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Group Profile

Taylor & Francis is a leading international Group of companies publishing specialist scientific, academic and professional journals and books. The Group's publications supply the undergraduate, post-graduate, academic and industrial research and professional markets. Publications cover a range of subjects including: bioscience, business and management, construction, education, engineering, the environment, humanities, medicine and healthcare, physical sciences, psychology, reference and social and political science. Publications are available in paper-based and electronic forms.

Highlights of 2001

	% Increase	2001 £'000	2000 £'000
Turnover	**+18**	**137,326**	**116,355**
Operating profit (before exceptional items and goodwill amortisation)	**+20**	**30,580**	**25,496**
Operating profit	**+12**	**22,296**	**19,925**
Pre-tax profit (before exceptional items and goodwill amortisation)	**+25**	**26,759**	**21,362**
Pre-tax profit	**+17**	**18,475**	**15,791**
Diluted earnings per share (before exceptional items and goodwill amortisation)	**+31**	**22.00p**	**16.75p**
Dividend per share	**+10**	**3.99p**	**3.63p**

- Turnover up 18% to £137.3 million
- Normalised operating profit up 20%* to £30.6 million, reflecting improvement in operating margins and successful integration of acquisitions
- Normalised pre tax profit up 25%* to £26.8 million
- Normalised diluted earnings per share up 31%* to 22.0p
- Dividend per share up 10% to 3.99p
- Normalised interest cover improved to 8.0 times* (6.2 times in 2000) – reflecting strong cash flow
- Publishing assets of the Gordon and Breach Publishing Group acquired 14 February 2001
- Curzon Press Limited acquired 5 December 2001
- Solid platform to drive further organic growth, with additional contribution from acquisitions made in 2001
- 2002 expected to be another successful year

* Excludes exceptional items and goodwill amortisation

Chairman's Statement

Once again I am able to report a robust financial performance from the Taylor & Francis Group. The business has continued to grow both organically, reflecting the quality of its portfolio, and through earnings enhancing acquisitions.

A notable feature of 2001 was the acquisition of the Gordon and Breach business ("G&B"), where we acquired a further 260 academic journals, a small books list and eight support offices. Our experience gained over many previous acquisitions facilitated the smooth integration of the G&B business into our own infrastructure and produced immediate financial benefits as demonstrated by its initial contribution to Group profits.

Directors and staff

An enormous strength of the Taylor & Francis Group is the depth of knowledge and professionalism of its staff. I offer my gratitude and congratulations to them, and those of the Board, in making 2001 another successful year and again rising to the challenges that have been put to them.

From our senior management team we have made the announcement of two retirements in recent months, with Stephen Neal having left on 31 October 2001 and our Chief Executive Tony Selvey retiring on 6 April 2002. Stephen was replaced by Jon Conibear, formerly Executive Director of Blackwell Science, who has already shown himself to be a valuable asset to the Group.

Tony Selvey has spent nearly 40 years with the Taylor & Francis Group and has made an outstanding contribution to the commercial success of the business. His leadership and standards have been an inspiration to the management team, and he leaves the Company in a strong position. Happily Tony will remain with the Group in a consulting capacity until 31 December 2002.

Our search for a new Chief Executive has brought us another first class talent, in the form of David Smith, who joins on 8 April 2002. An internationalist, a publisher, and a fine businessman, David has spent the last ten years with the Wolters Kluwer group, most recently as Chief Executive Officer of Wolters Kluwer's Legal, Tax and Business group in Europe, and previously as Chief Executive Officer of their European Education division. David has a reputation for strong leadership and for the effective integration of acquisitions.

Corporate Strategy

The Group's strategy, to grow through well planned organic development and selected earnings enhancing acquisitions, continues to be successful as demonstrated by these results. Good planning and the speedy integration of acquisitions to improve their portfolios, eliminate uncertainty and reduce duplicated costs underpin the success of this strategy. In a consolidating market, the acquisitions we have made have clearly benefited from being part of a larger Group.

Later this year the UK journals divisions will be transferring to new offices in Abingdon, Oxfordshire, in a move designed to improve infrastructure and produce efficiencies but also to provide room for further expansion. As a result of this move the Group will have a firm base from which to pursue further earnings enhancing acquisitions and provide improved services to our markets and authors.

The Group announced on 12 March 2002 an approach to the board and shareholders of Blackwell Publishing Limited with details of an offer which is subject to certain pre-conditions including financing and due diligence. Blackwell's publishing activities are highly complementary to those of Taylor & Francis and the Group will continue to pursue the opportunity as long as it remains in the interest of our shareholders to do so.

We continue to see the global Scientific, Technical and Medical (STM) market grow in size and consolidate in structure. Taylor & Francis remains well positioned to participate and benefit from this process.

Robert Kiernan
Chairman 20 March 2002

Chief Executive's Operating Review

Overview

I am particularly pleased to report another excellent set of financial results in my last full year as Chief Executive of the Taylor & Francis Group. We continued with our strategy of well-planned organic growth supported by earnings enhancing acquisitions in our core markets, which again underpinned our financial performance. During the year we made two significant acquisitions, G&B on 14 February 2001 and Curzon Press Limited ("Curzon") on 5 December 2001, both of which have already been successfully integrated into the Group. Curzon was acquired too late in the year to have a material impact on the 2001 results.

Results

Turnover increased 18% from £116.4 million to £137.3 million, including a £10.2 million contribution from G&B. The organic growth rate was over 9%, helped in part by exchange rates, which boosted turnover by £4.0 million compared to 2000. The Group receives approximately 55% of its turnover in US dollars and consequently the reported results are affected by the US dollar exchange rate which averaged $1.44:£1 in 2001 compared to $1.52:£1 in 2000, an effective increase of 3%. Excluding exchange effects and the impact of acquisitions, the Group's like for like turnover growth was a solid 6%.

The Group's journals continued to perform robustly with turnover growing by 33% from £47.9 million to £63.7 million, an increase of £15.8 million. Like for like (excluding acquisitions and exchange effects) journal turnover increased by over 10%. Book turnover increased by 7%, (£5.1 million) to £73.6 million. Like for like growth in books of 3% was affected by a reduction in turnover of the subsidiary Martin Dunitz Limited, caused by the loss of two key managers and the early termination of the business' North American distribution arrangements by the incumbent third party distributors. Both of these issues have been resolved and are not expected to impact the business in 2002. Excluding Martin Dunitz Limited, the underlying growth in books turnover was just under 6%.

Group operating profit before exceptional items and goodwill amortisation increased 20% from £25.5 million to £30.6 million, with G&B contributing £1.4 million. The operating margin before goodwill amortisation and exceptional items was 22.3%, compared to 21.9% in 2000. Excluding G&B, the operating margin before goodwill amortisation and exceptional items increased to 22.9%. The Group continuously seeks to grow margins from acquired and existing business by achieving efficiencies through the elimination of duplicated overheads and through economies of scale.

Exceptional costs of £1.0 million (2000: £0.2 million) have been incurred in the re-organisation of G&B. The integration of this business has been completed, resulting in the closure of the acquired offices in France, Holland, India, Malaysia, Singapore, Newark in the US, and London in the UK. The G&B Reading office in the UK will be closed in May 2002 as part of the centralisation of our UK journal publishing in Oxfordshire. The experience gained in integrating previous acquisitions into our well established infrastructure has facilitated the smooth integration of G&B.

Goodwill amortisation increased from £5.4 million to £7.3 million in the year, principally due to the additional goodwill arising on the acquisition of the Gordon and Breach business and exchange effects, as a material proportion of acquired goodwill is denominated in US dollars.

After exceptional costs of £1.0 million and goodwill amortisation of £7.3 million, operating profit was up by 12%, to £22.3 million (2000: £19.9 million).

Despite net cash expenditure of £18.7 million on acquisitions, principally on G&B, normalised net interest cover has increased to 8.0 times, compared to 6.2 times in 2000. Even though net interest payable reflects additional borrowings used to finance acquisitions, overall interest costs have reduced compared to the same period last year due to strong cash flow and a general reduction in market rates of interest.

Pre-tax profit before exceptional items and goodwill amortisation increased by 25%, to £26.8 million (2000: £21.4 million).

The effective tax rate of 41.0% (2000: 43.6%) is distorted by goodwill amortisation for which tax relief is only partially available.

The Board has recommended a final dividend of 2.67p (2.43p in 2000) per ordinary share, making a total dividend for the year of 3.99p, an increase of 10% on 2000 (3.63p). The final dividend will be paid on 14 June 2002 to ordinary shareholders registered as of 5 April 2002.

Diluted earnings per share before exceptional items and goodwill amortisation increased 31% to 22.00p per ordinary share compared to 16.75p in 2000.

Balance Sheet

After amortisation of £7.3 million, goodwill increased by £18.3 million, of which £21.5 million related to provisional goodwill in respect of the acquisition of G&B.

