REED INTERNATIONAL

REPORT
AND ACCOUNTS

1994

Directors

I A N Irvine (Chairman)
N J Stapleton (Deputy Chairman and Finance Director)
A A Greener (Non-Executive)
P B W Hamlyn CBE (Non-Executive)
R L Krakoff
Sir Christopher Lewinton (Non-Executive)
J B Mellon
I L M Thomas
P J Vinken (Non-Executive)
L van Vollenhoven (Non-Executive)
D G C Webster (Non-Executive)

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Financial Highlights

£ million	Year ended 31 March 1991	31 March 1992	31 Dec 1992	31 Dec 1993	31 Dec 1994
Headline					
Profit before tax	222	232	243	274	321
Profit attributable to shareholders	157	163	171	201	239
Earnings per ordinary share	28.2p	29.3p	30.7p	35.8p	42.6p
Profit and Loss Account					
Profit before tax	202	232	218	282	328
Profit attributable to shareholders	137	163	149	209	248
Earnings per ordinary share	24.7p	29.3p	26.7p	37.4p	44.1p
Net dividend per ordinary share	15.00p	16.00p	16.75p	18.75p	21.50p
Dividend cover	1.9	1.8	1.6	1.9	1.9
Ordinary share prices – high	473p	552p	653p	908p	960p
– low	329p	390p	448p	622p	722p
Market capitalisation	2,431	2,890	3,583	5,027	4,489

Notes

(1) All years stated under UK Financial Reporting Standard 3 on Reporting Financial Performance (FRS3). Headline amounts are calculated in accordance with the recommendation of the Institute of Investment Management and Research and exclude relevant exceptional items.

(2) The Reed International P.L.C. financial year end changed from 31 March to 31 December in 1992, to facilitate the merger of its businesses with those of Elsevier NV.

(3) Dividend per ordinary share for the 12 months to 31 December 1992 is on an annualised basis.

(4) All amounts presented for the years to 31 December 1993 and December 1994 are based on the 52.9% of Reed Elsevier combined profits attributable to the Reed International P.L.C. shareholders. The statutory earnings per ordinary share (EPS) for Reed International P.L.C. includes the impact of sharing the UK tax credit with Elsevier NV as a reduction in the reported consolidated profits of Reed International P.L.C. On this basis the profit before tax, attributable profit and EPS for the year ending 31 December 1994 are £313m, £233m and 41.5p respectively.

(5) Market capitalisation is at the year end date.

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Directors' Report

The directors present their report, together with the accounts of the company, for the year ended 31 December 1994. As a consequence of the merger of the company's businesses with those of Elsevier NV, described below, no separate Reed International P.L.C. Chairman's Statement is included with this report since full information is contained in the Reed Elsevier Annual Review 1994.

Merger of Reed International P.L.C. and Elsevier NV Businesses

On 1 January 1993 Reed International P.L.C. and Elsevier NV contributed their businesses to two companies, Reed Elsevier plc and Elsevier Reed Finance BV. Reed Elsevier plc, which owns all the publishing and information businesses, is incorporated in England and Elsevier Reed Finance BV, which owns the financing and treasury companies, is incorporated in the Netherlands. Reed International P.L.C. and Elsevier NV each holds a 50% interest in Reed Elsevier plc and, until 3 November 1994, a 50% interest in Elsevier Reed Finance BV. In addition, Reed International P.L.C. has a 5.8% interest in Elsevier NV reflecting the relative market capitalisations of the two companies on which the financial terms of the merger of their businesses were based.

Under equalisation agreements at the time of the merger, ordinary shareholders of Reed International P.L.C. and Elsevier NV enjoy substantially equivalent dividend and capital rights with respect to their ordinary shares in the net income and net assets of the Reed Elsevier combined businesses ("Reed Elsevier"), comprising the separate legal entities of Reed International P.L.C., Elsevier NV, Reed Elsevier plc and Elsevier Reed Finance BV and their respective subsidiaries and associates. These arrangements are such that, with respect to dividend and capital rights, one Elsevier NV ordinary share is, in broad terms, intended to confer equivalent economic interests to 0.769 of a Reed International P.L.C. ordinary share. At the time of the merger this ratio was 7.69 and this has been adjusted to reflect a ten for one share split in respect of Elsevier NV ordinary shares, which became effective on 5 October 1994. As a result of these arrangements, Reed International P.L.C. shareholders have a 52.9% interest in the attributable profit of the Reed Elsevier combined businesses.

On 3 November 1994, Elsevier NV subscribed for additional shares in Elsevier Reed Finance BV, raising its interest to 54% and lowering Reed International P.L.C.'s interest to 46%. The funds contributed by Elsevier NV in the capital injection remain part of the net assets of the Reed Elsevier combined businesses and so there is no resulting change in the sharing of earnings and net assets between Reed International P.L.C. and Elsevier NV shareholders.

The consolidated accounts of Reed International P.L.C. include the 52.9% interest that shareholders have under the equalisation arrangements in the Reed Elsevier combined businesses, accounted for on an equity basis.

Principal Activities

The company is a holding company and its principal investments are its direct 50% shareholding in Reed Elsevier plc and its 46% shareholding in Elsevier Reed Finance BV, which are engaged in publishing and information activities and financing activities respectively. The remaining shareholdings in these two companies are held directly by Elsevier NV. Reed International P.L.C. also has a 5.8% indirect shareholding in Elsevier NV.

Financial Review

Reed International P.L.C. Profit and Loss Account

Headline profit before tax increased by 17% to £320.6 million and headline profit attributable to shareholders by 19% to £239.1 million, before a dividend equalisation adjustment of £14.3 million.

Attributable profit for Reed comprises 50% of the profit after tax of the Reed Elsevier combined businesses (£234.0 million; 1993 £198.0 million) and 5.8% of Elsevier's profit after tax (sterling equivalent: £13.6 million; 1993 £11.5 million). Under the terms of the merger agreement, dividends paid to Reed and Elsevier shareholders are equalised on a gross level inclusive of the tax credit received by many Reed shareholders. Because of the tax credit, Reed requires less cash to fund its net dividend than Elsevier does to fund its gross dividend. An adjustment is, therefore, required in the statutory accounts of Reed to share this tax benefit between the two sets of shareholders in accordance with the equalisation agreement. This equalisation adjustment arises only on dividends paid by Reed to its shareholders and it reduces the statutory attributable earnings of the company by 47.1% of the amount of the tax credit, which in 1994 was a figure of £14.3 million (1993 £12.4 million).

1994 headline earnings per share, which excludes relevant exceptional items and the tax credit equalisation adjustment, increased by 19% to 42.6p (1993 35.8p) for Reed shareholders. Including the effect of the dividend equalisation and exceptional items, the statutory earnings per share is 41.5p (1993 35.2p).

