneration Committee.

No entitlements arose under the 1997/1999 Plan, and MH Armour has waived any entitlement under the Plan in respect of the three year performance periods 1998/2000 and 1999/2001.

During 1999 the Remuneration Committee, in conjunction with external remuneration consultants, carried out a detailed review of incentive remuneration arrangements, including longer-term incentives, operating within the Reed Elsevier plc group.

The Reed Elsevier management team has been set the objective of rebuilding sustainable shareholder value over a three to five year term, and to reshape the business to produce long term revenue and profit growth. To achieve this objective, Reed Elsevier needs to recruit and retain the very best executive talent. The Remuneration Committee has given very careful thought to the remuneration structure that will best support the new strategy, and has concluded that the most appropriate way to achieve these goals is through the implementation of revised share incentive arrangements. Accordingly, a proposal will be submitted to the forthcoming Annual General Meetings of Reed International and Elsevier, seeking shareholder approval to introduce a new longer-term incentive scheme, which would grant options to executive directors and executives at a senior level below the board. Exercise of the options would be subject to the attainment of highly demanding performance targets. The main features of the proposed new scheme are:

- Participation in the scheme, together with the level of grants, will be subject to approval by the Remuneration Committee.
- A one-off grant of options will be made over a basket of Elsevier and Reed International shares in equal proportion by market value.
- The exercise price will be based on the closing market price of the shares on the date of grant.
- The face value of the grant will be between 10 and 30 times the salary of the participant.
- The performance target will require a minimum 20% compound annual growth in total shareholder return ('TSR') from the price at the date of grant, over three years. In the event that the required TSR performance is not achieved in the initial three-year period, the growth target will be retested at the end of the fourth or fifth years. The board has reserved the right to amend the performance hurdle in the event of a material change in the share price between the date of circulation of the notice to shareholders convening the Annual General Meetings and the date of the AGMs.
- Subject to attainment of the growth target, options will vest on the fifth anniversary of date of grant, provided the participant remains employed within the Reed Elsevier group.
- Options will, as a general rule, be satisfied by the issue of new shares.

The Remuneration Committee has also recommended the use of options over restricted shares in Reed International and Elsevier to assist in the recruitment and retention of senior executives. Options over restricted shares will be met by the Employee Benefit Trust, from market purchases.

The Remuneration Committee is satisfied that, taken together, the existing Executive Share Option Schemes and the options over restricted shares, together with the new longer-term incentive scheme, constitute a well-considered overall plan for the long term remuneration of senior executives.

Interests in shares

The interests of the directors and their families in the issued share capital of Reed International and Elsevier at the beginning and end of the year are shown below:

	Reed International ordinary shares		Elsevier ordinary shares	
	1 January 1999 (i)	31 December 1999	1 January 1999 (i)	31 December 1999
MH Armour	–	2,500	–	2,500
JF Brock	–	3,000	–	–
CHL Davis	–	–	–	–
DJ Haank	–	–	3,380	7,880
O Laman Trip	–	–	–	–
RJ Nelissen	–	–	–	–
S Perrick	–	–	–	–
Dr RWH Stomberg	–	–	–	–
M Tabaksblat	–	–	–	8,000
DGC Webster	5,000	5,000	–	–

(i) On date of appointment if after 1 January 1999.

Any ordinary shares required to fulfil entitlements under current longer-term incentives are provided by the Employee Benefit Trust (EBT) from market purchases. As beneficiaries under the EBT, the directors are deemed to be interested in the shares held by the EBT which, at 31 December 1999, amounted to 618,790 Reed International ordinary shares and 320,000 Elsevier ordinary shares.

On behalf of the Board of Reed Elsevier plc

Rolf Stomberg
Chairman of the Remuneration Committee

AUDITORS' REPORT

To the members of Reed Elsevier plc

We have audited the financial statements on pages 17 to 44, which have been prepared under the accounting policies, set out on pages 17 and 18.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Report and Accounts, including, as described on page 7, preparation of the Financial Statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the Report and Accounts, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
23 February 2000

BASIS OF CONSOLIDATION

These financial statements are presented under the historical cost convention and in accordance with applicable accounting standards. Reed Elsevier plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

ASSOCIATES AND JOINT VENTURES

Investments which are held for the long-term and where the group exercises significant influence or joint control with other parties represent interests in associates or joint ventures and are accounted for under the equity and gross equity methods respectively.

Other investments, including investments in subsidiary undertakings in the parent company accounts, are stated at cost, less provision, if appropriate, for any impairment in value.

FOREIGN EXCHANGE TRANSLATION

Balance sheet items are translated at year-end exchange rates and profit and loss account items are translated at average rates. Exchange translation differences on foreign equity investments and the related foreign currency net borrowings and differences between balance sheet and profit and loss account rates are taken to reserves.

Transactions entered into in foreign currencies are recorded at the exchange rates applicable at the time of the transaction. The results of hedging transactions for profit and loss amounts in foreign currency are accounted for in the profit and loss account to match the underlying transaction.

GOODWILL AND INTANGIBLE ASSETS

On the acquisition of a subsidiary, associate, joint venture or 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.

In accordance with FRS 10: Goodwill and Intangible Assets, acquired goodwill and intangible assets are capitalised and amortised systematically over their estimated useful lives up to a maximum period of 20 years, subject to impairment review.

Intangible assets comprise publishing rights and titles, databases, exhibition rights and other intangible assets, which are stated at fair value on acquisition and are not subsequently re-valued.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. No depreciation is provided on freehold land.

Freehold buildings and long leases are depreciated over their estimated useful lives. Plant and equipment is depreciated on a straight-line basis at rates from 5% - 33%. Short leases are written off over the duration of the lease.

FINANCE LEASES

Assets held under leases, which confer rights and obligations similar to those attaching to owned assets, are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. The capitalised values of the assets are written off 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 LEASES

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the leases.

STOCKS

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

INVESTMENTS

Fixed asset and short-term investments are stated at the lower of cost and estimated net realisable value.

FINANCIAL INSTRUMENTS

Payments and receipts on interest rate hedges are accounted for on an accruals basis over the lives of the hedges and included respectively within interest payable and interest receivable in the profit and loss account. Gains and losses on foreign exchange hedges, other than in relation to net currency borrowings hedging equity investments, are recognised in the profit and loss account on maturity of the underlying transaction. Gains and losses on net currency borrowings hedging equity investments are taken to reserves. Gains and losses arising on hedging instruments that are closed out due to the cessation of the underlying exposure are taken directly to the profit and loss account.

Currency swap agreements are valued at exchange rates ruling at the balance sheet date with net gains and losses being included within short-term investments or borrowings. Interest payable and receivable arising from the swap is accounted for on an accruals basis over the life of the swap.

Finance costs associated with debt issuances are charged to the profit and loss account over the life of the related borrowings.

TURNOVER

Turnover represents the invoiced value of sales on transactions completed by delivery excluding customer sales taxes and sales between the group companies.