Stocks increased by £3.3 million compared to 2000 due to exchange effects, acquisitions and normal working capital requirements. Debtors rose by £5.6 million, also due to exchange effects and acquisitions. In addition £2.0 million of 2002 editorial costs were paid in advance as at 31 December 2001.

Net debt increased by only £1.7 million, to £38.7 million, despite spending £18.7 million on acquisitions, reflecting strong cash flow from operations. The £22.6 million ($32.8 million) gross consideration for the G&B business was satisfied by cash payments of £16.7 million ($24.3 million) and the assumption of £5.9 million ($8.6 million) of deferred income liabilities. The strength of the Group's cashflow is such that G&B was acquired under an extended revolving credit facility rather than through a term loan.

Deferred income, which represents cash received in advance of publication of journal issues, was up 45% (£13.6 million) to £43.7 million compared to £30.1 million in 2000. Of this increase £6.3 million relates to G&B and the balance, excluding exchange effects, represents an encouraging 22% increase in respect of the rest of the Group's journal portfolio, although part of this large increase was due to a major subscription agent paying earlier than in the previous period. Deferred income is recognised as turnover when journal issues are published.

Publishing

The journals division continued to perform strongly with turnover up 33% and renewal rates in excess of 95%. Twelve new journals were launched and a further 263 journals were added as part of the acquisitions made during the year.

The books division had a satisfactory year with turnover up 7%. The division published 1,788 new titles, compared with 1,781 titles published in 2000. The historic seasonality of book publishing was evident with 1,061 new titles published in the second half of the year (2000: 1,034) compared to 727 in the first half (2000: 747).

In 2002 the Taylor & Francis Group will publish 761 journal titles and around 1,800 new book titles, adding to its growing back-list of over 20,000 book titles.

Taylor & Francis has for the second time in three years been voted Academic Publisher of the Year by the Academic, Professional and Specialist Group of The Booksellers Association. The award reflects well on our staff who continue to provide a quality and professional service to our customers.

Electronic Initiatives

SARA

One of our main electronic publishing initiatives SARA, the Scholarly Article Research Alerting service, continues to be very popular amongst the academic community, showing continued growth in the number of registered subscriptions to this online service for journal customers. Registrations have increased to over 235,000, from around 140,000 at the same time last year. This level of interest from the academic community is a reflection of the quality of the Taylor & Francis publications and shows the value of SARA as a promotional tool.

e-Books

The Group's e-book strategy remains firmly on course and in June 2001 the e-books service (www.ebookstore.tandf.co.uk) was formally launched. Versaware Inc. was initially selected as the technology partner in this venture but during 2001 Digital Publishing Solutions Limited took over the digitisation process. Over 1,500 book titles are currently available online through the Group's electronic bookstore. Revenue continues to be generated from this exciting venture, although at this early stage the income levels are small. In the short term e-books are not expected to generate a significant income stream and the number of titles that will be made available has been limited to around 3,000 selected titles by the end of 2002.

Arenas

Since their launch at the end of 2000 we have experienced considerable activity and interest in our Arena facilities which now attract 50,000 user sessions per month. These facilities are a cost effective method of providing academic resource centres and are a valuable promotional tool.

The Group has the ability to disseminate its content in various forms ranging from whole publications through to individual articles. We continue to monitor the market and respond appropriately to demand and trends. Our response to technological developments remains flexible and cost effective and we continue to engage with technology partners where we see suitable opportunities.

Acquisitions

As noted above, on 14 February 2001 the Group purchased certain publishing assets of the Gordon and Breach Publishing Group for £22.6 million ($32.8 million) financed through an increase in our revolving credit facility. This acquisition added 260 journals and a small number of book titles to our growing portfolio of publications, together with eight offices in locations throughout the world.

We adopted a two-stage strategy to integrate and improve the profitability of this business. The first step was to identify and eliminate duplicated overheads in the enlarged business in order to improve efficiencies. To achieve the necessary efficiencies, we closed six of the acquired offices and transferred their operations to existing Taylor & Francis offices. The remaining G&B office in Reading in the UK and a small G&B office in Berlin, Germany will be closed in May 2002.

The second step was to identify and then discontinue those journal titles which did not match our own stringent publishing requirements whilst bringing the remainder of the publishing programme up to date and on an annual basis. As a result we have ceased to publish 80 of the journal titles acquired with the G&B business, from 2002 onwards. As part of our review we also reduced the prices of a number of G&B journals.

The business has been integrated according to plan and has performed in-line with our expectations. G&B contributed £10.2 million to turnover and £1.4 million to operating profits in its first period of ownership and was immediately earnings enhancing (excluding goodwill amortisation). The success of the integration is reflected in strong 2002 renewal rates for the continuing G&B journals and the positive support received from the academic community for the re-established publishing programme.

The Group also completed a number of smaller acquisitions during the period including Curzon Press Limited on 5 December 2001. Curzon publishes books and journals in the Social Sciences, particularly Asian Studies, and was acquired for £1.37 million, financed through cash and loan notes. This business has been rapidly integrated, with the staff transferred to our central London office and the publications combined with our own Asian Studies list, now under the RoutledgeCurzon imprint. The business was acquired too late in the year to make a material contribution to Group profits.

Board Changes

As previously reported Stephen Neal retired on 31 October 2001. We were pleased to announce the appointment of Mr Jon Conibear as his successor who joined us on 1 November 2001. Jon, who was previously an Executive Director of Blackwell Science, brings valuable publishing experience to Taylor & Francis.

I will be retiring on 6 April 2002 after nearly forty years with the Group and twenty years as Chief Executive. I will be replaced by David Smith who has 30 years of publishing experience, including ten years with Wolters Kluwer in senior management positions.

Development of centralised publishing activities

As part of the ongoing process of improving the efficiency of its operations, Taylor & Francis is undertaking a restructuring of its UK journal business. In May 2002 all UK journal publishing activities will be relocated and centralised in Abingdon, Oxford in a new self contained building close to direct main London line rail services and the M4 motorway. The relocation will involve the movement of 150 UK staff in two phases and is expected to be completed by July 2002. The new building also has sufficient room for further expansion. As a result, the G&B office in Reading will be closed and redundant premises in Reading and Abingdon will be sublet or disposed of.

In 2002 there will be redundancy, relocation and reorganisation costs of around £750,000 associated with this centralisation and there may be further costs in 2002 of up to £750,000 associated with relinquishing or assigning redundant leases.

During April and May 2002 our third party US book warehousing facility in Kentucky will be transferred to a new warehouse location, also in Kentucky. We do not anticipate any exceptional costs associated with this move.

While these changes may lead to a disruption of some of our book distribution schedules or journal publishing activities around 30 June 2002, we do not anticipate that they will affect the overall results for 2002 as any temporary delays to book shipments will be made up before 31 December 2002 and journal income is received in advance and recognised as turnover upon publication.

Derivatives and Other Financial Instruments

The Group's financial instruments, other than derivatives, comprise borrowings, long-term loans, cash and liquid resources and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters from time to time into appropriate derivatives transactions, principally interest rate swaps and forward foreign currency contracts. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Liquidity and interest rate risk

The Group's policy is to finance its operations by a mixture of retained profits, bank borrowings and long-term loans.

As at 31 December 2000 the Group had in place bank-syndicated loan facilities consisting of a £38.7 million term loan, repayable in instalments over five years to 31 December 2003, and a £20 million revolving credit facility. Both facilities can be drawn in either sterling or US dollars or a combination thereof.

In connection with the acquisition of the assets of the Gordon and Breach Publishing Group, the revolving credit facility was increased by £20 million, to £40 million, in February 2001. Following a scheduled repayment of £10.5 million, on 31 December 2001 the term loan facility was reduced to £28.2 million.

As at 31 December 2001 the Group's net debt was £38.7 million compared to £37.0 million at 31 December 2000. The increase of £1.7 million results mainly from the financing of acquisitions, net of cash generated from operations.

The Group's policy is to minimise exposure to fluctuations in interest rates and to that end it has entered into interest rate swaps.

As regards liquidity, the directors continually review the maturity profile of the Group's borrowings in the light of acquisitions and other known events. Short term flexibility is achieved by revolving credit and overdraft facilities.

Foreign currency risk

The Group has significant long-term investments in overseas subsidiaries which operate primarily in the USA. Their revenues and expenses are denominated substantially in US dollars. In order to protect the Group's sterling balance sheet from movements in these currencies (principally US dollars) and the sterling exchange rate, the Group finances its net investment in these subsidiaries primarily by means of borrowings in their respective functional currencies.

Around 70 per cent of the Group's UK business' sales of annual journal subscriptions are to customers outside of the UK. These sales are priced and invoiced in US dollars. Substantially all other sales of the UK business, including book sales, are denominated in sterling. The UK business, apart from servicing US dollar denominated loans and the funding of US subsidiaries, has no material US dollar requirements. The Group's policy is to minimise the effect of fluctuations caused by currency movements with reference to pre-determined exchange rates and to substantially reduce the currency exposure on the projected net surplus of US dollar income over US dollar expenditure through the use of forward currency contracts. This exposure is determined after reviewing operational requirements for the period in which the exposure arises and is adjusted for acquisitions and other known events.