Reed International P.L.C. Balance Sheet

The balance sheet of Reed reflects its 52.9% share of net assets of the Reed Elsevier combined businesses which at 31 December 1994 amounted to £750.7 million (1993 £906.7 million). The £156 million reduction in net assets arises principally because of Reed's £270.3 million share of the net goodwill written off in the Reed Elsevier combined financial statements, largely arising from the acquisition of Lexis-Nexis. This goodwill write-off has no economic effect on Reed shareholders and does not impact the distributable reserves of Reed.

Reed Elsevier: Combined Businesses

Reed Elsevier had a very successful year. Substantial progress was made in strategic development, prior year acquisitions were integrated successfully and the base business performed strongly.

FINANCIAL PERFORMANCE

Headline pre-tax profit for the Reed Elsevier combined businesses increased by 17% to £606 million, and headline profit attributable grew by 19% to £452 million.

The Reed Elsevier combined operating profit increased by 19% (by £105 million) to £663 million as the operating businesses showed their profit leverage in 1994, demonstrating that even quite modest increases in revenue can produce very good profit growth if costs are well controlled.

Organic operating profit growth was 12%, which excludes the incremental effect of 1993 and 1994 acquisitions and movement in non-trading items and currency. Operating margin improved by 1.8 points to 21.8%. Operating cash flow from the combined businesses was £670 million, representing a conversion of profit into cash flow of 101%, 2 points ahead of last year.

The pre-tax headline figures exclude exceptional items of £14 million, which in 1994 comprised the profit on the final instalments of the investment in BSkyB (£40 million), less losses on the disposal or surrender of a number of property interests (£26 million). The net interest, at £57 million, was substantially higher than 1993 due entirely to the financing costs of 1993 and 1994 acquisitions.

The effective tax rate for the Reed Elsevier combined financial statements was 24.4% (1993 25.7%); the underlying rate was 26.1%. The rate is below the standard rate in the principal operating territories mainly due to tax amortisation on acquired intangible assets and beneficial features of the Reed Elsevier legal structure.

ACQUISITIONS

Reed Elsevier plc acquired Lexis-Nexis for £1 billion on 2 December 1994, which reinforced its strong position in the markets for professional and business information. In addition, Reed Elsevier plc spent

£93 million on a range of smaller acquisitions to strengthen the existing portfolios. These acquisitions included exhibition businesses in the United States and France and a 40% interest in Giuffre, the Italian legal publisher.

In accordance with Reed Elsevier's accounting policy, a value of £400 million was attributed to the Lexis-Nexis publishing rights and proprietary databases, and provisions made for the costs of the reorganisation and integration of the business (£42 million after tax). Goodwill of £514 million was charged to shareholders' funds in respect of this and the other acquisitions.

Finance

The £1.1 billion of acquisition expenditure was financed entirely through cash and debt, nevertheless, the debt guaranteed by Reed and Elsevier retained AA credit ratings. Reed Elsevier generates significant free cash flow which will pay down debt quickly. Net debt at 31 December 1994 was £720 million higher than at the previous year end, principally due to this financing of acquisitions.

At 31 December 1994, gross borrowings of £1,536 million, predominantly in US dollars, were partially offset by cash balances totalling £241 million, which were invested short term. Reed Elsevier'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. Approximately 95% of US dollar denominated interest exposure is fixed through either fixed rate term debt or interest rate swaps.

Prospects

In 1995, Reed Elsevier expects to see the continuing rewards of active product development and launch programmes. Leveraging strong market positions, the businesses benefit from the growing demand for information and, through the conversion of copyrighted data to media-neutral databases, they are increasingly able to deliver information to customers in whatever format they choose. The economic environments in the three main operating territories are expected to improve in 1995 and Reed Elsevier expects to take full advantage. This ought to be reflected in continued strong earnings per share growth for Reed International shareholders.

A far more detailed review of the Reed Elsevier combined businesses, and an indication of likely future developments, is contained in the Reed Elsevier Annual Review 1994.

New York Stock Exchange Listing

Effective 6 October 1994, the ordinary shares of Reed International P.L.C. along with those of Elsevier NV, were listed in ADR form on the New York Stock Exchange. This move recognises the increasing importance of the Reed Elsevier plc businesses in the USA and the desire to achieve a broader ownership of Reed International P.L.C. shares.

Dividends

The profit attributable to the ordinary shareholders for the financial year was £233 million compared with £197 million for the year ended 31 December 1993.

The Board is recommending a final dividend of 14.8p per ordinary share to be paid on 31 May 1995 to shareholders on the Register on 12 May 1995 which, when added to the interim dividend already paid on 3 October 1994 amounting to 6.7p per ordinary share, makes the total dividend for the period 21.5p This represents an increase of 15% over the dividend paid on the ordinary shares in 1993.

The total dividend on the ordinary shares for the financial year will amount to £121 million, leaving retained profit of £112 million (compared with £92 million for the year ended 31 December 1993) which will be transferred to the profit and loss account reserve.

Directors' Report

Directors

The directors at the date of this Report are shown opposite page 1 and brief biographical details of each director are shown on pages 36 and 37 of the Reed Elsevier Annual Review 1994.

Mr Peter Davis resigned from the Board on 27 June 1994.

The directors retiring by rotation in accordance with the Articles of Association are Messrs Krakoff, Stapleton and Webster who, being eligible, offer themselves for re-election.

Mr Stapleton has a service contract with Reed Elsevier plc which is generally subject to 24 months' notice of termination and Mr Krakoff, who is aged 59, has a service contract with Reed Elsevier Inc which terminates on his retirement on 1 June 1997. Mr Webster does not have a service contrac

During the year liability insurance was maintained for the company's directors and officers.

Share Capital

During the period 1,256,599 ordinary shares in the company were issued in connection with the following share option schemes:

250,399 under UK SAYE share option schemes at prices between 282.8p and 656.4p per share.

1,006,200 under executive share option schemes at prices between 338.9p and 474.5p per share.

At 1 March 1995 the company had received notification of the following substantial interests in the company's issued ordinary share capital:

Mr P B W Hamlyn	27,176,408 shares	4.83%
Prudential Corporation	37,879,012 shares	6.73%

At the 1994 Annual General Meeting authority was given to the company to purchase up to 10% of its ordinary shares by market purchase. At 31 December 1994 this authority remained unutilised. A resolution to extend the authority is to be put to the 1995 Annual General Meeting.

Fixed Assets

The changes in fixed assets during the year are set out in notes 11 and 12 to the accounts.