DEVELOPMENT SPEND

Development spend incurred on the launch of new products or services is expensed to the profit and loss account as incurred. The cost of developing software for use internally may be capitalised as a fixed asset and written off over its estimated future life.

TAXATION

Deferred taxation is provided in full for timing differences using the liability method. There is no material difference between this full provision policy and the partial provision method required under UK GAAP. No provision is made for tax which would become payable on the distribution of retained profits by foreign subsidiaries, associates or joint ventures unless there is an intention to distribute such retained earnings giving rise to a charge. The potential deferred tax has not been quantified.

PENSIONS

The expected costs of pensions in respect of defined benefit pension schemes are charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes. Actuarial surpluses and deficits are allocated over the average expected remaining service lives of employees. Pension costs are assessed in accordance with the advice of qualified actuaries. For defined contribution schemes, the profit and loss account charge represents contributions made.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1999

£ million		1999	1998
Turnover			
Including share of turnover in joint ventures		3,460	3,271
Less: share of turnover in joint ventures		(74)	(80)
	note 1	3,386	3,191
Continuing operations before acquisitions		3,355	3,163
Acquisitions		31	-
Continuing operations		3,386	3,163
Discontinued operations		-	28
		3,386	3,191
Cost of sales	*note 2*	(1,191)	(1,100)
Gross profit		2,195	2,091
Operating expenses			
Before exceptional items and amortisation	*note 2*	(1,417)	(1,302)
Amortisation of goodwill and intangible assets	*note 2*	(363)	(314)
Exceptional items	*notes 2,7*	(239)	(79)
		(2,019)	(1,695)
Operating profit (before joint ventures)		*176*	*396*
Continuing operations before acquisitions		190	397
Acquisitions		(14)	-
Continuing operations		176	397
Discontinued operations		-	(1)
		176	396
Share of operating profit in joint ventures		3	9
Operating profit including joint ventures	*notes 1,5*	179	405
Non operating items	*note 7*		
Continuing - net profit on sale of fixed asset investments		7	-
- merger expenses		-	(1)
Discontinued - net profit on sale of businesses		-	692
Profit on ordinary activities before interest		186	1,096
Net interest expense	*note 8*	(212)	(166)
(Loss)/profit on ordinary activities before tax		(26)	930
Tax on loss/profit on ordinary activities	*note 9*	(159)	(262)
(Loss)/profit on ordinary activities after taxation		(185)	668
Minority interests and preference dividends		(23)	(24)
(Loss)/profit attributable to the shareholders		(208)	644
Ordinary dividends paid and proposed	*note 10*	(339)	(388)
Retained (loss)/profit taken to reserves	*note 28*	(547)	256

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 1999

£ million		1999	1998
Net cash inflow from operating activities before exceptional items		**891**	932
Payments relating to exceptional items charged to operating profit		**(138)**	(258)
Net cash inflow from operating activities	*note 11*	**753**	674
Dividends received from joint ventures		**4**	11
Interest received		**29**	37
Interest paid		**(79)**	(87)
Net interest paid to Reed International P.L.C.		**(2)**	(5)
Net interest paid to Elsevier Reed Finance BV group		**(154)**	(110)
Dividends paid to Elsevier Reed Finance BV group		**(17)**	(20)
Returns on investments and servicing of finance		**(223)**	(185)
UK corporation tax paid including ACT		**(51)**	(56)
Overseas tax paid		**(42)**	(78)
Taxation		**(93)**	(134)
Purchase of tangible fixed assets		**(137)**	(151)
Proceeds from sale of fixed assets		**15**	11
Capital expenditure		**(122)**	(140)
Acquisitions	*note 11*	**(166)**	(1,230)
Payments against acquisition provisions		**(1)**	(11)
Exceptional net proceeds from sale of fixed asset investments and businesses	*note 11*	**3**	913
Merger expenses		**-**	(1)
Acquisitions and disposals		**(164)**	(329)
Equity dividends paid		**(339)**	(388)
Cash outflow before changes in short term investments and financing		**(184)**	(491)
Decrease/(increase) in short term investments	*note 11*	**287**	(277)
Capital contribution		**-**	69
Financing	*note 11*	**(51)**	619
Increase/(decrease) in cash	*note 11*	**52**	(80)

Short-term investments include deposits of under one year if the maturity or notice period exceeds 24 hours, commercial paper investments and interest bearing securities that can be realised without significant loss at short notice.

CONSOLIDATED BALANCE SHEET
As at 31 December 1999

£ million		1999	1998
Fixed assets			
Goodwill and intangible assets	*note 13*	**3,370**	3,562
Tangible assets	*note 13*	**386**	399
Investments	*note 14*		
Investments in joint ventures:			
Share of gross assets		**136**	107
Share of gross liabilities		**(47)**	(32)
Share of net assets		**89**	75
Other investments		**30**	12
		119	87
		3,875	4,048
Current assets			
Stocks	*note 15*	**112**	101
Debtors: amounts falling due within one year	*note 16*	**962**	924
Debtors: amounts falling due after more than one year	*note 17*	**184**	176
Short term investments		**330**	634
Cash at bank and in hand		**75**	26
		1,663	1,861
Creditors: amounts falling due within one year	*note 19*	**(2,508)**	(2,338)
Net current liabilities		**(845)**	(477)
Total assets less current liabilities		**3,030**	3,571
Creditors: amounts falling due after more than one year	*note 20*	**(2,794)**	(2,823)
Provisions for liabilities and charges	*note 24*	**(81)**	(36)
Minority interests		**(40)**	(33)
Net assets		**115**	679
Capital and reserves			
Called up share capital	*note 26*	-	-
Share premium account	*note 27*	**324**	324
Revenue reserves	*note 28*	**(209)**	355
Shareholders' funds	*note 28*	**115**	679

Approved by the Board of Reed Elsevier plc, 23 February 2000.

M H Armour
Chief Financial Officer

The balance sheet of Reed Elsevier plc is shown in note 31 on page 43

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAIN AND LOSSES
For the year ended 31 December 1999

£ million	1999	1998
(Loss)/profit for the year	**(208)**	644
Exchange translation differences	(17)	12
Total recognised gains and losses for the year	**(225)**	656

SHAREHOLDERS' FUNDS RECONCILIATION
For the year ended 31 December 1999

£ million	1999	1998
Shareholders' funds at 1 January	679	342
(Loss)/profit attributable to the shareholders	(208)	644
Ordinary dividends paid and proposed	(339)	(388)
Capital contribution from Elsevier NV to Reed Elsevier plc subsidiary	-	69
Exchange translation differences	(17)	12
Shareholders' funds at 31 December	**115**	679