Current trading and prospects

Good journal renewal rates, an exciting book publishing schedule – including the publication of the fourth edition of the best selling textbook *Molecular Biology of the Cell* – and the ongoing efficiencies associated with the acquisitions made in 2001 make us confident that 2002 will be another successful year for the Group.

Taylor & Francis has a solid platform from which to drive further organic growth and with the integration of G&B and Curzon in hand, it is well placed to continue to participate where appropriate in the consolidation of the STM and academic publishing market.

I have enjoyed my time with the Group and have seen it transformed from a mainly printing based operation, with a small publishing portfolio, to a premier publishing group. This truly is an exciting time for the Group, which I believe is poised for the next step in its development as a public company. I am delighted we have managed to attract someone of the calibre of David Smith to take charge, and I know he is committed to the strategy we have pursued with success over the last twenty years. I have every confidence that David will enjoy the same support from all the staff that I did and will continue the success into the future.

I would like to end my report by thanking the Group's employees for their support and hard work, making 2001 another successful year. I am retiring from the business in the knowledge that the Group is well positioned to grow to the next level in its development as a major international publishing house.

Anthony R Selvey
Chief Executive 20 March 2002

Directors

Robert Kiernan (61), *Non-executive Chairman*+ o
Robert Kiernan joined the Board with effect from December 1998. He was previously Chairman of Routledge Publishing Holdings Limited which was acquired by Taylor & Francis in 1998. Prior to his position with Routledge Robert was Chief Executive Officer of Thomson Corporation Publishing.

Anthony R Selvey FCCA, CIMgt, FinstD, (57), *Chief Executive*
Anthony Selvey joined Taylor & Francis in 1963. He was appointed Finance Director in 1976 after qualifying as a Certified Accountant and became Managing Director in 1983. Anthony is responsible for the overall business development of the Group. He is retiring on 6 April 2002.

David Smith (52), *Chief Executive elect*
David Smith will replace Anthony Selvey as Chief Executive from 8 April 2002. During the past ten years David has held senior management positions at the international publishing and information group Wolters Kluwer and was Chief Executive of their European Education and Legal divisions.

Anthony M Foye BA, ACA, (39), *Group Finance Director and Company Secretary*
Anthony Foye joined Taylor & Francis in 1987 as Group Chief Accountant after qualifying as a Chartered Accountant with Haines Watts. He joined the Board as Company Secretary in May 1987 and was appointed Finance Director in July 1994. Anthony is responsible for the Group's finance functions and is Managing Director of Taylor & Francis Publishing Services Limited.

Roger G Horton (44), *Director*
Roger Horton joined the Board in 1994 with over 15 years of publishing experience. Roger is responsible at Group Board level for all book publishing activities and is Managing Director of Taylor & Francis Books Limited as well as being responsible for the Group's operations in South East Asia.

Jon Conibear (50), *Director*
Jon Conibear joined the Board on 1 November 2001, bringing with him over 25 years experience in academic publishing. He is responsible at Group Board level for all journal publishing activities and is Managing Director of Taylor & Francis Limited.

David J Banister BA, PhD, MCIT, MIL, FRSA, (51), *Non-executive Director*
David Banister has been a Non-executive Director of Taylor & Francis Group plc since 1990. He is Professor of Transport Planning at University College London and has authored or edited 16 books and written more than 200 papers for refereed journals and books.

Derek Mapp (51), *Non-executive Director*+ o
Derek Mapp joined the Board as Non-executive Director in 1998. He is Executive Chairman of Leapfrog Day Nurseries Limited and Chairman of the East Midlands Development Agency, as well as having a number of other private business interests. Derek was formerly Managing Director of Tom Cobleigh plc.

David Wallace CBE, FRS, FREng, FRSE, FinstP, FRSA, CEng, (56), *Non-executive Director*o
David Wallace was appointed as a Non-executive Director in 2000. He is Vice-Chancellor of Loughborough University and a director of UK e-Universities Worldwide Limited and also chairs the e-Science Steering Committee of the Office of Science and Technology.

Nicholas Berwin, MA (Hons), (44), *Non-executive Director*+
Nicholas Berwin joined the Board on 12 March 2001. Nicholas has broad experience in strategic and financial consulting having held positions with Morgan Grenfell & Company Limited/ Deutsche Morgan Grenfell and recently in his own consultancy business.

+ denotes member of Audit Committee

o denotes member of Remuneration Committee

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Registration Registered in England and Wales Number 2280993

Directors' Report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2001.

Principal Activities

The Group's principal activities are the publishing and distribution of scientific, technical, medical, social science and humanities journals and books. The Group's main objective is to continue to develop these activities on a worldwide basis, in support of the academic, scientific and professional communities and for the benefit of the Group's shareholders.

Business Review

The results for the year are summarised in the consolidated profit and loss account on page 25. A review of the Group's business and future prospects is dealt with in the Chairman's Statement and the Chief Executive's Operating Review.

Dividends

Trends in publishing require the Group to invest in new technology and products; reserves need to be built up to accommodate this. Your Board is recommending a final dividend of 2.67p per share, making a total of 3.99p per share, an increase of 10% on 2000. The final dividend will be payable to shareholders registered as at the close of business on 5 April 2002 and will be paid on 14 June 2002.

Directors

Details of directors who held office during the year ended 31 December 2001 and their interests in the issued share capital of the Company are set out in the Report of the Board to the Shareholders on Directors' Remuneration on pages 18 to 22. Resolutions will be submitted to the Annual General Meeting in accordance with the Articles of Association for the reappointment of four Directors.

Mr D Smith, who has been offered and has accepted a position as Director and Chief Executive with effect from 8 April 2002, retires under the provisions contained in the Articles of Association and, being eligible, offers himself for election by the shareholders. Mr J Conibear, who was appointed an Executive Director with effect from 1 November 2001, retires under the provisions contained in the Articles and, being eligible, offers himself for election by the shareholders. Mr R Kiernan and Mr A M Foye retire by rotation in accordance with the Articles and, being eligible, offer themselves for re-election. Brief biographical details of those Directors who are proposed for election or re-election appear on page 9. Mr A R Selvey will retire on 6 April 2002 and does not seek re-election.

Annual General Meeting

The Annual General Meeting will be held on 12 June 2002 and the notice is set out on page 52.

Charitable and Political Contributions

The Group made gifts during the year for charitable purposes of £670 (2000: £1,316). No political donations were made (2000: £nil).

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Substantial Shareholdings

As at 20 March 2002 the Company has been notified of the following interests, other than those held by the Directors, of 3% or more of the issued share capital of the Company:

	Number of shares	**% held**
The Royal Bank of Scotland Group plc	9,272,181	10.97%
Henderson Global Investors Limited and fellow subsidiaries	9,190,324	10.87%
FMR Corp and Fidelity International Limited and their subsidiaries	4,302,401	5.09%
3i Group plc	4,072,900	4.82%

Policy on Payment of Creditors

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 December 2001 and 2000 the Company had no trade creditors.

Employee Policies

The Group's employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, nationality, sex, religion, marital or disabled status. Full consideration is given to applications for employment, the continuing employment, training and career development of disabled persons.

During 2001 the Group again expanded the opportunities for staff to own shares in the Company through a number of share option schemes. Shares have again been allocated to UK staff during the year under the Save As You Earn scheme and, for the first time, under an equivalent US scheme. The Board intends to allocate further shares under both schemes during 2002.

Every effort is made to keep staff as fully informed as possible about the operations and prospects of the Group. Information on the activities of the Group and consultation with staff are provided regularly through various management communication channels, which include bulletins, notices, press releases and through meetings and presentations by senior management.

Environmental Policy

During 2000 the Board set up an Environmental Policy Committee, consisting of Mr R Kiernan and Mr D J Banister, to review policies and practices surrounding environmental issues throughout the Group. The objective is to provide Group-wide targets for key areas of environmental impact and to encourage initiatives to make the business more environmentally friendly. The Board has undertaken to review the environmental impact of its business periodically and update shareholders on major initiatives.

Products

The primary issue for the Group in relation to the impact of the business on the environment relates to the use of paper for our books and journals, of which 100% are now produced on acid (chlorine) free paper. The Group works with its printers throughout the world to ensure that water based biodegradable inks are used wherever possible. Targets have been set to improve the Group's environmental impact and we seek to reduce consumption of paper through, for example, electronic publishing, through reducing print runs and stock levels, through the replacement of colour wet-proofing with colour digital proofing and through converting backlist titles to electronic form.