Employee Involvement and Disabled Persons

Reed Elsevier combined businesses are fully committed to the concept of employee involvement and participation. The Directors' Report of Reed Elsevier plc, which accounts for virtually all employees, contains more details on this topic.

The Directors' Report of Reed Elsevier plc also contains a statement describing its employment policy as an equal opportunity employer.

United Kingdom Charitable and Political Donations

Reed Elsevier companies in the United Kingdom made donations during the year for charitable purposes amounting to £361,000 of which £25,000 was for educational purposes. There were no donations for political purposes.

Directors' Report

Directors' Interests

The interests of the directors and their families in the share capital of the company at 31 December 1994 are shown below. The interests are all beneficial unless otherwise stated.

	Shares		*Options over Shares*			
	1 Jan 1994	*31 Dec 1994*	*1 Jan 1994*	*Exercised during the year*	*Granted during the year*	*31 Dec 1994*
A A Greener	7,381	12,429	–	–	–	–
P B W Hamlyn CBE	24,076,408	24,076,408	–	–	–	–
	†3,100,000	†3,100,000	–	–	–	–
I A N Irvine	10,000	10,200	92,300	–	178,700	271,000
R L Krakoff	–	–	187,000	(20,000)	94,400	261,400
Sir Chrisopher Lewinton	–	1,300	–	–	–	–
J B Mellon	5,000	5,000	69,040	(1,960)	95,451	162,531
N J Stapleton	18,599	14,759	110,440	(1,960)	122,351	230,831
I L M Thomas	48,852	48,852	62,980	–	95,451	158,431
P J Vinken	11,220	11,220	–	–	–	–
L van Vollenhoven	–	–	–	–	–	–
D G C Webster	–	2,500	–	–	–	–

† Indicates other than beneficial interest.

There have been no changes in the above interests between 1 January 1995 and 1 March 1995.

Directors' interests in shares under option shown above arise from the company's executive and SAYE share option schemes, further details of which are included in note 26 of the Reed Elsevier Annual Review 1994. Details of the number of options granted under the company's Longer Term Incentive Plan are set out in note 4 of the accounts.

At no time during the period has any director had a material interest in a contract, other than a service contract, with the company or any subsidiary or associated undertaking, except as disclosed above.

Corporate Governance

Reed International P.L.C. complies with the provisions of the Cadbury Committee's Code of Best Practice. The Company's auditors, Touche Ross & Co, have reviewed compliance with specific matters in the Code which the London Stock Exchange requires that the auditors should review. They have confirmed that, in their opinion, with respect to the directors' statements on internal financial control on pages 34 and 35 of the Reed Elsevier Annual Review 1994, and on going concern on page 7 of this Report, the directors have provided disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and the directors' other statement above in relation to the Code appropriately reflects the company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

The Company's Principal Board Committees are:

The Reed International Non-Executive Directors Committee is chaired by Sir Christopher Lewinton, its other members being Anthony Greener, Paul Hamlyn and David Webster. Its responsibilities include the review, with members of the Elsevier Supervisory Board, of management and succession within the Reed Elsevier businesses.

The Reed International Audit Committee is made up entirely of non-executive directors. It is chaired by David Webster and its other members are Sir Christopher Lewinton, Anthony Greener and Paul Hamlyn. Its terms of reference follow those recommended by the Cadbury Committee.

DIRECTORS' REPORT

The Reed International Remuneration Committee is chaired by Sir Christopher Lewinton, its other members being Anthony Greener, Paul Hamlyn and David Webster. The Committee liaises with the Reed Elsevier plc Remuneration Committee.

Details of the Audit Committee and Remuneration Committee of Reed Elsevier plc are set out on pages 33 and 34 of the Reed Elsevier Annual Review 1994.

The Reed Elsevier plc Remuneration Committee has responsibility for the same issues in the merged operating businesses as those previously dealt with by the individual remuneration committees of Reed International P.L.C. and Elsevier NV. The Reed Elsevier plc Remuneration Committee is chaired by Sir Christopher Lewinton, the other members being Anthony Greener, Paul Hamlyn, David Webster and four members of the Elsevier Supervisory Board – Huib Appel, Roelof Nelissen, Albert Schuitemaker and Robert van de Vijver.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by English company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and its subsidiary and associated undertakings and of the profit or loss for that period. The directors are also required to maintain adequate accounting records.

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 business 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.

AUDITORS

The auditors, Touche Ross & Co, are willing to continue in office and resolutions re-appointing them and authorising the directors to fix their remuneration will be submitted to the Annual General Meeting.

INCOME AND CORPORATION TAXES ACT 1988

The close company provisions of this Act do not apply to the company.

By order of the Board

R G Baker
Secretary
14 March 1995

Registered Office:
6 Chesterfield Gardens
London
W1A 1EJ
Company No: 77536

Accounting Policies

Basis of consolidation

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

The basis of the merger of Reed and Elsevier businesses is set out on page 1 of the Directors' Report. The consolidated accounts include Reed's 52.9% interest in the combined businesses which has been accounted for on an equity basis.

The accounting policies adopted in the preparation of the combined financial statements of the combined businesses are set out in the Reed Elsevier Annual Review 1994.

Determination of profit

The Reed share of the Reed Elsevier combined results has been calculated on the basis of the 52.9% economic interest of the Reed shareholders in the Reed Elsevier combined businesses after taking account of results arising in Reed and its subsidiary undertakings. Dividends paid to Reed and Elsevier shareholders are equalised on a gross level inclusive of the tax credit received by many Reed shareholders. In the accounts an adjustment is required to equalise the benefit of the tax credit between the two sets of shareholders in accordance with the equalisation agreement. This equalisation adjustment arises only on dividends paid by Reed to its shareholders and reduces the attributable earnings of the company by 47.1% of the amount of the tax credit.

Basis of valuation of assets and liabilities

Reed's 52.9% equity interest in the net assets of the combined businesses has been shown on the balance sheet as interests in associated undertakings net of the assets and liabilities reported as part of Reed and its subsidiary undertakings.

Company profit and loss account and balance sheet

Reed has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

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

Translation of overseas currencies into sterling

Profit and loss items are translated at average exchange rates. In the consolidated balance sheet assets and liabilities are translated at rates ruling at the balance sheet date or contracted rates where applicable. The gains or losses relating to the re-translation of Reed's 52.9% share in the assets and liabilities of the combined businesses are taken direct to reserves.

Taxation

Deferred taxation is provided, using the liability method, to take account of timing differences between the treatment of items for taxation and accounting purposes where it is considered that a liability or asset will crystallise. No provision is made for taxation which might arise in the event of a distribution of retained profits by overseas subsidiary and associated undertakings.

Auditors' Report

To the Members of Reed International P.L.C.