1. SEGMENT ANALYSIS

£ million	Turnover 1999	Turnover 1998	Operating profit 1999	Operating profit 1998	Adjusted operating profit 1999	Adjusted operating profit 1998	Capital employed 1999	Capital employed 1998
Business segment								
Scientific	**648**	622	**109**	126	**228**	221	**300**	321
Legal	**1,268**	1,107	**78**	171	**316**	322	**2,430**	2,540
Business	**1,470**	1,434	**(8)**	109	**241**	264	**661**	755
Continuing operations	**3,386**	3,163	**179**	406	**785**	807	**3,391**	3,616
Discontinued operations	**-**	28	**-**	(1)	**-**	-	**-**	(16)
Total	**3,386**	3,191	**179**	405	**785**	807	**3,391**	3,600
Geographical origin								
North America	**1,836**	1,663	**(52)**	100	**352**	383	**2,763**	2,869
United Kingdom	**698**	692	**87**	138	**192**	203	**518**	581
The Netherlands	**391**	383	**92**	114	**135**	128	**(74)**	(45)
Rest of Europe	**307**	293	**51**	49	**87**	78	**153**	173
Rest of world	**154**	132	**1**	5	**19**	15	**31**	38
Continuing operations	**3,386**	3,163	**179**	406	**785**	807	**3,391**	3,616
Discontinued operations	**-**	28	**-**	(1)	**-**	-	**-**	(16)
Total	**3,386**	3,191	**179**	405	**785**	807	**3,391**	3,600
Geographical market								
North America	**1,906**	1,726						
United Kingdom	**484**	483						
The Netherlands	**237**	222						
Rest of Europe	**418**	407						
Rest of world	**341**	325						
Continuing operations	**3,386**	3,163						
Discontinued operations	**-**	28						
Total	**3,386**	3,191						

Details of business segments are provided in the Directors' Report. The former Professional segment has been renamed Legal to reflect the principal markets of this segment. During 1999, management and development responsibility for the Elsevier Tuition training businesses has been transferred from the Legal to the Business segment. Comparative figures have been restated accordingly.

Adjusted operating profit is presented as an additional performance measure and is shown after share of operating profit in joint ventures and before amortisation of goodwill and intangible assets of £367m (1998 : £323m) and exceptional items of £239m (1998 : £79m).

Turnover is analysed before the £74m (1998 £80m) share of joint ventures' turnover, of which £19m (1998 £26m) relates to the Legal segment, principally to Giuffrè and, in 1998, Shepard's prior to the acquisition of the remaining 50% interest on 1 August 1998. £55m (1998 £54m) relates to the Business segment, principally to REZsolutions, Inc..

Share of operating profit in joint ventures of £3m (1998: £9m) comprises £3m (1998: £6m) relating to the Legal segment and £nil (1998: £3m) relating to the Business segment.

Discontinued operations comprise IPC Magazines and the remaining consumer book publishing operations which were the final elements of the Consumer segment sold in 1998.

£ million	1999	1998
Reconciliation of capital employed to net assets		
Capital employed	**3,391**	3,600
Taxation	**(307)**	(249)
Net interest payable	**(17)**	(12)
Net borrowings (including net amounts owed to shareholders and Elsevier Reed Finance BV group of £2,443m (1998: £2,149m))	**(2,912)**	(2,627)
Minority interests	**(40)**	(33)
Net assets	**115**	679

2. COST OF SALES AND OPERATING EXPENSES

	1999				1998			
£ million	**Before amortisation and exceptional items**	**Amortisation of intangible assets and goodwill**	**Exceptional items**	**Total**	Before amortisation and exceptional items	Amortisation of intangible assets and goodwill	Exceptional items	Total
Cost of sales								
Continuing operations								
before acquisitions	**1,180**	-	-	**1,180**	1,079	-	-	1,079
Acquisitions	**11**	-	-	**11**	-	-	-	-
Discontinued operations	-	-	-	-	21	-	-	21
Total	**1,191**	-	-	**1,191**	1,100	-	-	1,100
Distribution and selling costs								
Continuing operations								
before acquisitions	754	-	-	754	709	-	-	709
Acquisitions	5	-	-	5	-	-	-	-
Discontinued operations	-	-	-	-	5	-	-	5
	759	-	-	759	714	-	-	714
Administrative expenses								
Continuing operations								
before acquisitions	**648**	**344**	**239**	**1,231**	586	313	79	978
Acquisitions	**10**	**19**	-	**29**	-	-	-	-
Discontinued operations	-	-	-	-	2	1	-	3
	658	**363**	**239**	**1,260**	588	314	79	981
Operating expenses								
Continuing operations								
before acquisitions	**1,402**	**344**	**239**	**1,985**	1,295	313	79	1,687
Acquisitions	**15**	**19**	-	**34**	-	-	-	-
Discontinued operations	-	-	-	-	7	1	-	8
Total	**1,417**	**363**	**239**	**2,019**	1,302	314	79	1,695

3. PERSONNEL

Average number of people employed during the year	**1999**	1998
Business segment		
Scientific	**3,500**	3,500
Legal	**12,200**	10,600
Business	**11,900**	11,800
Continuing operations	**27,600**	25,900
Discontinued operations	-	200
Total	**27,600**	26,100
Geographical location		
North America	**14,800**	13,600
United Kingdom	**5,500**	5,400
The Netherlands	**3,000**	2,800
Rest of Europe	**2,300**	2,200
Rest of world	**2,000**	1,900
Continuing operations	27,600	25,900
Discontinued operations	-	200
Total	**27,600**	26,100

During 1999, management and development responsibility for the Elsevier Tuition training businesses has been transferred from the Legal to the Business segment. Comparative figures have been restated accordingly.

4. 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 main UK scheme, which covers the majority of UK employees, was subject to a valuation by Watson Wyatt Partners, consultants, as at 5 April 1997. The scheme is valued formally every 3 years, the next valuation being as at April 2000.

The principal 1997 valuation assumptions were:

Actuarial method	:	projected unit method
Annual rate of return on investments	:	8%
Annual increase in total pensionable remuneration	:	6%
Annual rate of dividend growth	:	3.5%
Annual increase in present and future pensions in payment	:	4%

The actuarial value placed on the assets was sufficient to cover 123% of the benefits that had accrued to members. The actuarial surplus is being spread as a level amount over the average remaining service lives of current employees, which has been assessed as eight years. The market value of the scheme's assets at the date of valuation was £1,293m, excluding assets held in respect of members' additional voluntary contributions. On the recommendation of the actuaries, no company contributions have been made to the scheme since 1 April 1989.

The main non-UK schemes are in the USA and the Netherlands. Assessments for accounting purposes have been carried out by external qualified actuaries using prospective benefit methods with the objective that current and future charges remain a stable percentage of pensionable payroll. The principal actuarial assumptions adopted in the assessments of the major schemes assume that, over the long-term, investment returns will marginally exceed the annual increase in pensionable remuneration and in present and future pensions. The actuarial value of assets of the schemes approximated to the aggregate benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration and pensions in course of payment.

Reed Elsevier plc group companies have no significant health and medical plans providing post-retirement benefits.