Operations

The preferred method of internal communication within the Group is through the intranet and email, which reduces the amount of paper used in the business. All Group offices have established recycling and waste recovery (e.g. paper, toners, etc.) programmes and in 2001 Taylor & Francis was awarded Best Newcomer 2001 by Paper Round Limited for paper recycling initiatives in its London offices. Energy use is subject to regular reviews with the objective of improving procedures to reduce energy consumption and to source energy efficient technology such as 'low energy' computer display equipment. This is part of a Group wide policy of monitoring and improvement to ensure the Group moves towards reaching a "compliance plus" position.

Staff

On transport, staff are encouraged to use public transport. In the UK interest free loans are offered for annual season tickets for rail and bus travel. There is a limitation of 15 car parking spaces in our London office (none in New York or Philadelphia) for 317 staff. Additionally, the Group provides locked storage facilities and, where possible, facilities such as showers to encourage staff to cycle to work.

Social, Environmental and Ethical matters

During 2002 the Board will be reviewing, formalising and consolidating its policies on social, environmental and ethical (SEE) matters.

SEE matters have in the past been referred to the Board as part of regular operational and strategic reports it receives from the business units, the Executive Directors and through the formalised process of Risk Assessment. These issues are regularly discussed as part of the Board's review and reporting procedures and are given high prominence as having relevance to the image, reputation and ultimately valuation of the business.

By order of the Board

11 New Fetter Lane
London
EC4P 4EE

A M Foye
Secretary

20 March 2002

Corporate Governance

This section of the annual report describes how the Company has applied the Principles set out in Section 1 of the Combined Code for Corporate Governance issued by the Financial Services Authority (the "Code"). The Directors consider that throughout the year ended 31 December 2001 the Company fully complied with the provisions set out in Section 1 of that Code.

Statement of Appliance of Principles

The Code establishes fourteen Principles of Good Governance which are split into four main areas and are described in the sections below:

- Directors
- Directors' Remuneration
- Relations with Shareholders
- Accountability and Audit

Directors

The Company is controlled through the Board of Directors which, at 31 December 2001, comprised four executive and five non-executive directors. Their biographies appear on page 9. All of the non-executive Directors are considered independent by the Board and Mr D Mapp has been nominated by the Board as the Senior Independent Director.

The Chairman is mainly responsible for the running of the Board ensuring that all directors receive sufficient, relevant and timely information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities are concerned with co-ordinating the Group's business and implementing Group strategy. Major acquisitions and disposals require Board approval. The Board also considers environmental and employee issues and key appointments.

All directors are equally accountable for the proper stewardship of the Company's affairs. The non-executive directors have a particular responsibility for ensuring that the business strategies proposed are fully discussed and critically reviewed. This ensures the directors act in the best long-term interests of shareholders, whilst taking account of the interests of employees, customers, suppliers and the communities in which the businesses operate. The non-executive directors also test fully the operational performance of the whole Group.

All directors have full and timely access to all relevant information. Directors are also provided with the opportunity for training to ensure they are kept up to date on relevant new legislation and changing commercial risks. All directors are able to seek independent professional advice in the performance of their duties as directors if necessary.

All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

During 2001 eight scheduled Board meetings were held. Matters arising between scheduled board meetings which require Board approval are dealt with in ad-hoc meetings in which case non-executive directors are notified in advance of the matters to be discussed in the meeting.

The frequency of attendance at Board meetings during the year was as follows:

Board Meetings	Number of meetings attended during 2001 Scheduled	Ad Hoc
R Kiernan (Chair)	8	–
A R Selvey	8	9
A M Foye	8	6
R G Horton	8	5
J Conibear (appointed 1 November 2001)	2	–
D J Banister	8	–
D Mapp	7	–
D Wallace	7	–
N Berwin (appointed 12 March 2001)	6	–
S B Neal (resigned 31 October 2001)	6	2
H Baum (resigned 7 June 2001)	5	–

The Board has two standing committees, the Audit Committee and the Remuneration Committee, each of which operates within defined terms of reference. Each committee met three times during 2001. The membership of each committee and the frequency of attendance at committee meetings during the year were as follows:

Audit Committee	Number of meetings attended during 2001
D Mapp (Chair)	3
R Kiernan	3
N Berwin (appointed 12 March 2001)	1
H Baum (resigned 7 June 2001)	1

Remuneration Committee	Number of meetings attended during 2001
D Wallace (Chair)	3
R Kiernan	3
D Mapp	3

In addition, the Board has a Nominations Committee which meets from time to time to discuss Board structure and review any nominations. The committee consists of the Group Chairman, Chief Executive and two independent non-executive directors. A quorum consists of three members.

During 2001 the committee met to review the appointments of Mr N Berwin and Mr J Conibear and subsequently recommended their appointments. The committee also met during 2001 and early 2002 to consider the successor to Mr A R Selvey and subsequently recommended the proposed appointment of Mr D Smith.

Directors' Remuneration

The Remuneration Committee, under the current chairmanship of Professor D Wallace, measures the performance of the executive directors before recommending their annual remuneration, bonus awards and awards of share options to the Board for final determination. The remuneration of the non-executive directors is recommended by Professor Wallace and also takes account of the time spent on Board matters. The final determinations are made and approved by the Board as a whole. The Committee consults the Chief Executive about its proposals and has access to professional advice from inside and outside the Company.

The Report of the Board to the Shareholders on Directors' Remuneration is set out on pages 18 to 22 and includes details of directors' incentive payments and the related performance criteria. Having considered the matter, the Board has decided this year to seek shareholder approval for the Report.

Relations with Shareholders

The Company encourages two way communication with both its institutional and private investors and responds appropriately to all queries received orally or in writing. The Chief Executive, Mr A R Selvey and the Group Finance Director, Mr A M Foye, attended more than 70 meetings with analysts and institutional shareholders and the trade and financial press in the year ended 31 December 2001. All shareholders have at least twenty working days' notice of the Annual General Meeting at which all directors are available for questions.

Accountability and Audit

Internal Control and Risk Management

The Board is responsible for the Group's system of internal controls and for reviewing the effectiveness of these systems. Such systems can provide only reasonable but not absolute assurance against material misstatement or loss as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Board confirms that the effectiveness of the system of internal controls for the year ended 31 December 2001 and the period up to 20 March 2002 has been reviewed in line with the criteria set out in *Internal Control: Guidance for Directors on the Combined Code* ('The Turnbull Report') published in September 1999. In carrying out this review the Board takes account of material developments through reports by the Group Finance Director, the Audit Committee and the Risk Assessment Committee and this is explained further below.

The Group has operated under an established internal control framework which can be described under five headings:

Financial reporting

The Group has a comprehensive system for reporting financial results to the Board; each operating unit prepares monthly results with a comparison against budget. The Board reviews these for the Group as a whole and determines any appropriate action. Toward the end of each financial year the operating units prepare detailed budgets for the following year which are consolidated and presented to the Board for review before being formally adopted. Forecasts are updated at least three times during the year.

Quality and integrity of personnel

One of the key requirements of an effective system of internal control is the integrity of personnel. The Group has policies on personnel selection which utilise procedures (including the follow up of references) to ensure that staff of suitable calibre and integrity are employed.

Operating unit financial controls

The executive directors have defined the financial controls and procedures with which each operating unit is required to comply. Compliance with these procedures is regularly reviewed by senior management.

Computer systems

Much of the Group's financial and management information is processed by and stored on computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. Also, the Group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of the Group's own data processing facilities.

Risk Management

The Board has a formalised internal risk assessment procedure in relation to Code Provision D2.1. As part of the process the Board identified and agreed key 'high level' risks which affect the Group, the acceptable level of such risks and the controls and reporting procedures. These risks are summarized on a Risk Analysis Document and this has been communicated in an appropriate form to each of the Group's business units. The Group operates an ongoing process to identify and evaluate significant risks affecting the business. Managers throughout the Group are encouraged to notify an Executive Board member if they become aware of any major factors that may adversely affect the business either from a control view point or from factors in the wider business environment. Any such matters are then immediately referred to the Group Finance Director who notes these into the Risk Register which is maintained at head office.

Managers are also formally required, twice each year, to re-evaluate and report on the business environment and any risks that may be present. All urgent issues are dealt with either immediately or referred to a standing Risk Assessment Committee consisting of the Chief Executive (Chair) and the three other Group Executive Directors. In any event the Risk Assessment Committee meets twice a year to review progress on issues identified in the Risk Register and to consider the major risk categories identified in relation to the business and the Risk Register. In the review process the Risk Assessment Committee considers contributing factors and recommends appropriate early warning systems and actions.

Audit Committee and Auditors

The Audit Committee, comprising of three independent non-executive directors, has specific terms of reference which deal with its authority and duties and comply with the Code. It meets at least twice a year with the external auditors attending. The Committee's duties include the review of the Group's accounting policies, financial reporting procedures, audit fees (including remuneration received by auditors for non-audit work) and the Group's internal controls, including a review of the Risk Register and the Risk Analysis Document. Part of each meeting of the Audit Committee is held between the non-executive directors and the external auditors in private.

