

## Combined cash flow statement

For the year ended 31 December 2003

	Note	2003 £m	2002 £m	2003 €m	2002 €m
Net cash inflow from operating activities before exceptional items	11	<b>1,163</b>	1,154	<b>1,686</b>	1,835
Payments relating to exceptional items charged to operating profit	6	<b>(98)</b>	(119)	<b>(142)</b>	(190)
<b>Net cash inflow from operating activities</b>		<b>1,065</b>	1,035	<b>1,544</b>	1,645
<b>Dividends received from joint ventures</b>	15	<b>14</b>	13	<b>20</b>	21
Interest and similar income received		<b>17</b>	25	<b>25</b>	40
Interest and similar charges paid		<b>(194)</b>	(230)	<b>(282)</b>	(366)
<b>Returns on investments and servicing of finance</b>		<b>(177)</b>	(205)	<b>(257)</b>	(326)
Taxation before exceptional items		<b>(182)</b>	(154)	<b>(264)</b>	(245)
Exceptional items	6	<b>36</b>	20	<b>52</b>	32
<b>Taxation</b>		<b>(146)</b>	(134)	<b>(212)</b>	(213)
Purchase of tangible fixed assets		<b>(155)</b>	(163)	<b>(225)</b>	(259)
Purchase of fixed asset investments	15	<b>(7)</b>	(5)	<b>(10)</b>	(8)
Proceeds from sale of tangible fixed assets		<b>6</b>	6	<b>10</b>	9
Exceptional proceeds from disposal of fixed asset investments	6	<b>19</b>	118	<b>28</b>	188
<b>Capital expenditure and financial investment</b>		<b>(137)</b>	(44)	<b>(197)</b>	(70)
Acquisitions	11	<b>(258)</b>	(184)	<b>(374)</b>	(293)
Exceptional net proceeds/(costs) from disposal of businesses	6	<b>77</b>	(12)	<b>112</b>	(19)
<b>Acquisitions and disposals</b>		<b>(181)</b>	(196)	<b>(262)</b>	(312)
<b>Equity dividends paid to shareholders of the parent companies</b>		<b>(292)</b>	(273)	<b>(423)</b>	(434)
<b>Cash inflow before changes in short term investments and financing</b>		<b>146</b>	196	<b>213</b>	311
<b>Increase in short term investments</b>	11	<b>(165)</b>	(55)	<b>(240)</b>	(88)
<b>Financing</b>	11	<b>(86)</b>	(69)	<b>(125)</b>	(109)
<b>(Decrease)/increase in cash</b>	11	<b>(105)</b>	72	<b>(152)</b>	114

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.

## Adjusted figures

	Note	2003 £m	2002 £m	2003 €m	2002 €m
<b>Adjusted operating cash flow</b>	10	<b>1,028</b>	1,010	<b>1,491</b>	1,606
<b>Adjusted operating cash flow conversion</b>		<b>87%</b>	89%	<b>87%</b>	89%

Reed Elsevier businesses focus on adjusted operating cash flow as a key cash flow measure. Adjusted operating cash flow is measured after dividends from joint ventures, tangible fixed asset spend and proceeds from the sale of tangible fixed assets but before exceptional payments and proceeds, and is reconciled to the reported figures in note 10 to the combined financial statements. Adjusted operating cash flow conversion expresses adjusted operating cash flow as a percentage of adjusted operating profit.