The net pension charge was £28m (1998: £21m), including a net £3m (1998: £4m) SSAP24 credit related to the main UK scheme. The net SSAP24 credit on the main scheme comprises a regular cost of £16m (1998 £15m), offset by amortisation of the net actuarial surplus of £19m (1998: £19m). Pension contributions made in the year amounted to £31m (1998: £25m). A prepayment of £127m (1998: £124m) is included in debtors falling due after more than one year, representing the excess of the pension credit to profit since 1988 over the amounts funded to the main UK scheme.

5. OPERATING PROFIT

Operating profit is stated after the following:

£ million	1999	1998
Hire of plant and machinery	**12**	10
Other operating lease rentals	**60**	50
Depreciation (including £5m (1998 : £4m) in respect of assets held under finance leases)	**117**	97
Amortisation of goodwill and intangible assets	**363**	314
Amortisation of goodwill and intangible assets in joint ventures	**4**	9
Total amortisation	**367**	323
Royalties payable to Elsevier Reed Finance BV group	**8**	8
Auditors' remuneration		
for audit services	**1.5**	1.4
for non audit services (£0.2m relates to UK companies (1998 : £0.5m))	**1.0**	1.5

£ million		1999	1998
Staff costs			
Wages and salaries		**857**	747
Social security costs		**86**	80
Pensions	*note 4*	**28**	21
Total		**971**	848

6. EMOLUMENTS OF DIRECTORS

Information on the remuneration and interests of the directors is set out in the Reed Elsevier plc Remuneration Report on pages 9 to 15 and forms part of these audited financial statements.

7. EXCEPTIONAL ITEMS

£ million	1999	1998
Reorganisation costs (i)	**(161)**	-
Acquisition related integration costs (ii)	**(28)**	(26)
Year 2000 compliance costs (iii)	**(50)**	(53)
Charged to operating profit	**(239)**	(79)
Net profit on sale of fixed asset investments and businesses (iv)	**7**	692
Merger expenses (v)	**-**	(1)
Total exceptional (charge)/credit	**(232)**	612
Net tax credit/(charge) (vi)	**15**	(70)

Exceptional items comprise the following:

(i) costs related to a major programme of reorganisation across the Reed Elsevier businesses, commenced in 1999. Costs include employee severance, surplus leasehold property obligations and fixed asset write-offs;

(ii) costs related to the integration of acquisitions, principally Matthew Bender (acquired in 1998) and the Chilton Business Group (acquired 1997);

(iii) expenditure in the year in connection with the combined businesses' Year 2000 compliance programme;

(iv) the net profit in 1999 related primarily to sales of fixed asset investments. The profit in 1998 related to the divestment of IPC Magazines and the remaining consumer book publishing operations;

(v) professional fees and other costs incurred in 1998 in respect of the abandoned merger of Reed Elsevier and Wolters Kluwer; and

(vi) the net tax credit which in 1999 is stated after taxes arising on business consolidation in the programme of reorganisation. Potential deferred tax assets of £32m in respect of the programme of reorganisation have not been recognised.

Cash flows in respect of the exceptional items were as follows:

£ million	1999	1998
Reorganisation costs	**(39)**	-
Acquisition related integration costs	**(32)**	(22)
Year 2000 compliance costs	**(47)**	(53)
Reed Travel Group customer recompense (provided in 1997)	**(20)**	(183)
Exceptional operating cash outflow	**(138)**	(258)
Net proceeds from sale of fixed asset investments and businesses	**3**	913
Merger expenses	**-**	(1)
Total exceptional cash (outflow)/inflow	**(135)**	654
Exceptional tax cash inflow	**72**	-

The exceptional tax cash inflow in 1999 includes £56m of tax repayments due to prior year exceptional items.

8. NET INTEREST EXPENSE

£ million	1999	1998
Interest payable and similar charges		
On loan capital, promissory notes and bank borrowings:		
repayable within 5 years, other than by instalments	(57)	(64)
On finance leases	(1)	(1)
On all other loans	(22)	(20)
On amounts owed to Reed International P.L.C.	(6)	(9)
On amounts owed to Elsevier Reed Finance BV group	(164)	(121)
	(250)	(215)
Interest receivable and similar income		
On cash deposits and short term investments	27	38
On amounts owed by Reed International P.L.C.	4	4
On amounts owed by Elsevier Reed Finance BV group	7	7
	38	49
Total net interest expense	(212)	(166)

9. TAX ON LOSS/PROFIT ON ORDINARY ACTIVITIES

£ million	1999	1998
Tax on profit on ordinary activities		
United Kingdom	66	69
The Netherlands	50	49
Rest of world	55	68
Sub-total (including deferred tax charge of £16m (1998 : £77m))	171	186
Share of tax attributable to joint ventures	3	6
Tax on ordinary activities before exceptional items	174	192
Net tax (credit)/charge on exceptional items (including a deferred tax credit of £6m (1998 : £nil))	(15)	70
Total	159	262

UK corporation tax has been provided at 30.25% (1998 : 31.0%).

The total tax charge for the year is higher as a proportion of the loss/profit before tax principally due to non-tax deductible amortisation, the non-recognition of potential deferred tax assets, and taxes arising on business consolidation in the programme of reorganisation.

10. ORDINARY DIVIDENDS PAID AND PROPOSED

	£ million	
	1999	1998
Subsidiary undertakings	167	218
Parent		
Ordinary		
Interim to "E" ordinary shareholders	-	-
Interim to "R" ordinary shareholders: £17,200 per share (1998 : £17,000 per share)	172	170
	172	170
Total	339	388

The dividends paid by subsidiary undertakings relate to Elsevier NV's holding of special dividend shares in Reed Elsevier Nederland BV and 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 International P.L.C. and 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.

11. CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities

£ million		1999	1998
Operating profit (before joint ventures)		176	396
Exceptional charges to operating profit	*note 7*	239	79
Operating profit before exceptional items		415	475
Amortisation of goodwill and intangible assets		363	314
Depreciation charges		117	97
Net SSAP24 pension credit	*note 4*	(3)	(4)
Total non cash items		477	407
Increase in stocks		(9)	-
(Increase)/decrease in debtors		(7)	21
Increase in creditors		15	29
Movement in working capital		(1)	50
Net cash inflow from operating activities before exceptional items		891	932
Payments relating to exceptional items charged to operating profit	*note 7*	(138)	(258)
Net cash inflow from operating activities		753	674

There were no cash flows from operating activities of discontinued businesses.