Internal Audit

The Board has considered the need to introduce a Group internal audit function but has decided that the current control mechanisms are appropriate in the context of the size and complexity of the Group. The Board continues to review this decision.

Going Concern Basis

The directors are responsible for preparing the financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business. After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. This statement also forms part of the Chief Executive's Operating Review.

Report of the Board to the Shareholders on Directors' Remuneration

The Remuneration Committee comprises three non-executive directors, as listed on page 15, under the chairmanship of Professor D Wallace.

Remuneration Policy

The Group's policy on remuneration is to provide a package of benefits, including salary and performance related bonuses, which are competitive in the market and which reward success appropriately. The Remuneration Committee considers the remuneration of the Group's executive directors and their recommendations are approved by the Board as a whole.

The main elements of the remuneration package for executive directors are summarised below.

Basic Salary

This is reviewed annually and determined by the Board, having regard to individual performance and responsibility. External market factors are taken into account as appropriate.

Annual Performance Related Bonus Scheme

The Group operates a bonus scheme in which Executive Directors participate. The level of potential bonus is expressed as a percentage of basic salary with Executive Directors receiving up to 40 per cent of basic salary subject to the achievement of financial targets on a sliding scale for turnover, operating profitability and earnings per share. The targets are set at the beginning of the year by the Remuneration Committee and, if appropriate, adjusted to take account of acquisitions made during the period. For 2001, the maximum bonus payable for achievement of each of the financial targets, as a percentage of basic salary, was as follows:

Turnover	–	13%
Operating profitability	–	15%
Earnings per share	–	12%

The actual total bonus awarded for 2001 was 32%.

Awards under the bonus scheme are non-pensionable.

Share Incentives

The Board considers that it is in the best interests of shareholders for executive directors, senior management and other employees with the Group to have an interest in the shares of the Company. Grants of share options are, therefore, considered upon executives joining the Group and periodically thereafter by reference to their position within the Group, their performance and the status of options currently outstanding. Options, incorporating performance criteria, were granted to the executive directors as shown on page 20, and certain senior staff during the year. No non executive directors were allocated options in the period.

Pension Benefits

Executive directors and employees of certain UK subsidiaries were eligible up until 8 March 2002 (when the scheme was closed to new entrants) to join the Taylor & Francis Limited Group Pension and Life Assurance Scheme. This is a defined benefit scheme which, subject to Inland Revenue limits and length of service, provides a pension of up to two-thirds of final salary (excluding benefits) at the age of 63. Mr A R Selvey is entitled to a pension of up to two-thirds of final salary from the age of 60.

Service Contracts

At 31 December 2001 the four executive directors had service contracts of one year's duration under which twelve months' notice must be given by the Company or by the director. The appointments of non-executive directors are at the will of the parties but are envisaged to last for three years, following which they are reviewed annually.

Directors' Interests

The directors who held office at 31 December 2001 had the following interests in the issued share capital of the Company:

	At 31 December 2001 Ordinary Shares		At 31 December 2000* Ordinary Shares	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R Kiernan	184,993	356,162	184,993	356,162
A R Selvey	221,497	–	221,497	–
A M Foye	44,081	–	96,881	–
R G Horton	239,054	–	1,554	–
J Conibear	–	–	–	–
D J Banister	1,355,772	5,578,400	1,405,772	6,578,400
D Mapp	17,016	–	17,016	–
D Wallace	1,500	–	500	–
N Berwin	–	–	–	–

* Or date of appointment if later

In addition to the beneficial interests in shares in the Company as noted above, the executive directors of the Company (Messrs Selvey, Foye, Horton and Conibear) are for the purposes of the Companies Act 1985 regarded as interested in the 562,500 Ordinary Shares which Ogier Employee Benefit Trustee Limited as trustee of the Taylor & Francis Group 1997 Employee Benefit Trust holds. All Taylor & Francis Group employees (including executive directors) are potential beneficiaries under this trust.

The figures for Mr D J Banister exclude 8,086,000 Ordinary Shares held as trustees by Coutts & Co (included in the interests of The Royal Bank of Scotland Group plc shown on page 11) and Mr S M A Banister, a connected party of Mr D J Banister.

None of the directors had any beneficial interests in the shares of other Group companies.

Set out below are the options to acquire shares in Taylor & Francis Group plc, held by the directors. No performance criteria are attached to options granted prior to 2001. The performance criteria attached to options granted during 2001 are summarized below.

Directors' Share Options

The interests of directors in share options are as follows:

	At 31 December 2000	Granted	Lapsed	Exercised	Exercise price (p)	Market price at date of exercise (p)	At 31 December 2001	Exercise period
A R Selvey	985,750	–	–	(985,750)	7.33	575.0	–	29.03.99 to 28.03.06
	183,000	–	–	–	13.33	–	183,000	06.11.00 to 05.11.07
	567,000	–	–	–	13.33	–	567,000	06.11.00 to 05.11.04
	–	17,094	–	–	585.0	–	17,094[1]	26.04.04 to 25.04.11
	–	17,094	–	–	585.0	–	17,094[2]	26.04.04 to 25.04.11
	–	34,188	–	–	585.0	–	34,188[3]	26.04.04 to 25.04.11
	1,735,750	68,376	–	(985,750)			818,376	
A M Foye	31,200	–	–	(31,200)	13.33	575.0	–	06.11.00 to 05.11.07
	493,800	–	–	(266,000)	13.33	575.0	227,800	06.11.00 to 05.11.04
	–	11,111	–	–	585.0	–	11,111[1]	26.04.04 to 25.04.11
	–	11,111	–	–	585.0	–	11,111[2]	26.04.04 to 25.04.11
	–	22,222	–	–	585.0	–	22,222[3]	26.04.04 to 25.04.11
	525,000	44,444	–	(297,200)			272,244	
R G Horton	225,000	–	–	(225,000)	13.33	572.5	–	06.11.00 to 05.11.07
	112,500	–	–	(112,500)	13.33	575.0	–	06.11.00 to 05.11.04
	–	9,402	–	–	585.0	–	9,402[1]	26.04.04 to 25.04.11
	–	9,402	–	–	585.0	–	9,402[2]	26.04.04 to 25.04.11
	–	18,803	–	–	585.0	–	18,803[3]	26.04.04 to 25.04.11
	337,500	37,607	–	(337,500)			37,607	
J Conibear	–	11,764	–	–	510.0	–	11,764[1]	01.11.04 to 31.10.11
	–	11,765	–	–	510.0	–	11,765[2]	01.11.04 to 31.10.11
	–	23,529	–	–	510.0	–	23,529[3]	01.11.04 to 31.10.11
	–	47,058	–	–			47,058	
S B Neal	288,600	–	–	(288,600)	7.33	575.0	–	29.03.99 to 28.03.06
	191,400	–	–	–	13.33	–	191,400	06.11.00 to 05.11.07
	333,600	–	–	(211,400)	13.33	575.0	122,200	06.11.00 to 05.11.04
	–	11,026	(11,026)	–	585.0	–	–[1]	26.04.04 to 25.04.11
	–	11,026	(11,026)	–	585.0	–	–[2]	26.04.04 to 25.04.11
	–	22,051	(22,051)	–	585.0	–	–[3]	26.04.04 to 25.04.11
	813,600	44,103	(44,103)	(500,000)			313,600	

1 Options vest if earnings per share growth, excluding exceptional items, goodwill amortisation and inflation ("normalised, inflation-adjusted earnings per share growth") is at least 3% per year in each of the three years ending 31 December 2003.

2 Options vest if normalised, inflation-adjusted earnings per share growth is at least 10% per year in each of the three years ending 31 December 2003.

3 25% of options vest if normalised, inflation-adjusted earnings per share growth was at least 13% in the year ended 31 December 2001. A further 25% of options vest if normalised, inflation-adjusted earnings per share growth reached 15% in 2001 and a further 50% of options vest if normalised, inflation-adjusted earnings per share growth reached 17% in 2001. Actual normalised, inflation-adjusted earnings per share growth in the year ended 31 December 2001 was 28% and hence 100% of these options are vested.

The market price at 31 December 2001 was 574.0p and the range during the year was 497.5p to 631.0p. The average market price during the year was 572.7p.

No notification has been received of any change in directors' share interests from 31 December 2001 to the date of this report.