We have audited the financial statements on pages 8 to 25 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1994 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co. Touche Ross & Co
Chartered Accountants
and Registered Auditors
London
14 March 1995

Consolidated Profit and Loss Account

For the year ended 31 December 1994

£ million	1994	1993
Operating loss before exceptional items *note 3*	(1.0)	(1.0)
Exceptional items *note 5*		
Profit on sale of fixed asset investments	40.5	16.2
Profit on ordinary activities before interest	39.5	15.2
Net interest *note 6*	2.4	5.1
Income from interests in associated undertakings *note 1*	271.5	249.5
Profit on ordinary activities before taxation	313.4	269.8
Tax on profit on ordinary activities *note 7*	(79.9)	(72.5)
Profit on ordinary activities after taxation	233.5	197.3
Preference dividends *note 8*	(0.2)	(0.2)
Profit attributable to ordinary shareholders	233.3	197.1
Ordinary dividends paid and proposed *note 8*	(121.0)	(105.3)
Retained profit transferred to reserves	112.3	91.8
Statutory earnings per ordinary share *note 9*	41.5p	35.2p
Reed International P.L.C. shareholders' interest in Reed Elsevier		
Statutory profit attributable (see above)	233.3	197.1
Add back effect of tax credit equalisation on distributed earnings *note 2*	14.3	12.4
Attributable profit from the 52.9% interest in the Reed Elsevier combination	247.6	209.5
Earnings per ordinary share based on 52.9% interest in Reed Elsevier combined businesses *note 9*	44.1p	37.4p

Statement of Total Recognised Gains and Losses

£ million	1994	1993
Profit for the financial year	233.3	197.1
Exchange translation differences	(6.3)	(5.8)
Total recognised gains and losses for the year	227.0	191.3

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 1994

£ million		1994		1993
Net cash outflow from operating activities note 10		(0.4)		(0.8)
Returns on investments and servicing of finance				
Interest received	6.0		7.8	
Interest paid	(4.0)		(3.3)	
Dividends paid to shareholders of the parent company	(109.4)		(105.2)	
Dividends received from associated undertakings	109.5		33.7	
Net cash inflow/(outflow) from returns on investments and servicing of finance		2.1		(67.0)
Taxation		2.9		–
Investing activities				
Sale of fixed asset investments	40.5		12.2	
Exceptional item payments	(0.2)		(4.0)	
Net cash inflow from investing activities		40.3		8.2
Net cash inflow/(outflow) before financing		44.9		(59.6)
Financing note 10				
Issue of ordinary shares	5.2		7.6	
Net repayment of long term borrowing	(1.0)		(1.2)	
(Increase)/decrease in net funding balances with associated undertakings	(49.5)		51.8	
Decrease in short term investments	0.4		0.1	
Net cash (outflow)/inflow from financing		(44.9)		58.3
Decrease in net cash and cash equivalents note 10		–		(1.3)

Consolidated Balance Sheet

As at 31 December 1994

£ million		1994		1993
Fixed assets				
Investments *note 11*		740.0		930.6
Current assets				
Debtors: amounts falling due within 1 year *note 13*	133.5		85.4	
Cash and short term investments *note 14*	2.3		2.7	
	135.8		88.1	
Creditors: amounts falling due within 1 year *note 15*	88.7		75.6	
Net current assets		47.1		12.5
Total assets less current liabilities		787.1		943.1
Creditors: amounts falling due after more than 1 year *note 16*		36.4		36.4
Net assets		750.7		906.7
Capital and reserves				
Called up share capital *note 17*		144.7		144.4
Share premium account *note 19*		176.2		171.3
Reserves *note 19*		429.8		591.0
Shareholders' funds *note 19*		750.7		906.7

The balance sheet of Reed International P.L.C. is shown on page 21.

On behalf of the Board

I A N Irvine Director

N J Stapleton Director

14 March 1995

NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

1 INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS

£ million	1994	1993
Reed Elsevier combined results (50%)	310.0	267.0
Elsevier NV's results (5.8%)	18.0	15.5
	328.0	282.5
Effect of tax credit equalisation on distributed earnings note 2	(14.3)	(12.4)
Items consolidated within Reed International P.L.C. group including exceptional items	(42.2)	(20.6)
Income from interests in associated undertakings	271.5	249.5

2 EFFECT OF TAX CREDIT EQUALISATION ON DISTRIBUTED EARNINGS

The Reed International P.L.C. share of the Reed Elsevier combined results has been calculated on the basis of the 52.9% economic interest of the Reed International P.L.C. shareholders in the combined businesses. Dividends paid to Reed International P.L.C. and Elsevier NV shareholders are equalised on a gross level inclusive of the tax credit received by many Reed International P.L.C. shareholders. In these accounts an adjustment is required to equalise this benefit of the tax credit between the two sets of shareholders in accordance with the equalisation agreement. This equalisation adjustment arises only on dividends paid by Reed International P.L.C. to its shareholders and reduces the attributable earnings of the company by 47.1% of the amount of the applicable tax credit.

3 NET OPERATING EXPENSES

£ million		1994	1993
Administrative expenses		(1.0)	(1.0)
Auditors' remuneration			
Group	– for audit services	£21,000	£35,000
	– for non audit services	£25,000	£23,000
Parent company	– for audit services	£20,000	£33,000
	– for non audit services	£25,000	–

The company has no employees.

4 DIRECTORS' EMOLUMENTS

Emoluments of the directors of the company

£	1994	1993
Salaries and benefits	2,048,793	1,897,762
Annual performance-related bonuses	1,102,463	1,162,461
Pension contributions	76,875	73,750
Fees to non-executive directors	146,751	143,502
	3,374,882	3,277,475
Longer Term Incentive Plan	183,087	–
Compensation in respect of former director	1,247,000	–
Total	4,804,969	3,277,475

Directors' emoluments include amounts in respect of services to Reed International P.L.C. and its associated undertakings, except for those non-executive directors who are also directors of Elsevier NV. These individuals receive no emoluments in respect of their services to Reed International P.L.C.

The emoluments of the Chairman and highest paid UK director were:

£	1994	1993
P J Davis (Chairman throughout 1993 and until 27 June 1994) – also highest paid director in 1993:		
Salary and other emoluments	255,542	456,592
Annual performance-related bonus	100,000	180,000
	355,542	636,592
I A N Irvine (Chairman from 27 June 1994):		
Salary and other emoluments	240,356	–
Annual performance-related bonus	96,000	–
	336,356	–
Highest paid UK director for 1994:		
Salary and other emoluments	450,713	–
Annual performance-related bonus	180,000	–
	630,713	–

Pension contributions paid in respect of Mr Davis to 27 June 1994 amounted to £12,500 (1993 £22,500) and for Mr Irvine, who was the highest paid UK director in 1994, amounted to £[illegible]2,500 in the year.