Acquisitions

£ million		1999	1998
Purchase of businesses and subsidiary undertakings	*note 12*	(120)	(1,229)
Net payment of deferred consideration of prior year acquistions		(5)	-
Investment in joint ventures	*note 14*	(19)	-
Purchase of fixed asset investments	*note 14*	(22)	(1)
Total		(166)	(1,230)

Exceptional sale of fixed asset investments and businesses

£ million	1999	1998
Goodwill and intangible assets	6	132
Net tangible assets (excluding cash of £nil (1998 : £42m))	-	72
	6	204
Net profit	7	692
Consideration in respect of sale of fixed asset investments and businesses, net of expenses	13	896
(Amounts paid)/deferred consideration received in respect of prior year disposals	(8)	9
	5	905
Amounts (receivable)/payable	(2)	8
Net cash inflow	3	913

11. CASH FLOW STATEMENT (continued)

Reconciliation of net borrowings

£ million	Cash	Short term investments	Financing	Total	1998
Net borrowings at 1 January	26	634	(3,287)	(2,627)	(2,205)
Increase/(decrease) in cash	52	-	-	52	(80)
(Decrease)/increase in short term investments	-	(287)	-	(287)	277
Decrease/(increase) in borrowings	-	-	51	51	(619)
Change in net borrowings resulting from cash flows	52	(287)	51	(184)	(422)
Inception of finance leases	-	-	(11)	(11)	(10)
Exchange translation differences	(3)	(17)	(70)	(90)	10
Net borrowings at 31 December	75	330	(3,317)	(2,912)	(2,627)

Reconciliation of financing

£ million		Long term borrowings	Net borrowings from shareholders and Elsevier Reed Finance BV group	Bank loans and promissory notes	Total Financing	1998
At 1 January 1999		(693)	(2,149)	(445)	(3,287)	(2,660)
Decrease in long term borrowings		184	-	-	184	7
Increase in net borrowings from shareholders and Elsevier Reed Finance BV group		-	(247)	-	(247)	(787)
Decrease in bank loans and promissory notes		-	-	114	114	161
Change in financing resulting from cash flows		184	(247)	114	51	(619)
Inception of finance leases	*note 23*	(11)	-	-	(11)	(10)
Exchange translation differences		(15)	(47)	(8)	(70)	2
At 31 December 1999		(535)	(2,443)	(339)	(3,317)	(3,287)

Repayment of long term borrowings

£ million	1999	1998
$200m 7.5% Eurodollar Bonds 1999	124	-
Dfl 125m 9.7% Dutch Florin Privately Placed Bonds 1999	40	-
$20m 7.66%-7.76% US Dollar Medium Term Notes 1999	12	-
Miscellaneous Dutch Florin Loans	2	2
Redemption of finance leases	6	5
Total	184	7

During the year finance lease arrangements were entered into in respect of assets with a total capital value at inception of £11m (*1998 : £10m*).

Long-term borrowings comprise loan capital, finance leases, promissory notes and bank loans with an original maturity of over one year which are further analysed in notes 20, 21 and 22.

Cash outflows and inflows relating to commercial paper and other similar borrowings are shown net.

12. ACQUISITIONS

During the year a number of acquisitions were made for a total consideration amounting to £132m, after taking account of £4m of net cash acquired. The most significant was Cell Press, Inc.

The net assets of the businesses acquired are incorporated at their fair value to the group's businesses. Fair value adjustments include the valuation of intangible assets and the restatement of tangible fixed assets and current assets and liabilities in accordance with Reed Elsevier plc accounting policies. Summaries of these adjustments and the consideration given are set out below:

£ million	Book value on acquisition	Fair value adjustments	Fair value
Goodwill	-	61	61
Intangible fixed assets	-	77	77
Tangible fixed assets	1	-	1
Current assets	10	(2)	8
Current liabilities	(12)	-	(12)
Current taxation	(3)	-	(3)
Net assets acquired	(4)	136	132

Consideration (after taking account of £4m net cash acquired)		132
Less deferred to future years		(12)
Net cash flow	*note 11*	120

Before the amortisation of goodwill and intangible assets and exceptional acquisition related integration costs, the businesses acquired in 1999 contributed £31m to turnover, £5m to operating profit and £4m to net cash inflow from operating activities for the part year under Reed Elsevier ownership.

Finalisation of the fair value exercise in respect of acquisitions in the previous year resulted in a decrease in goodwill of £7m.

13. FIXED ASSETS - INTANGIBLE ASSETS AND TANGIBLE ASSETS

CONSOLIDATED		Goodwill and intangible assets			Tangible assets		
Cost *£ million*		Goodwill	Intangible assets	Total	Land and buildings	Plant, equipment and computer systems	Total
At 1 January 1999		2,825	2,863	5,688	166	679	845
Acquisitions	*note 12*	54	77	131	-	1	1
Capital expenditure		-	-	-	10	138	148
Disposals of businesses		(14)	-	(14)	-	-	-
Disposals		-	-	-	(6)	(75)	(81)
Exchange translation differences		34	27	61	-	-	-
At 31 December 1999		**2,899**	**2,967**	**5,866**	**170**	**743**	**913**

Accumulated amortisation and depreciation *£ million*						
At 1 January 1999	1,006	1,120	2,126	42	404	446
Disposals of businesses	(8)	-	(8)	-	-	-
Disposals	-	-	-	(3)	(63)	(66)
Amortisation of goodwill and intangible assets	197	166	363	-	-	-
Depreciation	-	-	-	6	111	117
Exceptional write-down	-	-	-	-	30	30
Exchange translation differences	2	13	15	-	-	-
At 31 December 1999	**1,197**	**1,299**	**2,496**	**45**	**482**	**527**

Net book amount *£ million*						
At 1 January 1999	1,819	1,743	3,562	124	275	399
At 31 December 1999	**1,702**	**1,668**	**3,370**	**125**	**261**	**386**

The net book amount of tangible fixed assets includes £18m (1998 : £15m) in respect of assets held under finance leases.

Land and buildings at cost *£ million*	**1999**	1998
Freehold property	**135**	133
Leasehold property, 50 years or more unexpired	**15**	18
Leasehold property, less than 50 years unexpired	**20**	15
Total	**170**	166

No depreciation has been provided on land of £7m (1998 : £13m)

14. FIXED ASSETS - INVESTMENTS

£ million	Investments in joint ventures	Other investments			TOTAL
CONSOLIDATED	Share of net assets	Loans	Unlisted	Listed	
At 1 January 1999	74	1	7	5	87
Share of attributable profit	4	-	-	-	4
Amortisation of goodwill and intangible assets	(4)	-	-	-	(4)
Dividends received from joint ventures	(4)	-	-	-	(4)
Additions	19	-	22	-	41
Disposals	-	-	-	(4)	(4)
Exchange translation differences	(1)	-	-	-	(1)
At 31 December 1999	**88**	**1**	**29**	**1**	**119**

The principal joint ventures at 31 December 1999 are Giuffrè (a 40% shareholding in an Italian legal publisher) and REZsolutions, Inc. (a 67% shareholding in a hotel reservations business and marketing business which is in the process of being sold). The cost and net book amount of goodwill and intangible assets in joint ventures were £74m (1998 : £58m) and £49m (1998 : £36m) respectively.

The directors' valuation of other investments (unlisted) at 31 December 1999 is £29m (1998 : £7m). The market value of listed investments at 31 December 1999 is £1m (1998 : £9m).