Directors' Remuneration

	2001 £'000	2000 £'000
Fees & salaries (including benefits in kind)	677	627
Annual bonus	141	62
	818	689

Terms of the annual performance related bonus scheme are summarised on page 18.

a. Directors' Emoluments

	Salary £'000	Fees £'000	Bonus accrued £'000	Benefits in kind £'000	Total 2001 £'000	Total 2000 £'000
Executive Directors						
A R Selvey	200	–	64	1	265	205
A M Foye	130	–	42	1	173	130
R G Horton	110	–	35	1	146	112
J Conibear (appointed 1 November 2001)	20	–	–	–	20	–
S B Neal (resigned 31 October 2001)	101	–	–	2	103	140
	561	–	141	5	707	587
Non-Executive Directors						
R Kiernan	–	37	–	–	37	33
D J Banister	–	17	–	–	17	16
D Mapp	–	18	–	–	18	16
D Wallace	–	18	–	–	18	12
N Berwin (appointed 12 March 2001)	–	14	–	–	14	–
H Baum (resigned 7 June 2001)	–	7	–	–	7	16
E Ferguson	–	–	–	–	–	9
	561	111	141	5	818	689

Mr A R Selvey is the highest paid director.

The aggregate gain made by the executive directors on the exercise of share options during the year was £11,981,000, calculated by reference to the closing mid-market share price on the date of exercise.

b. Directors' Pension Entitlements

The following directors have accrued entitlements under the final salary scheme described on page 18 as follows:

	Increase in accrued pension (excluding inflation) £'000	Accrued pension 31 December 2001 £'000	Age at year end	Normal retirement age	Spouse/ dependant benefits
Executive Directors					
A R Selvey	2	123	57	60	67%
A M Foye	8	31	39	63	50%
R G Horton	4	13	44	63	50%
J Conibear	–	–	50	63	50%
S B Neal (resigned 31 October 2001)	7	23	56	63	50%

The accrued pension shown is that which would be paid annually on retirement based on service to 31 December 2001. The figure for Mr S B Neal has been calculated as of his date of early retirement, 31 October 2001.

Members of the scheme may take a proportion of the total pension as a lump sum payment calculated in accordance with the scheme rules. Members of the scheme also have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table. Members can retire early subject to penalty. After retirement, the pensions of the scheme members will increase by the lower of the increase in the Retail Price Index or 5% p.a.

D Wallace
Director 20 March 2002

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors consider that they have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- followed applicable United Kingdom accounting standards.

The directors are responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for the Group's system of internal financial controls, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

Independent Auditors' Report to the Members of Taylor & Francis Group plc

We have audited the financial statements of Taylor & Francis Group plc for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, the statement of total recognised gains and losses and the related notes 1 – 34. The financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section and 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 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 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and
Registered Auditors

Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA

20 March 2002

Consolidated Profit and Loss Account

For the Year Ended 31 December 2001

	Note	2001 Before goodwill amortisation and exceptional items £'000	2001 Goodwill amortisation and exceptional items £'000	2001 Total £'000	2000 Total £'000
Turnover					
Continuing operations		127,112	–	127,112	116,355
Acquisitions		10,214	–	10,214	–
Total turnover	2	137,326	–	137,326	116,355
Net operating costs					
Operating costs before goodwill amortisation	3,5	(106,746)	(1,034)	(107,780)	(91,054)
Goodwill amortisation	11	–	(7,250)	(7,250)	(5,376)
Total net operating costs		(106,746)	(8,284)	(115,030)	(96,430)
Operating profit					
Continuing operations		29,135	(6,291)	22,844	19,925
Acquisitions		1,445	(1,993)	(548)	–
Total operating profit	3	30,580	(8,284)	22,296	19,925
Interest receivable and similar income	6			218	297
Interest payable and similar charges	7			(4,039)	(4,431)
Profit on ordinary activities before taxation				18,475	15,791
Tax on profit on ordinary activities	8			(7,579)	(6,890)
Profit on ordinary activities after taxation				10,896	8,901
Dividends	9			(3,341)	(2,975)
Profit for the financial year transferred to reserves				7,555	5,926
Earnings per ordinary share					
Diluted (normalised) (p)	10			22.00	16.75
Diluted (p)	10			12.70	10.35
Basic (p)	10			13.09	11.05

Consolidated Statement of Total Recognised Gains and Losses

For the Year Ended 31 December 2001

	2001 £'000	2000 £'000
Profit attributable to shareholders	10,896	8,901
Currency translation differences on foreign currency net investments	373	1,069
Total recognised gains and losses relating to the period	11,269	9,970

Group and Company Balance Sheets

At 31 December 2001

	Note	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Fixed assets					
Intangible assets	11	119,466	101,172	–	–
Tangible assets	12	3,415	3,560	–	–
Investments	13	–	–	96,633	95,928
		122,881	104,732	96,633	95,928
Current assets					
Stocks	14	28,835	25,492	–	–
Debtors	15	34,523	28,888	21,138	77,679
Investments	16	5,501	18,679	4,147	14,726
Cash at bank and in hand		8,163	2,433	920	824
		77,022	75,492	26,205	93,229
Creditors: amounts falling due within one year	17(a)	(67,708)	(56,150)	(34,689)	(88,074)
Net current assets/(liabilities)		9,314	19,342	(8,484)	5,155
Total assets less current liabilities		132,195	124,074	88,149	101,083
Creditors: amounts falling due after more than one year	17(b)	(16,514)	(30,166)	(16,514)	(30,166)
Provisions for liabilities and charges	18	(396)	(343)	–	–
Deferred income	20	(43,682)	(30,104)	–	–
		71,603	63,461	71,635	70,917
Capital and reserves					
Called up share capital	21	4,227	4,118	4,227	4,118
Share premium account	22	43,989	43,884	43,989	43,884
Reserve for own shares	23	2,111	2,111	2,111	2,111
Profit and loss account	24	21,276	13,348	21,308	20,804
Equity shareholders' funds		71,603	63,461	71,635	70,917

These financial statements were approved by the board of directors on 20 March 2002 and were signed on its behalf by:

A R Selvey
Director

R Kiernan
Director

Consolidated Cashflow Statement

For the Year Ended 31 December 2001

	Note	2001 £'000	2000 £'000
Net cash inflow from operating activities	26	32,234	24,730
Returns on investments and servicing of finance			
Interest received		187	268
Interest paid		(4,707)	(4,239)
Net cash outflow from returns on investments and servicing of finance		(4,520)	(3,971)
Taxation			
Corporation tax paid		(5,317)	(4,338)
Overseas taxes paid		(18)	(544)
Tax paid		(5,335)	(4,882)
Capital expenditure and financial investment			
Purchase of publishing goodwill	11	(459)	(909)
Tangible fixed assets acquired	12	(1,154)	(1,522)
Tangible fixed assets sold		51	1,062
Net cash outflow from investing activities		(1,562)	(1,369)
Acquisitions			
Purchase of businesses/subsidiary undertakings (net of cash and overdrafts acquired)	34	(18,688)	(2,167)
Net cash outflow from acquisitions		(18,688)	(2,167)
Equity dividends paid		(3,078)	(2,732)
Net cash (outflow)/inflow before use of liquid resources and financing		(949)	9,609
Management of liquid resources	28	13,178	(729)
Financing			
Net loans repaid		(8,943)	(8,468)
Proceeds (net) from share issues		214	414
Net cash outflow from financing		(8,729)	(8,054)
Increase in cash	27	3,500	826

Notes to the Accounts

For the Year Ended 31 December 2001

1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below and have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of Preparation

The financial statements have been prepared under the historical cost convention. Certain comparative information has been restated to reflect consistent presentation with the current year.

Basis of Consolidation

The consolidated financial statements incorporate the accounts of the Company and all of its subsidiaries. The results of subsidiaries acquired are included in the consolidated financial statements under the acquisition method from the date of acquisition and those disposed of up to the date of disposal.

Profit of Parent Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent Company's profit for the financial year amounted to £3,845,000 (2000: £10,371,000).

Intangible Fixed Assets

Publishing goodwill, comprising intellectual property rights on individual titles acquired, is valued at cost less provision for impairment and is written off on a straight line basis over 20 years.

Goodwill arising on the acquisition of subsidiary companies and businesses is calculated as the excess of the purchase consideration over the fair value of the net identifiable assets and liabilities acquired and is then written off over its estimated useful life (normally 20 years) on a straight line basis. The Board carries out a full impairment review on each acquired subsidiary or business after the first full year following its acquisition or where a change in circumstances warrants a further review.

Tangible Fixed Assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold property	–	80 years
Leasehold property	–	over the remaining term of lease
Plant and machinery	–	3 to 15 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value. Investments held by the Company in subsidiaries denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials and direct labour appropriate to the relevant stage of production. Net realisable value is based on estimated sales price less all further costs to completion and all relevant marketing, selling and distribution costs.

Foreign Currencies

Unhedged monetary assets and liabilities of UK companies denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling in the period in which the amounts are transacted, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. Exchange adjustments arising from the translation of the opening net investment in the Group's foreign subsidiaries are taken to reserves as are exchange adjustments arising on the translation of foreign currency borrowings used to fund the acquisition of foreign subsidiaries, to the extent that they can be matched with exchange adjustments in the relevant net equity investment. All other exchange differences are reflected in the profit and loss account.

