

## Directors' report (continued)

### Balance sheet

The balance sheet of Reed Elsevier PLC reflects the shareholders 52.9% economic interest in the net assets of Reed Elsevier, which at 31 December 2003 amounted to £1,288m (2002: £1,397m). The £109m decrease in net assets principally reflects the company's share in the attributable profits of Reed Elsevier, less dividends paid and proposed and exchange translation effects.

### Dividends

The board is recommending a final dividend of 8.7p per ordinary share to be paid on 21 May 2004 to shareholders on the Register on 30 April 2004 which, when added to the interim dividend already paid on 5 September 2003 amounting to 3.3p per ordinary share, makes the total dividend for the year 12.0p (2002: 11.2p).

The total dividend on the ordinary shares for the financial year will amount to £152m (2002: £143m), leaving a retained profit of £17m (2002: loss £54m).

### Directors

The following served as directors during the year:

M Tabaksblat (Chairman)  
 CHL Davis (Chief Executive Officer)  
 MH Armour (Chief Financial Officer)  
 GJA van de Aast  
 JF Brock  
 MW Elliott (appointed 8 April 2003)  
 CJA van Lede (appointed 8 April 2003)  
 DJ Haank (resigned 18 June 2003)  
 RJ Nelissen (resigned 8 April 2003)  
 S Perrick (resigned 8 April 2003)  
 A Prozes  
 DE Reid (appointed 8 April 2003)  
 Lord Sharman of Redlynch OBE  
 RWH Stomberg (senior independent non-executive director)  
 P Tierney (appointed 8 April 2003)

Biographical details of the directors at the date of this Report are given on pages 10 and 11 of the Annual Review and Summary Financial Statements.

Messrs Tabaksblat, van de Aast and Stomberg and Lord Sharman will retire by rotation at the forthcoming Annual General Meeting. Being eligible, they will each offer themselves for re-election.

The notice period applicable to the service contracts of Mr van de Aast is set out in the Directors' Remuneration Report on page 31, Messrs Tabaksblat and Stomberg and Lord Sharman do not have service contracts.

Details of directors' remuneration and their interests in the share capital of the company are provided in the Directors' Remuneration Report on pages 29 to 38.

### Share capital

During the period 2,737,010 ordinary shares in the company were issued in connection with the following share option schemes:

932,994 under a UK SAYE share option scheme at prices between 336.20p and 543.20p per share.

1,804,016 under executive share option schemes at prices between 321.75p and 537.50p per share.

At 17 February 2004, the company had received notification of the following substantial interests in the company's issued ordinary share capital:

The Capital Group Companies, Inc 77,918,935 shares 6.13%  
 Legal & General Group plc 44,174,343 shares 3.47%  
 Oechsle International Advisors, LLC 42,907,149 shares 3.37%

At the 2003 Annual General Meeting a resolution was passed to extend the authority given to the company to purchase up to 10% of its ordinary shares by market purchase. At 31 December 2003, this authority remained unutilised. A resolution to further extend the authority is to be put to the 2004 Annual General Meeting.

### Charitable and political donations

Reed Elsevier companies made donations during the year for charitable purposes amounting to £1.3m of which £0.3m was in the United Kingdom. In the United States, Reed Elsevier companies contributed £49,000 to political parties. There were no donations made in the European Union for political purposes.

### 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 the group, and of the profit or loss for that period. In preparing those financial statements, the directors ensure that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used, and accounting standards have been followed.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the law.