At 31 December 1999, the Reed Elsevier plc Employee Benefit Trust (EBT) held 618,790 Reed International ordinary shares and 320,000 Elsevier ordinary shares with an aggregate market value at that date of £5.1m (1998 : 121,374 Reed International ordinary shares; market value £0.5m). The EBT purchases Reed International and Elsevier shares which, at the Trustee's discretion, can be used in respect of the exercise of executive share options. Further details of these share option schemes are set out in the Reed Elsevier plc Remuneration Report on pages 9 to 15.

£ million	Subsidiary undertakings			Associates	TOTAL
PARENT	Shares at cost	Provisions	Net book value	Shares at cost	
At 1 January and 31 December 1999	840	(4)	836	29	**865**

15. STOCKS

	CONSOLIDATED	
£ million	**1999**	1998
Raw materials and consumables	**20**	17
Work in progress	**28**	25
Finished goods	**64**	59
Total	**112**	101

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		PARENT	
£ million	**1999**	1998	**1999**	1998
Trade debtors	**530**	504	-	-
Amounts owed by Elsevier NV	**1**	4	-	-
Amounts owed by Elsevier Reed Finance BV group	**302**	203	-	-
Amounts owed by joint ventures	**1**	1	-	-
Amounts owed by subsidiary undertakings	-	-	**94**	-
Corporation tax recoverable	-	56	-	-
Advance corporation tax	-	13	-	35
Other debtors	**36**	33	-	-
Prepayments and accrued income	**92**	110	-	1
Total	**962**	924	**94**	36

17. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		CONSOLIDATED		PARENT	
£ million		**1999**	1998	**1999**	1998
Trade debtors		**9**	10	-	-
Amounts owed by Reed International P.L.C.		**36**	36	-	-
Deferred taxation	*note 18*	-	4	-	-
Pension prepayment	*note 4*	**127**	124	-	-
Prepayments and accrued income		**12**	2	-	-
Total		**184**	176	-	-

18. DEFERRED TAXATION

£ million		CONSOLIDATED
At 1 January 1999		(4)
Provided	*note 9*	10
Other movements		(1)
Exchange translation differences		(1)
At 31 December 1999		**4**

		CONSOLIDATED	
£ million		**1999**	1998
Included in debtors falling due after more than one year	*note 17*	-	(4)
Included in provisions for liabilities and charges	*note 24*	**4**	-
Total		**4**	(4)

		CONSOLIDATED	
£ million		**1999**	1998
Deferred taxation provided			
Excess of tax allowances over depreciation		**(9)**	(2)
Pension prepayment		**36**	37
Timing differences	- Reed Travel Group recompense plan	-	(5)
	- Other	**(23)**	(34)
Total		**4**	(4)
Deferred taxation not provided			
Excess of tax allowances over amortisation		**(18)**	(13)
Other timing differences		**(97)**	(46)
Losses carried forward		**(11)**	(5)
Total		**(126)**	(64)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		CONSOLIDATED		PARENT	
£ million		**1999**	1998	**1999**	1998
Loans	*note 21*	**156**	177	-	-
Promissory notes and bank loans		**339**	444	-	-
Obligations under finance leases	*note 23*	**4**	3	-	-
		499	624	-	-
Trade creditors		**177**	148	-	-
Amounts owed to Reed International P.L.C.		**194**	186	-	-
Amounts owed to Elsevier NV		-	1	-	1
Amounts owed to Elsevier Reed Finance BV group		**389**	147	-	-
Amounts owed to subsidiary undertakings		-	-	-	163
Other creditors		**158**	158	-	-
Taxation		**118**	122	-	-
Accruals and deferred income		**973**	952	-	1
Total		**2,508**	2,338	-	165

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

		CONSOLIDATED	
£ million		**1999**	1998
Loans repayable:	*note 21*		
- within one to two years		**2**	152
- within two to five years		**80**	78
- after five years		**279**	273
Promissory notes and bank loans repayable:			
- within one to two years		-	1
Obligations under finance leases	*note 23*	**14**	10
		375	514
Amounts owed to Reed International P.L.C.		**40**	40
Amounts owed to Elsevier Reed Finance BV group		**2,159**	2,018
Other creditors		**14**	15
Taxation		**185**	200
Accruals and deferred income		**21**	36
Total		**2,794**	2,823

21. LOAN CAPITAL

£ million	CONSOLIDATED 1999	1998
Subsidiary undertakings - unsecured		
$200m 7.5% Eurodollar Bonds 1999	-	121
$100m 9.71% US Dollar Privately Placed Notes 2000	62	60
Dfl 125m 9.7% Dutch Florin Privately Placed Bonds 1999	-	42
$125m 8.5% US Dollar Privately Placed Notes 2003	77	76
$20m 7.66%-7.76% US Dollar Medium Term Notes 1999	-	12
$150m 6.625% US Dollar Privately Placed Notes 2023	93	90
$150m 6.625% US Dollar Public Notes 2000	93	90
$150m 7% US Dollar Public Notes 2005	93	90
$150m 7.5% US Dollar Public Debentures 2025	93	90
Miscellaneous Dutch Florin	6	9
Total	**517**	680

£18m of all borrowings are secured under finance leases (1998 : £13m).

22. FINANCIAL INSTRUMENTS

Details of the objectives, policies and strategies pursued by Reed Elsevier plc in relation to financial instruments are set out in the Directors' Report on page 5.

For the purpose of the disclosures which follow in this note, short-term debtors and creditors, including the current portion of long-term inter-affiliate debtors and creditors, have been excluded, as permitted under FRS13.

The currency and interest rate profile of the aggregate financial liabilities of £3,162m (1998 : £3,251m), after taking account of interest rate swaps, is set out below:

	CONSOLIDATED 1999				1998			
			Fixed rate financial liabilities				Fixed rate financial liabilities	
£ million	Floating rate financial liabilities	Fixed rate financial liabilities	Weighted average interest rate	Weighted average duration (years)	Floating rate financial liabilities	Fixed rate financial liabilities	Weighted average interest rate	Weighted average duration (years)
US dollar	244	2,661	7.2%	4.6	361	2,615	7.4%	5.0
Sterling	1	40	9.8%	6.0	5	40	9.8%	7.0
Euro zone currencies	26	135	7.1%	8.2	48	134	6.5%	2.4
Other currencies	31	24	6.3%	1.0	32	16	7.3%	1.1
Total	**302**	**2,860**	**7.2%**	**4.8**	446	2,805	7.4%	4.7

Included within fixed rate liabilities as at 31 December 1999, are £154m of US dollar term debt that matures within five months of the year end.