Operating Leases

Rental charges under operating leases are charged to the profit and loss account in equal amounts over the lease term.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made or an asset is recognised for deferred tax only to the extent that it is probable that an actual liability or benefit will crystallise, calculated at the rates at which it is expected that tax will arise or be relieved.

Pension Costs

The Group operates five main pension schemes.

In the UK the Group operates four schemes. The first provides benefits based on final pensionable pay (the "Final Salary Scheme") and the other three provide benefits on the basis of contributions made. The assets of the schemes are held separately from those of the Group, being invested with insurance companies. Contributions to the Final Salary Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. Contributions to the remaining three schemes are charged to the profit and loss account in the period in which they are payable.

In the US the Group also operates a pension scheme, the benefits of which are based on contributions made. Contributions to the scheme are charged to the profit and loss account in the period in which they are payable.

Financial Instruments

Derivative instruments utilised by the Group are interest rate swaps and forward foreign exchange contracts. The Group does not enter into speculative derivative contracts. All derivative instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Termination payments made or received are spread over the life of the underlying exposure in cases where the underlying exposure continues to exist. In other cases termination payments are taken to the profit and loss account.

2 Analysis of Turnover

Geographical analysis of turnover by destination	2001 £'000	2000 £'000
United Kingdom	27,188	25,838
North America	60,728	48,211
Western Europe	20,697	19,760
Rest of the world	28,713	22,546
	137,326	116,355

The above analysis shows turnover by geographical location of the customer or agent through whom orders are placed.

Geographical analysis of turnover by origin	2001 £'000	2000 £'000
United Kingdom	104,520	88,270
United States of America	26,770	22,620
Western Europe	6,036	5,465
	137,326	116,355

Analysis of turnover by class of business	2001 £'000	2000 £'000
Journals	63,739	47,883
Books	73,587	68,472
	137,326	116,355

The directors have not provided additional segmental information in respect of profit before tax and net assets as they believe this could be seriously prejudicial to the business.

3 Operating Profit

Net operating costs	Continuing operations 2001 £'000	Acquisitions 2001 £'000	Total 2001 £'000	Total 2000 £'000
(Increase)/decrease in stock of finished goods and work in progress	(2,451)	59	(2,392)	(1,298)
Raw materials and consumables	35,375	2,902	38,277	32,297
Depreciation of tangible fixed assets	1,347	–	1,347	1,289
Staff costs in total (note 4)	21,271	1,248	22,519	19,834
Other operating charges	42,454	4,560	47,014	39,105
Other operating income	(19)	–	(19)	(368)
Exceptional items (note 5)	–	1,034	1,034	195
	97,977	9,803	107,780	91,054
Amortisation of goodwill (note 11)	6,291	959	7,250	5,376
	104,268	10,762	115,030	96,430

Operating profit is stated After charging:	2001 £'000	2000 £'000
Auditors' remuneration:		
Audit – Group	307	264
Audit – Company	25	25
Taxation compliance – Group	198	178
Depreciation and other amounts written off tangible fixed assets owned	1,347	1,289
Exceptional items (note 5)	1,034	195
Goodwill amortisation	7,250	5,376
Hire of plant and machinery: rentals payable under operating leases	298	310
Hire of other assets: rentals payable under operating leases	1,915	1,560
Exchange losses	1,506	–

After crediting:	2001 £'000	2000 £'000
Rents receivable from property	19	42
Exchange gains	–	326

The Group's auditors also acted for the Company as reporting accountants in the acquisitions of the Gordon and Breach business and Curzon Press Limited. Their fees were £95,000 and £15,000, respectively, for those appointments and have been capitalised as a cost of the respective acquisitions.

4 Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees 2001	2000
Management and administration	152	127
Publishing and distribution	656	549
	808	676

The aggregate payroll costs of these persons was as follows:

	2001 £'000	2000 £'000
Wages and salaries	19,397	17,457
Social security costs	1,888	1,581
Other pension costs (note 32)	1,234	796
	22,519	19,834

Disclosures on directors' remuneration, share options, pension contributions and pension entitlements required by the Companies Act 1985 are on pages 18 to 22 within the Report of the Board to the Shareholders on Directors' Remuneration and form part of these audited financial statements.

5 Exceptional Items

	2001 £'000	2000 £'000
Reorganisation following the acquisition of the Gordon and Breach business	1,034	–
Integration of Europa Publications Limited	–	195
	1,034	195

The estimated tax effect of exceptional items is to reduce the overall tax charge by £310,000 (2000: £65,000).

6 Interest Receivable

	2001 £'000	2000 £'000
Bank interest	218	297

7 Interest Payable and Similar Charges

	2001 £'000	2000 £'000
Bank loans and loan notes	3,845	4,264
Amortisation of loan premium	194	167
	4,039	4,431

8 Tax on Profit on Ordinary Activities

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000: 30%)	6,248	6,454
Deferred taxation	53	285
Overseas taxation	1,620	151
Adjustment relating to an earlier year	(342)	–
	7,579	6,890

The effective tax charge of 41.0% (2000: 43.6%) is distorted by goodwill amortisation for which tax relief is only partially available and for timing on certain US expenses.

9 Dividends

	2001 £'000	2000 £'000
Ordinary equity shares		
Interim 1.32p (2000: 1.20p) per share	1,099	996
Final 2.67p (2000: 2.43p) per share	2,242	1,979
	3,341	2,975

Holders of 562,500 ordinary shares of 5p each have waived their rights to receive dividends.

10 Earnings Per Share

Basic

The basic earnings per share calculation is based on profit on ordinary activities after taxation of £10,896,000 (2000: £8,901,000). This profit on ordinary activities after taxation is then divided by the weighted average number of shares in issue less those non-vested shares held by an employee share ownership trust, which is 83,230,000 (2000: 80,585,000).

Diluted

The diluted earnings per share calculation is based on the basic earnings per share calculation above except that the weighted average number of shares includes all dilutive options granted by the balance sheet date as if those options had been exercised on the first day of the accounting period or the date of the grant, if later, giving a weighted average of 85,781,000 (2000: 86,007,000). In accordance with FRS 14 the weighted average number of shares includes the estimated maximum number of shares payable to the vendors of Routledge Publishing Holdings Limited assuming that there are no claims for compensation by the Group that will reduce this deferred consideration and assuming that the Company does not exercise its option to pay the balance of deferred consideration in cash. The deferred consideration shares are also assumed for the purposes of this calculation to have been issued on 1 January 2001 at the closing mid-market share price on 31 December 2001 of £5.74, making 368,000 (2000: 396,000) ordinary shares potentially issued.

Diluted (normalised)

The diluted earnings per share (normalised) calculation is based on the diluted earnings per share calculation above except profits are adjusted for goodwill amortisation and the after tax effect of exceptional items which combine to produce an adjusted profit after tax of £18,870,000 (2000: £14,407,000).

The table below sets out the adjustments in respect of diluted potential ordinary shares:

	2001 No. '000	**2000** No. '000
Weighted average number of shares used in basic earnings per share calculation	83,230	80,585
Share options	2,183	5,026
Shares potentially to be issued or allotted	368	396
Weighted average number of shares used in diluted earnings per share calculation	85,781	86,007

11 Intangible Fixed Assets

Group	**Publishing goodwill** £'000	**Goodwill on arising on acquisitions** £'000	**Total** £'000
Cost			
At 1 January 2001	1,702	109,977	111,679
Additions	459	23,895	24,354
Exchange adjustment	84	1,133	1,217
At 31 December 2001	2,245	135,005	137,250
Amortisation			
At 1 January 2001	296	10,211	10,507
Charge for the year	153	7,097	7,250
Exchange adjustment	7	20	27
At 31 December 2001	456	17,328	17,784
Net book value			
At 31 December 2001	1,789	117,677	119,466
At 31 December 2000	1,406	99,766	101,172

12 Tangible Fixed Assets

Group	Freehold property £'000	Long leasehold property £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 January 2001	182	1,273	7,118	8,573
On acquisition of business	–	–	78	78
Additions	–	–	1,154	1,154
Disposals	–	–	(1,366)	(1,366)
Exchange adjustment	–	–	71	71
At 31 December 2001	182	1,273	7,055	8,510
Depreciation				
At 1 January 2001	72	444	4,497	5,013
Charge for year	8	22	1,317	1,347
Disposals	–	–	(1,315)	(1,315)
Exchange adjustment	–	–	50	50
At 31 December 2000	80	466	4,549	5,095
Net book value				
At 31 December 2001	102	807	2,506	3,415
At 31 December 2000	110	829	2,621	3,560

13 Investments Held as Fixed Assets

Company	2001 £'000	2000 £'000
Shares in Group undertakings		
Cost and net book value		
At beginning of year	95,928	75,173
Exchange adjustments	705	1,951
Additions during year	–	18,804
At end of year	96,633	95,928