The emoluments, excluding pension contributions, of the other UK directors were:

Number	1994	1993
£20,001 – £25,000	2	2
£30,001 – £35,000	–	1
£40,001 – £45,000	1	–
£70,001 – £75,000	–	1
£75,001 – £80,000	1	–
£290,001 – £295,000	–	1
£375,001 – £380,000	1	–
£395,001 – £400,000	–	1
£485,001 – £490,000	1	–
£490,001 – £495,000	–	1

4 DIRECTORS' EMOLUMENTS (CONTINUED)

Further information concerning directors' emoluments, including the compensation in respect of a former director, is shown in note 26 of the Reed Elsevier Annual Review 1994.

The Company has operated a Longer Term Incentive Plan ("the Plan") since April 1991. The number of ordinary shares to which a director will become entitled under the Plan is pro-rata to the compound annual growth (CAGR) in headline earnings per share (EPS) over a three year performance period. Further information concerning the Plan, together with details of the relevant CAGR targets, is shown in note 26 of the Reed Elsevier Annual Review 1994.

For the 1992-94 Plan, the following number of shares will be exercisable by the directors:

I A N Irvine	5,104
N J Stapleton	3,712
R L Krakoff	3,248
J B Mellon	3,248
I L M Thomas	3,248

In addition, 6,032 shares will be exercisable by Mr Davis.

The value placed on the above shares, for the purposes of determining the aggregate emoluments of the directors disclosed above, is the mid-market price of a Reed International ordinary share as at 1 March 1995 (744.5p).

The total entitlements of directors under the Plan in respect of the three year performance periods 1993-95 and 1994-96 Plan are:

	1993-95 PLAN		1994-96 PLAN	
Director	Ordinary shares if 15% CAGR achieved	Ordinary Shares if 20% CAGR achieved	Ordinary shares if 13.5% CAGR achieved	Ordinary shares if 20% CAGR achieved
I A N Irvine	8,400	21,000	8,400	21,000
N J Stapleton	6,600	16,500	6,800	17,000
R L Krakoff	4,800	12,000	4,800	12,000
J B Mellon	4,800	12,000	4,800	12,000
I L M Thomas	4,800	12,000	4,800	12,000

It is not yet possible to say whether any options for the 1993-95 or 1994-96 Plan periods will be exercisable. No estimated value of this incentive has been included in the directors' emoluments above for these two Plan periods.

In March 1995 further grants were recommended by the Reed Elsevier plc Remuneration Committee over a maximum of 95,150 ordinary shares under the Plan for 1995-97. Maximum entitlements if 20% CAGR is achieved during the Plan period are I A N Irvine 27,300, N J Stapleton 21,350, R L Krakoff 14,250, J B Mellon 18,000 and I L M Thomas 14,250.

5 EXCEPTIONAL ITEMS

Profit on sale of fixed asset investments reflects the final instalments on the sale of the shares and loan stocks in, and loans to, BSB Holdings Limited, the company which held the Reed International P.L.C. group's indirect investment of 3.66% in British Sky Broadcasting Limited. There is no tax payable.

6 NET INTEREST

£ million	1994	1993
Interest payable and similar charges		
On loan capital, promissory notes and bank borrowings:		
repayable within 5 years, other than by instalments	(0.2)	(0.2)
On loans from associated undertakings	(3.8)	(3.8)
	(4.0)	(4.0)
Interest receivable and similar income		
On loans to associated undertakings	6.4	9.1
Interest income	2.4	5.1

7 TAXATION

£ million	1994	1993
Tax on profit on ordinary activities		
UK corporation tax at 33% (1993 33%)	0.4	1.4
Share of tax attributable to associated undertakings	79.5	71.1
Total	79.9	72.5

The tax charge attributable to associated undertakings has been reduced in respect of allowances on publishing intangibles (£17.5m (1993 £9.5m)).

8 DIVIDENDS PAID AND PROPOSED

Pence per share	1994	1993	£ million	1994		1993
Preference				0.2		0.2
Ordinary						
Interim	6.70p	6.00p	37.6		33.7	
Final	14.80p	12.75p	83.4		71.6	
	21.50p	18.75p		121.0		105.3
Total				121.2		105.5

9 EARNINGS PER ORDINARY SHARE

(1) STATUTORY

The statutory earnings per ordinary share of 41.5p (1993 35.2p) is calculated on earnings of £233.3m (1993 £197.1m) and 561.9m (1993 560.6m) ordinary shares, being the average number of shares in issue during the year.

(2) REED INTERNATIONAL P.L.C. SHAREHOLDERS

An alternative earnings per ordinary share is presented to reflect the full equity interest of shareholders in the Reed Elsevier combined businesses. Reed International P.L.C.'s shareholders' earnings per ordinary share, based on their 52.9% equity interest in the combined businesses, of 44.1p (1993 37.4p) is calculated on earnings of £247.6m (1993 £209.5m) and 561.9m (1993 560.6m) ordinary shares, being the average number of shares in issue during the year.

Notes to the accounts

For the year ended 31 December 1994

10 Cash flow statement

£ million	1994	1993
Reconciliation of operating profit to net cash flow from operating activities		
Operating loss before exceptional items	(1.0)	(1.0)
Decrease in debtors and increase in creditors	0.6	0.2
Net cash outflow from operating activities	(0.4)	(0.8)

Analysis of changes in financing

£ million	Share capital	Share premium	Long term borrowings	Net funding balances with associated undertakings	Short term investments original maturity after 3 months and within 1 year
At 31 December 1993	144.4	171.3	3.2	(47.6)	(2.5)
Net cash inflow/(outflow) from financing	0.3	4.9	(1.0)	(49.5)	0.4
At 31 December 1994	144.7	176.2	2.2	(97.1)	(2.1)

Long term borrowings comprise loan capital.

Analysis of changes in net cash and cash equivalents

£ million	Cash at bank and in hand
At 31 December 1993	0.2
Net cash flow	–
At 31 December 1994	0.2

11 Fixed asset investments – consolidated

£ million	Investment in associated undertakings	Loans to associated undertakings	Total
At 31 December 1993	894.2	36.4	930.6
Share of profit of associated undertakings	271.5	–	271.5
Share of tax attributable to associated undertakings	(79.5)	–	(79.5)
Dividends received and receivable	(108.9)	–	(108.9)
Share of goodwill written off (net)	(270.3)	–	(270.3)
Other items including share of exchan,	(3.4)	–	(3.4)
At 31 December 1994	703.6	36.4	740.0

The investment in associated undertakings represents the 52.9% share that Reed International P.L.C. has in the Reed Elsevier combined businesses, less those assets and liabilities that are separately consolidated in the Reed International P.L.C. group accounts. Reed International P.L.C.'s indirect 5.8% holding in Elsevier NV has been reflected within the equity accounting for the associated undertakings.