22. FINANCIAL INSTRUMENTS (CONTINUED)

The currency and interest rate profile of the aggregate financial assets of £480m (1998 : £715m), after taking account of interest rate swaps, is set out in the table and narrative below:

	CONSOLIDATED			
	1999		1998	
£ million	Floating rate financial assets	Non-interest bearing financial assets	Floating rate financial assets	Non-interest bearing financial assets
US dollar	**50**	**24**	41	15
Sterling	**141**	**15**	452	4
Euro	**136**	**-**	139	-
Other currencies	**78**	**-**	28	-
Total	**405**	**39**	660	19

In addition to the amounts shown above Reed Elsevier plc has £36m (1998 : £36m) of fixed rate financial assets owed by affiliated companies denominated in sterling, at an interest rate of 10.5% (1998 : 10.5%) and duration of eight years (1998 : nine years).

Included within non-interest bearing financial assets are £30m (1998 : £12m) of investments denominated principally in sterling and US dollars which have no maturity date.

Floating rate interest rates payable on US commercial paper are based on US dollar commercial paper rates. Other financial assets and liabilities with third parties bear interest by reference to LIBOR or other national LIBOR equivalent interest rates.

Forward rate agreements are used principally to fix the interest income on short-term investments and short-term inter-affiliate loans. At 31 December 1999, the gross notional amount of sterling forward rate agreements totalled £450m, commencing in periods of up to twelve months from 31 December 1999, and for periods of between 77 days and four months duration, ending on dates between April 2000 and April 2001.

At 31 December 1999, agreements totalling £140m (1998 : £nil) were in place to enter into interest rate swaps at future dates. These were to fix the interest income on sterling short-term investments and short-term inter-affiliate loans commencing in 2000 for periods of nine to twelve months at a weighted average interest rate of 5.1%.

As at 31 December 1999 there were no outstanding caps, floors, collars or similar instruments.

The maturity profile of financial liabilities at 31 December comprised:

	CONSOLIDATED	
£ million	**1999**	1998
Repayable:		
Within one year	**501**	637
Within one to two years	**462**	729
Within two to five years	**1,306**	1,064
After five years	**893**	821
Total	**3,162**	3,251

Financial liabilities repayable within one year include US commercial paper. Short-term borrowings are supported by available committed facilities and by centrally managed cash and short-term investments. As at 31 December 1999, a total of £617m (1998 : £602m) of undrawn committed facilities were available, of which £222m matures within one year and £395m within two to five years (1998 : £602m matured within two to five years). These facilities are available to other affiliated businesses as well. Secured borrowings under finance leases were £18m (1998 : £13m).

22. FINANCIAL INSTRUMENTS (continued)

As explained in the Directors' Report on page 5, the business policy is to hedge all significant transaction exposures on monetary assets and liabilities fully and consequently there are no significant currency exposures that would give rise to gains and losses in the profit and loss account in the functional currency of the operating units.

The book value and fair value of financial instruments are as follows:

	CONSOLIDATED			
	1999		1998	
£ million	**Book value**	**Fair value**	Book value	Fair value
Primary financial instruments held or issued to finance operations				
Investments	**30**	**30**	12	12
Cash	**75**	**75**	26	26
Short-term investments	**330**	**330**	634	634
Amounts due from affiliated companies	**36**	**44**	36	47
Other financial assets	**9**	**9**	7	7
Short-term borrowings and current portion of long-term borrowings	**(499)**	**(501)**	(624)	(626)
Long-term borrowings	**(375)**	**(361)**	(514)	(552)
Amounts due to affiliated companies	**(2,199)**	**(2,162)**	(2,058)	(2,128)
Other financial liabilities	**(23)**	**(23)**	(39)	(39)
Provisions	**(66)**	**(66)**	(16)	(16)
	(2,682)	**(2,625)**	(2,536)	(2,635)
Derivative financial instruments held to manage interest rate and currency exposure				
Interest rate swaps	**-**	**-**	-	(5)
Forward rate agreements	**-**	**-**	-	2
Forward foreign exchange contracts	**-**	**(7)**	-	2
	-	**(7)**	-	(1)
Total financial instruments	**(2,682)**	**(2,632)**	(2,536)	(2,636)

The contingent liabilities, as disclosed in note 29, are denominated in euros with a weighted average duration of four years (1998 : five years).

Market values have been used to determine the fair value of all swaps, forward foreign exchange contracts and all term debt issued and held. The fair values of all other items have been calculated by discounting expected future cash flows at the market rates.

The unrecognised and deferred gains and losses on financial instruments used for hedging purposes are as follows:

	CONSOLIDATED			
	Unrecognised		Deferred	
£ million	Gains	Losses	Gains	Losses
Gains/(losses) on hedges:				
At 1 January 1999	4	(5)	-	(5)
Arising in previous years included in the 1999 profit and loss account	4	(2)	-	(1)
Arising before 1 January 1999 not included in the 1999 profit and loss account	-	(3)	-	(4)
Arising in 1999 not included in the 1999 profit and loss account	7	(11)	-	(14)
At 31 December 1999	7	(14)	-	(18)
Of which:				
Expected to be included in the 2000 profit and loss account	3	(2)	-	(15)
Epected to be included in the 2001 profit and loss account or later	4	(12)	-	(3)
	7	(14)	-	(18)

23. OBLIGATIONS UNDER LEASES

Future finance lease obligations are:		CONSOLIDATED	
£ million		**1999**	1998
Repayable:			
Within one year		**5**	3
Within one and two years		**4**	3
Within two and five years		**4**	4
Over five years		**10**	9
		23	19
Less: interest charges allocated to future periods		**(5)**	(6)
Total		**18**	13
Obligations included in creditors falling due within one year	*note 19*	**4**	3
Obligations included in creditors falling due after more than one year	*note 20*	**14**	10
Total		**18**	13

Annual commitments under operating leases are:		**1999**		1998	
£ million		Land and buildings	Other	Land and buildings	Other
Expiry of operating leases	- falling due within one year	**3**	**1**	4	1
	- falling due within one to five years	**24**	**2**	18	3
	- falling due after five years	**35**	**1**	30	-
Total		**62**	**4**	52	4

24. PROVISIONS FOR LIABILITIES AND CHARGES

CONSOLIDATED

£ million		Vacant property costs	Acquisitions	Reed Travel Group	Deferred taxation	Total
At 1 January 1999		-	3	33	-	36
Transfers		18	-	-	(5)	13
Provided	*notes 7,9*	46	-	-	10	56
Utilised		-	(1)	(22)	-	(23)
Exchange translation differences		-	-	-	(1)	(1)
At 31 December 1999		**64**	**2**	**11**	**4**	**81**

The surplus property provision relates to lease obligations for various periods up to 2012 and represent estimated sub-lease shortfalls in respect of properties which have been, or are in the process of being, vacated. Where material, long-term obligations have been discounted.

The Reed Travel Group provision is in respect of recompense payments and credits due to customers. The majority of the remaining provision is expected to be utilised in 2000.

25. FUTURE CAPITAL EXPENDITURE NOT PROVIDED IN THE FINANCIAL STATEMENTS

	CONSOLIDATED	
£ million	**1999**	1998
Contracts placed	**35**	5

26. CALLED UP SHARE CAPITAL

£ and no. shares	AUTHORISED At 31 Dec 1998 and 1999	CALLED UP, ISSUED AND FULLY PAID At 31 Dec 1998 and 1999
Preference shares (cumulative) of £1 each		
- Irredeemable 7.50%	100,000	100,000
Ordinary shares of £1 each		
- "R" ordinary shares	10,000	10,000
- "E" ordinary shares	10,000	10,000
Total	120,000	120,000

The company's Articles of Association set out the rights to the "E" and "R" ordinary shareholders for capital and income purposes. These rights in so far as they relate to distributions are set out in more detail in note 10. The capital rights are intended to enable the "E" and "R" shareholders to be in a position to make capital distributions on their share capital in the same ratio as applies for income purposes.

The "E" share capital is owned by Elsevier NV and the "R" share capital is owned by Reed International P.L.C. Elsevier NV and Reed International P.L.C. jointly own the company.

The 7.50% non-voting cumulative preference shares entitle the holder to receive a fixed cumulative dividend at the rate of 7.50% on the paid up capital and the right to a return of a sum equal to the nominal capital paid up on a winding up.

27. SHARE PREMIUM ACCOUNT

£ million	
At 1 January and 31 December 1999	**324**

28. RECONCILIATION OF SHAREHOLDERS' FUNDS

£ million	Share capital and share premium	Revenue reserves	Consolidated Total	Parent Total
At 1 January 1999	324	355	679	736
Retained (loss)/profit for the year	-	(547)	(547)	223
Exchange translation differences	-	(17)	(17)	-
At 31 December 1999	**324**	**(209)**	**115**	**959**

Share capital includes non-equity shares of £100,000 (1998 : £100,000).

Parent company reserves comprise the profit and loss account. The profit attributable to shareholders, dealt with in the accounts of the company, is £395m (1998 : £209m).

29. CONTINGENT LIABILITIES

	CONSOLIDATED		PARENT	
£ million	**1999**	1998	**1999**	1998
There are contingent liabilities in respect of borrowings of:				
Subsidiary undertakings	**-**	-	**19**	16
Former subsidiary undertakings	**23**	29	**23**	29
Total	**23**	29	**42**	45

A lawsuit has been filed in the United States against Reed Elsevier Inc by Jurisline.com LLC, seeking declaratory relief relating to copyrights and trademarks and challenging the validity of subscription agreements. It also alleges that Reed Elsevier Inc has engaged in anti-competitive behaviour and seeks damages and injunctive relief. The lawsuit is being vigorously defended. In a related lawsuit, the Reed Elsevier plc subsidiary, Matthew Bender & Company, Inc., has filed a suit alleging that Jurisline has fraudulently obtained its products and has sought to use those products in developing a legal information service in breach of express contractual restrictions. Reed Elsevier plc fully expects the courts to reaffirm the enforceability of its contracts and dismiss the claims filed against Reed Elsevier Inc. A decision against Reed Elsevier Inc could, however, have significant consequences across the information industry in relation to the protection of databases. A lawsuit has also recently been filed against Reed Elsevier Inc and the Thomson Corporation by two practising attorneys in the US Virgin Islands, alleging anti-competitive behaviour and misuse of copyright, claiming $6bn in damages and penalties. The claim is regarded as baseless and Reed Elsevier plc expects that it will be successfully defended. No amounts have been provided in respect of the above claims.

The company has accepted, in accordance with clause 403 Book 2 of the Dutch Civil Code, responsibility for the liabilities, including trade debtors and external borrowings totalling £78m (1998 : £122m), of subsidiary undertakings registered in the Netherlands.

The company, as ultimate parent company of Elsevier Science Ireland Limited, has irrevocably guaranteed the liabilities, referred to in Section 5(c) of the Irish Companies (Amendment) Act 1986, of that company in respect of the year commencing 1 January 1999.

30. RELATED PARTY TRANSACTIONS

There were no material transactions during the year between the Reed Elsevier plc group and its fellow joint ventures, or its joint venture interests, 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 by Reed International P.L.C. and Elsevier NV. The Elsevier Reed Finance BV group has a minority interest in Elsevier Science SA, an indirect subsidiary of Reed Elsevier plc, and provides a range of treasury services and funding to the Reed Elsevier plc group.

Foreign exchange contracts entered into during 1999 by Reed Elsevier plc and its subsidiaries with its fellow joint ventures amounted to £752m (1998 : £1,378m).

31. BALANCE SHEET OF REED ELSEVIER PLC AS AT 31 DECEMBER 1999

£ million		1999	1998
Fixed assets			
Investments	*note 14*	**865**	865
Current assets			
Debtors: amounts falling due within one year	*note 16*	**94**	36
Creditors: amounts falling due within one year	*note 19*	**-**	(165)
Net current assets/(liabilities)		**94**	(129)
Net assets		**959**	736
Capital and reserves			
Called up share capital	*note 26*	**-**	-
Share premium account	*note 27*	**324**	324
Revenue reserves		**635**	412
Shareholders' funds	*note 28*	**959**	736

Approved by the Board of Reed Elsevier plc, 23 February 2000.

M H Armour
Chief Financial Officer

PRINCIPAL SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 1999

Holding Companies	
Reed Elsevier (UK) Ltd *	
Reed Elsevier Holdings BV*	(The Netherlands)
Reed Elsevier Nederland BV	(The Netherlands)
Reed Elsevier Overseas BV	(The Netherlands)
Reed Elsevier US Holdings Inc	(USA)
Reed Elsevier Inc	(USA)
Reed Elsevier Capital Inc	(USA)
Scientific	
Elsevier Science BV	(The Netherlands)
Elsevier Science Ltd	
Elsevier Science Inc	(USA)
Springhouse Corporation Inc	(USA)
Excerpta Medica Inc	(USA)
Legal	
Butterworths ~	
Tolley Publishing ~	
Editions du Juris-Classeur SA	(France)
Reed Educational & Professional Publishing Ltd	
LEXIS-NEXIS #	(USA)
Matthew Bender and Company, Inc.	(USA)
Elsevier Opleidingen BV	(The Netherlands)
Business	
Reed Travel Group Ltd	
Cahners Business Information #	(USA)
Cahners Travel Group #	(USA)
Elsevier Bedrijfsinformatie BV	(The Netherlands)
OAG Worldwide #	(USA)
Reed Business Information Ltd	
The Reed Exhibition Companies Ltd	
Reed Exhibition Companies #	(USA)

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

*	Direct subsidiary undertaking of Reed Elsevier plc
#	Division of Reed Elsevier Inc (USA)
~	Division of Reed Elsevier (UK) Ltd

PRINCIPAL JOINT VENTURES AT 31 DECEMBER 1999

		Operating in	*Principal place of business*
Dott. A. Giuffrè Editore Spa	40%	Italy	Via Busto Arsizio, Milan
REZsolutions, Inc.	67%	USA	7500N. Dreamy Draw Drive, Phoenix, Arizona