12 FIXED ASSET INVESTMENTS – PARENT COMPANY

	SUBSIDIARY UNDERTAKINGS		ASSOCIATED UNDERTAKINGS		TOTAL
£ million	Shares	Loans	Shares	Loans	
Cost					
At 31 December 1993 and 31 December 1994	251.3	0.2	760.8	36.4	1,048.7
Provisions					
At 31 December 1993	47.9	0.2	–	–	48.1
Release of provisions	(40.4)	–	–	–	(40.4)
At 31 December 1994	7.5	0.2	–	–	7.7
Net book amount					
At 31 December 1993	203.4	–	760.8	36.4	1,000.6
At 31 December 1994	243.8	–	760.8	36.4	1,041.0

The principal subsidiary and associated undertakings are shown in notes 23 and 22.

13 DEBTORS

	CONSOLIDATED		PARENT	
£ million	1994	1993	1994	1993
Amounts falling due within 1 year				
Taxation	–	0.8	–	0.8
Dividend receivable from associated undertakings	–	0.6	–	0.6
Amounts owed by associated undertakings	133.5	84.0	133.5	84.0
Total	133.5	85.4	133.5	85.4

14 CASH AND SHORT TERM INVESTMENTS

	CONSOLIDATED		PARENT	
£ million	1994	1993	1994	1993
Cash at bank and in hand	0.2	0.2	0.2	0.2
Short term investments:				
– original maturity after 3 months and within 1 year	2.1	2.5	2.1	2.5
Total	2.3	2.7	2.3	2.7

15 CREDITORS – AMOUNTS FALLING DUE WITHIN 1 YEAR

	CONSOLIDATED		PARENT	
£ million	1994	1993	1994	1993
Loan capital	2.2	3.2	2.2	3.2
Other creditors	0.4	0.3	0.4	0.3
Proposed dividends	83.4	71.6	83.4	71.6
Taxation	2.5	–	2.5	–
Amounts owed to group undertakings	–	–	77.6	–
Accruals and deferred income	0.2	0.5	0.2	0.5
Total	88.7	75.6	166.3	75.6

Loan capital comprises a sterling loan note which is unsecured and repayable 31 October 1995.

NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

16 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR

£ million	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT 1994	PARENT 1993
Amounts owed to group undertakings	–	–	–	37.2
Amounts owed to associated undertakings	36.4	36.4	36.4	36.4
Total	36.4	36.4	36.4	73.6

17 SHARE CAPITAL

£ million	AUTHORISED 1994		ISSUED AND FULLY PAID 1994		1993	
Preference shares (cumulative) of £1 each						
Redeemable at par at the option of the company						
3.15% (previously 4.5%)	1.5		1.5		1.5	
3.85% (previously 5.5%)	1.2		1.2		1.2	
Irredeemable						
3.50% (previously 5%)	0.3		0.3		0.3	
4.90% (previously 7%)	1.1		1.1		1.1	
Non-equity shares		4.1		4.1		4.1
Ordinary shares of 25p each		140.6		140.6		140.3
Unclassified shares of 25p each		43.3		–		–
Total		188.0		144.7		144.4

Details of shares issued under share option schemes are set out in note 18.

18 SHARE OPTION SCHEMES

During the year, a total of 1,256,599 ordinary shares in the company were allotted in connection with share option schemes having an aggregate nominal value of £314,149.75. The consideration received by the company was £5,181,286.66. Options were granted under the terms of the Reed Elsevier plc Executive Share Option Scheme to subscribe for 1,966,000 ordinary shares in the company at a price of 820.5p per share. Options were granted under the terms of the Reed Elsevier plc SAYE Share Option Scheme to subscribe for 1,050,073 ordinary shares in the company at a price of 656.4p per ordinary share. Options to subscribe for 451,368 ordinary shares in the company lapsed.

Options outstanding at 31 December 1994 over the company's ordinary shares were:–

	Number of ordinary shares	*Range of subscription prices*	*Exercisable*
UK and overseas executive share option schemes	6,423,700	377.5p-820.5p	1995-2004
UK SAYE share option schemes	4,322,801	282.8p-656.4p	1995-2000
Overseas SAYE share option plan	196,967	407.2p-467.6p	1995-1998

Entitlements arising from the Overseas SAYE Share Option Plan and the Longer Term Incentive Plan are met by the Reed International P.L.C. Employee Share Ownership Plan from market purchases. Entitlements arising from other schemes are met by the issue of new ordinary shares.

Details of the Longer Term Incentive Plan are shown in note 4.

19 RECONCILIATION OF SHAREHOLDERS' FUNDS

£ million	Consolidated Share capital	Share premium	Reserves	Total	Parent Total
At 31 December 1993	144.4	171.3	591.0	906.7	939.5
Share of net goodwill written off in Reed Elsevier combined financial statements during year	–	–	(270.3)	(270.3)	–
Increase in share capital	0.3	4.9	–	5.2	5.2
Profit attributable to ordinary shareholders	–	–	233.3	233.3	150.4
Dividends paid and proposed	–	–	(121.0)	(121.0)	(121.0)
Other items including exchange	–	–	(3.2)	(3.2)	–
At 31 December 1994	144.7	176.2	429.8	750.7	974.1

Share capital includes non-equity shares of £4.1m (1993 £4.1m).

Reed International P.L.C.'s share of the revenue reserves of the combined businesses is £518.4m (1993 £682.4m) and its share of the revaluation reserves is £1.1m (1993 £1.6m). The share of accumulated goodwill written off to reserves reported in the Reed Elsevier combined financial statements is £1,023.1m (1993 £737.4m).

20 CONTINGENT LIABILITIES

£ million	1994	1993
There are contingent liabilities in respect of borrowings guaranteed by Reed International P.L.C.		
Borrowings of Reed Elsevier plc group and Elsevier Reed Finance BV group		
Guaranteed jointly and severally with Elsevier NV	1,447	1,008
Guaranteed solely by Reed International P.L.C.	14	34
Borrowings of other companies	4	2

21 Balance sheet of Reed International P.L.C. as at 31 December 1994

£ million	1994	1994	1993	1993
Fixed assets				
Investments note 12		1,041.0		1,000.6
Current assets				
Debtors: amounts falling due within 1 year note 13	133.5		85.4	
Cash and short term investments note 14	2.3		2.7	
	135.8		88.1	
Creditors: amounts falling due within 1 year note 15	166.3		75.6	
Net current (liabilities)/assets		(30.5)		12.5
Total assets less current liabilities		1,010.5		1,013.1
Creditors: amounts falling due after more than 1 year note 16		36.4		73.6
Net assets		974.1		939.5
Capital and reserves				
Called up share capital note 17		144.7		144.4
Share premium account note 19		176.2		171.3
Profit and loss reserves		653.2		623.8
Shareholders' funds note 19		974.1		939.5

On behalf of the Board

I A N Irvine Director

N J Stapleton Director

14 March 1995

22 Principal associated undertakings

The results of the combined businesses are presented in the Reed Elsevier Annual Review 1994. A summary is presented below.

Profit and Loss Account for the year ended 31 December 1994

£ million		1994	1993
Turnover			
Continuing operations	2,940		2,796
Acquisitions	95		
		3,035	2,796
Cost of sales		(1,183)	(1,124)
Gross profit		1,852	1,672
Net operating expenses		(1,208)	(1,128)
Income from interests in associated undertakings		19	14
Operating profit			
Continuing operations	642		
Acquisitions	21		
Operating profit before exceptional items		663	558
Exceptional items			
Profit on disposal of fixed assets		14	16
Profit on ordinary activities before interest		677	574
Net interest expense		(57)	(40)
Profit on ordinary activities before taxation		620	534
Tax on profit on ordinary activities		(151)	(137)
Profit on ordinary activities after taxation		469	397
Minority interests and preference dividends		(1)	(1)
Profit for the financial year attributable to parent companies' shareholders		468	396
Ordinary dividends		(250)	(227)
Retained profit transferred to combined revenue reserves		218	169
Headline profit attributable to parent companies' shareholders		452	380

Statement of Total Recognised Gains and Losses

£ million	1994	1993
Profit for the financial year	468	396
Exchange translation differences	(12)	(11)
Total recognised gains and losses for the year	456	385

22 Principal associated undertakings (continued)

Segment Analysis

£ million	Turnover 1994	Turnover 1993	Operating profit 1994	Operating profit 1993	Capital employed 1994	Capital employed 1993
Business segment						
Scientific and Medical	514	499	177	154	361	385
Professional	513	439	132	107	1,057	611
Business	1,099	1,011	224	185	1,022	1,032
Consumer	909	847	130	112	631	596
	3,035	2,796	663	558	3,071	2,624
Geographical origin						
North America	1,028	948	238	194	1,787	1,362
UK	1,073	1,026	227	202	1,132	1,115
The Netherlands	531	488	119	96	(33)	(30)
Rest of Europe	228	174	51	40	111	88
Asia Pacific	175	160	28	26	74	89
	3,035	2,796	663	558	3,071	2,624
Geographical market						
North America	1,140	1,043				
UK	818	786				
The Netherlands	382	349				
Rest of Europe	368	325				
Asia-Pacific	327	293				
	3,035	2,796				

Lexis-Nexis, acquired on 2 December 1994, is included in the Professional and North America segments.

Capital employed comprises net assets excluding net borrowings of £1,295m (1993 £575m), taxation of £153m (1993 £164m), dividends and net interest payable of £195m (1993 £167m) and minority interests of £9m (1993 £4m).

NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

22 PRINCIPAL ASSOCIATED UNDERTAKINGS (CONTINUED)

SUMMARISED BALANCE SHEET

£ million	1994	1993
Intangible assets	2,794	2,386
Tangible assets	487	350
Investments	138	114
Fixed assets	3,419	2,850
Current assets	1,234	1,350
Creditors: amounts falling due within one year	(2,221)	(1,689)
Net current liabilities	(987)	(339)
Total assets less current liabilities	2,432	2,511
Creditors: amounts falling due after more than one year	(872)	(791)
Provisions for liabilities and charges	(132)	(92)
Minority interests	(9)	(4)
Net assets	1,419	1,714
Combined shareholders' funds	1,419	1,714

RECONCILIATION OF COMBINED SHAREHOLDERS' FUNDS

	£ million
At 31 December 1993	1,714
Retained profit	218
Goodwill written off on acquisitions	(514)
Goodwill reinstated on disposals	3
Issue of shares	10
Exchange translation differences	(12)
At 31 December 1994	1,419

SUMMARISED CASH FLOW STATEMENT

£ million	1994	1993
Net cash inflow from operating activities	748	636
Returns on investments and servicing of finance	(273)	(229)
Taxation	(106)	(105)
Investing activities	(1,138)	(511)
Net cash outflow before financing	(769)	(209)
Financing	142	112
Decrease in net cash and cash equivalents	(627)	(97)

22 PRINCIPAL ASSOCIATED UNDERTAKINGS (CONTINUED)

The principal associated undertakings are:

		% holding
Reed Elsevier plc		
Registered and operating in England.	10,000 ordinary 'R' shares	100%
6 Chesterfield Gardens, London, W1A 1EJ	10,000 ordinary 'E' shares	–
	£100,000 7½% cumulative preference non voting shares	100%
Holding company for operating businesses	Equivalent to a 50% equity interest	
Elsevier Reed Finance BV		
Incorporated in The Netherlands	101 ordinary 'R' shares	100%
Van de Sande Bakhuyzenstraat 4,	119 ordinary 'E' shares	–
1061 AG Amsterdam		
Holding company for financing businesses	Equivalent to a 46% equity interest	

In November 1994 Elsevier NV made a capital injection into Elsevier Reed Finance BV to satisfy its further funding needs. Reed International P.L.C. did not participate in this funding and, as a result, Elsevier NV now owns 54% of Elsevier Reed Finance BV and Reed International P.L.C. 46%. The funds used for Elsevier NV's capital injection count as part of the net assets of the Reed Elsevier combined businesses and so there is no resulting change in the sharing of earnings or net assets between Reed International P.L.C. and Elsevier NV shareholders.

The 'E' shares in Reed Elsevier plc and Elsevier Reed Finance BV are owned by Elsevier NV.

23 PRINCIPAL SUBSIDIARY UNDERTAKING

The principal subsidiary is:

Reed Holding BV		
Incorporated in The Netherlands	40 ordinary shares	100%
Van de Sande Bakhuyzenstraat 4,		
1061 AG Amsterdam		

Reed Holding BV owns 4,049,951 shares of a separate class in Elsevier NV representing 5.8% of the ordinary share capital.

Summary Financial Information in US Dollars

Basis of preparation

The summary financial information is a simple translation of Reed International P.L.C.'s consolidated financial statements into US dollars at the stated rates of exchange. The financial information provided below is prepared under UK GAAP as used in the preparation of the Reed International P.L.C. consolidated financial statements. It does not represent a restatement under US GAAP which are different in some significant respects.

	US Dollars Year ended 31 December	
Exchange rates for translation of sterling	1994	1993
Profit and loss	1.53	1.50
Balance sheet	1.56	1.48

US$ million

Profit and Loss statement	1994	1993
Profit attributable to ordinary shareholders	356.9	295.6
Profit attributable to 52.9% interest in Reed Elsevier combined	378.8	314.3
Earnings per American Depositary Share based on 52.9% interest in Reed Elsevier combined businesses: Headline	$1.30	$1.07
Earnings per American Depositary Share based on 52.9% interest in Reed Elsevier combined businesses: FRS3	$1.35	$1.12
Net dividend per American Depositary Share	$0.66	$0.56
Shareholders' Funds	1,171.1	1,341.9

Reed International P.L.C. shares are quoted on the New York Stock Exchange and trading is in the form of American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs), representing 2 Reed International P.L.C. ordinary shares of 25p each. (CUSIP No. 758212872; trading symbol, RUK; Citibank are the ADS depositary).

Additional Information for US Investors

Summary of differences between UK and US GAAP

Reed International P.L.C. accounts for its 52.9% interest in the Reed Elsevier combined businesses, before the effect of tax credit equalisation (see note 2 to the accounts), by the equity method in conformity with both UK and US GAAP. Using the equity method to present its net income and shareholders' funds under US GAAP, Reed International P.L.C. reflects its 52.9% share of the effects of differences between UK and US GAAP relating to the combined businesses as a single reconciling item. The most significant differences relate to the US GAAP requirements in respect of the capitalisation and amortisation of goodwill and other intangibles. A more complete explanation of the accounting policies used by the Reed Elsevier combined businesses and the differences between UK and US GAAP is given in the Reed Elsevier Annual Review 1994.

Approximate effects on net income of differences between UK and US GAAP

£ million	1994	1993
Net income under UK GAAP	233.3	197.1
Impact of US GAAP adjustments to combined financial statements	(65.4)	(45.5)
Net income under US GAAP	167.9	151.6
Primary earnings per ordinary share under US GAAP (pence)	29.8p	27.0p

Approximate effects on shareholders' equity of differences between UK and US GAAP

£ million	1994	1993
Shareholders' equity under UK GAAP	750.7	906.7
Impact of US GAAP adjustments to combined financial statements	503.7	301.8
Ordinary dividends	83.4	71.6
Shareholders' equity under US GAAP	1,337.8	1,280.1

Shareholder Information

Analyses of ordinary shareholders

Ordinary shareholders	Holders 31 Dec 1994	Shares held 31 Dec 1994	% held 31 Dec 1994
Individuals	29,559	66,416,118	11.81
Nominee companies	10,814	372,296,673	66.17
Insurance companies and banks	2,634	81,264,607	14.44
Pension funds	41	12,015,767	2.14
Investment and unit trusts	530	19,072,808	3.39
Charities, local authorities, colleges etc.	131	5,452,097	0.97
Commercial and industrial companies	387	6,067,967	1.08
	44,096	562,586,037	100.00

Ordinary shareholdings	Holders 31 Dec 1994	Shares held 31 Dec 1994	% held 31 Dec 1994
1 – 1,000	28,061	13,685,615	2.43
1,001 – 2,000	8,417	12,125,488	2.15
2,001 – 4,000	4,184	11,851,407	2.11
4,001 – 20,000	2,226	17,358,802	3.09
20,001 – 200,000	862	57,660,495	10.25
200,001 – 4,000,000	328	252,002,497	44.79
over 4,000,000	18	197,901,733	35.18
	44,096	562,586,037	100.00

Ordinary share dividend payments

For the year ended 31 December 1994, the interim dividend of 6.7p was paid on the company's ordinary shares on 3 October 1994 with the final dividend of 14.8p per share payable, if approved by shareholders, on 31 May 1995.

The company already provides shareholders with a facility which enables dividends to be paid directly into a bank or building society account. Where a dividend mandate form has already been completed by a shareholder, dividend payments will be transferred to a shareholder's bank/building society account through BACS. By using this electronic funds transfer system, the company's Registrars will be able to send the tax voucher for each dividend payment direct to the shareholder's registered address, rather than to the shareholder's bank/building society. Shareholders who have not previously completed a dividend mandate form, and who wish dividends to be paid directly into a bank or building society account, should contact Barclays Registrars at the address shown on the page opposite for a dividend mandate form.

Shareholder Information

Dividend timetable

The 1995 financial diary in respect of the payment of dividends on ordinary shares and American Depositary Shares is shown on page 73 of the Reed Elsevier Annual Review 1994. The preference share dividend dates for 1995 are:

	3.15% and 3.85% Cumulative Redeemable Preference Shares	3.5% and 4.9% Cumulative Preference Shares
June payment:		
Ex-dividend date	3 April	10 April
Record date	24 April	1 May
Payment date	1 June	8 June
December payment:		
Ex-dividend date	16 October	23 October
Record date	2 November	9 November
Payment date	1 December	8 December

Registrars

Administrative enquiries concerning holdings of shares should be addressed to Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. (Tel. 0181 650 4866).

American Depositary Shares

Enquiries concerning Reed International American Depositary Shares ("ADSs"), evidenced by American Depositary Receipts ("ADRs"), should be addressed to the Depositary Bank, Citibank NA, 11 Wall Street, New York, NY 10043. (Tel. +1 212 657 7278). Each ADS comprises 2 ordinary shares in the company. Reed International P.L.C.'s CUSIP number is 758212872 and its trading symbol is RUK.

The Reed International Personal Equity Plans

The company has established a Single Company PEP and a General PEP which enable UK resident taxpayers to take advantage of significant tax benefits when holding Reed International P.L.C. ordinary shares through PEPs.

Details may be obtained from the Plan Manager, Henderson Financial Management Limited, 3 Finsbury Avenue, London, EC2M 2PA. (Tel. 0171 410 4252).

Share dealing facility

The company's stockbroker, Cazenove & Co., provides a simple low-cost dealing facility in Reed International P.L.C. ordinary and preference shares for a commission of 1%, with no minimum charge per transaction. Further information can be obtained from Cazenove & Co., 12 Tokenhouse Yard, London, EC2R 7AN. (Tel. 0171 588 2828).

Share price information

The latest Reed International P.L.C. share price is available on the Financial Times Cityline Service, telephone 0336 433796 (calls are currently charged at 49p per minute between the hours of 8.00 am and 6.00 pm Monday to Friday, and at 39p per minute at all other times).

Capital gains tax

The mid-market price of the company's £1 ordinary shares on 31 March 1982 was 282p each which when adjusted for the 4 for 1 share split on 28 July 1986, gives an equivalent amount of 70.5p for each 25p ordinary share.