The companies in which the Company's interest is more than 10% are as follows:

Company	**Country of registration and operation**	**Principal activity**	**Ordinary shares held**
Afterhurst Limited*[1]	England	Distribution of books	100%
Carfax Publishing Limited*[1]	England	Dormant	100%
Curzon Press Limited*[1]	England	Publishing of books and journals	100%
Europa Publications Limited	England	Dormant	100%
Falmer Press Limited*[1]	England	Dormant	100%
Martin Dunitz Limited	England	Publishing of medical books and journals	100%
Psychology Press Limited	England	Publishing of psychology books and journals	100%
Primal Pictures Limited	England	Production of film, compact disc and multimedia	16%
Routledge Publishing Holdings Limited	England	Holding company	100%
Scandinavian University Press (UK) Limited*[1]	England	Provision of publishing services	100%
Taylor & Francis AB*[1]	Sweden	Provision of publishing services	100%
Taylor & Francis AS*[1]	Norway	Publishing of journals	100%
Taylor & Francis Books Inc.*[1]	USA	Publishing of books	100%
Taylor & Francis Books Limited*[1]	England	Publishing of books	100%
Taylor & Francis Inc.*[1]	USA	Publishing and distribution of books and journals	100%
Taylor & Francis Limited	England	Publishing and distribution of journals	100%
Taylor & Francis (Publishers) Inc.	USA	Holding company	100%
Taylor & Francis Publishing Services Limited	England	Provision of publishing services	100%
UCL Press Limited*[1]	England	Publishing of books	100%

In the opinion of the directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet. Details of other non-trading subsidiaries are available from the Company's registered office.

*1 These companies are indirect subsidiaries of Taylor & Francis Group plc.

14 Stocks

Group	2001 £'000	2000 £'000
Raw materials	747	543
Work in progress	5,307	3,584
Finished goods and goods for resale	22,781	21,365
	28,835	25,492

15 Debtors

	2001 Group £'000	2000 Group £'000	2001 Company £'000	2000 Company £'000
Trade debtors	25,120	22,454	–	–
Amounts owed by subsidiary undertakings	–	–	21,138	77,605
Other debtors	4,020	4,286	–	31
Prepayments and accrued income	5,383	2,148	–	43
	34,523	28,888	21,138	77,679

A prepayment in respect of pension costs paid in advance of £154,000 (2000: £491,000) falls due after more than one year.

16 Investments Held as Current Assets

	2001 Group £'000	2000 Group £'000	2001 Company £'000	2000 Company £'000
Short term bank deposits	5,501	18,679	4,147	14,726

17(a) Creditors: Amounts Falling Due Within One Year

	2001 Group £'000	2000 Group £'000	2001 Company £'000	2000 Company £'000
Bank loans and overdrafts (secured – note 17b)	34,389	27,394	30,893	26,943
Loan notes	1,483	565	508	565
Trade creditors	7,512	8,625	–	–
Amounts owed to subsidiary undertakings	–	–	–	56,638
Corporation tax	7,480	5,288	–	–
Other taxes and social security	678	406	–	–
Other creditors	4,025	5,630	468	–
Accruals	9,907	6,263	586	1,949
Dividends proposed	2,234	1,979	2,234	1,979
	67,708	56,150	34,689	88,074

Loan notes comprise £508,000 (2000: £565,000) and £975,000 (2000: £nil) of loan notes payable to the management vendors of Routledge Publishing Holdings Limited and Curzon Press Limited, respectively. These notes are redeemable up to 1 January 2009 and 4 December 2006, respectively, at the holder's option and interest is payable at 0.5% below LIBOR and 1.0% below LIBOR, respectively.

17(b) Creditors: Amounts Falling Due After More Than One Year

	2001 Group £'000	2000 Group £'000	2001 Company £'000	2000 Company £'000
Bank loans (secured)	16,514	30,166	16,514	30,166

The bank loans are secured on the shares held in all material subsidiaries by the Company.

Term loans total £28.2 million of which £22.0 million was drawn and is repayable in US dollars. Translated at year end exchange rates, term loans total £31.3 million (2000: £42.0 million) of which £25.1 million (2000: £33.3 million) was drawn and is repayable in US dollars.

Included in loans falling due within one year is £16.5 million (2000: £14.8 million) drawn from a £40.0 million revolving credit facility.

An analysis of the maturity of debt is given in note 19(a).

18 Provisions for Liabilities and Charges

Group	2001 £'000	2000 £'000
Deferred taxation provision		
The provision represents full potential deferred tax liability and comprises:		
– Accelerated capital allowances	(78)	(20)
– Other timing differences	474	363
	396	343

The movements during the year were as follows:	2001 £'000	2000 £'000
Liability at beginning of year	343	58
Current charge (note 8)	53	285
Liability at end of year	396	343

19 Financial Instruments

The Group's policies as regards derivatives and financial instruments are set out in the Chief Executive's Operating Review on pages 7 to 8 and the accounting policies on page 30 and form part of these audited financial statements. The Group does not trade in financial instruments.

Short term debtors and creditors have been omitted from all disclosures other than the currency profile.

19(a) Maturity Profile of Group Financial Liabilities

	2001 £'000	2000 £'000
Within one year or less or on demand	35,872	27,959
More than one year but not more than two years	16,870	14,098
More than two years but not more than five years	–	16,517
	52,742	58,574
Unamortised element of loan premium	(356)	(449)
	52,386	58,125

The Group had the following undrawn borrowing facilities at 31 December:

Expiry date	2001 £'000	2000 £'000
In one year or less	3,000	3,000
In more than one year but not more than two years	23,500	–
In more than two years	–	5,250
	26,500	8,250

19(b) Interest Rate Profile

The following interest rate and currency profile of the Group's financial liabilities and assets is after taking into account any interest rate swaps entered into by the Group.

Financial Liabilities

				Fixed rate financial liabilities	
Currency	**Total** £'000	**Floating rate financial liabilities** £'000	**Fixed rate financial liabilities** £'000	**Weighted average interest rate** %	**Weighted average period for which the rate is fixed** Years
At 31 December 2001					
GBP	27,679	21,479	6,200	6.33	1.3
USD	25,063	–	25,063	5.92	1.3
Gross financial liabilities	52,742	21,479	31,263	6.00	1.3
At 31 December 2000					
GBP	25,281	25,281	–	–	–
USD	33,293	33,293	–	–	–
Gross financial liabilities	58,574	58,574	–	–	–

Interest on floating rate liabilities is based on the relevant national inter bank rates.

Financial Assets **Currency**	**Total** £'000	**Floating rate financial assets** £'000	**Fixed rate financial assets** £'000	**Non-interest bearing assets** £'000
At 31 December 2001				
GBP	3,970	215	–	3,755
USD	8,780	4,822	–	3,958
AUD	137	7	–	130
CAD	130	–	–	130
SGD	56	–	–	56
MLR	16	–	–	16
NOK	122	89	–	33
SEK	88	78	–	10
INR	4	–	–	4
EUR	361	290	–	71
Gross financial assets	13,664	5,501	–	8,163
At 31 December 2000				
GBP	1,698	307	–	1,391
USD	19,032	3,386	14,726	920
AUD	154	81	–	73
SGD	29	–	–	29
NOK	95	92	–	3
SEK	92	87	–	5
FRF	6	–	–	6
EUR	6	–	–	6
Gross financial assets	21,112	3,953	14,726	2,433

Financial assets comprise cash at bank and in hand of £8,163,000 (2000: £2,433,000) and current asset investments of £5,501,000 (2000: £18,679,000). Non-interest bearing assets are fully liquid and have no maturity period.

Interest on floating rate bank deposits is based on the relevant national inter bank rate and may be fixed in advance for up to three months. There were no fixed rate deposits as at 31 December 2001.

19(c) Fair Values of Financial Assets and Liabilities

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values as at 31 December 2001 and 2000.

Based on market values, the fair values as at 31 December 2001 of derivative financial instruments held to manage the interest rate and currency profile were as follows:

	Carrying amount 2001 £'000	**Estimated fair value 2001** £'000	**Carrying amount 2000** £'000	**Estimated fair value 2000** £'000
Interest rate swaps	–	(1,240)	–	–
Forward foreign exchange contracts	–	(609)	–	(1,271)

19(d) Hedging

As explained in the Chief Executive's Operating Review on pages 7 to 8, the Group's policy is to hedge the following exposures:

- interest rate risk – using interest swaps as appropriate; and
- currency exposures on the projected net surplus US dollar income – using forward foreign currency contracts.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. As at 31 December 2001 and 2000 there were no other unrecognised gains or losses on instruments used for interest rate or currency hedging save as disclosed in note 19(c) above.

19(e) Currency Profile

The main functional currencies of the Group are sterling and the US dollar. After taking into account foreign currency borrowings used to hedge against net investments in foreign subsidiaries, the remaining monetary assets and liabilities are in the same currency as the functional currency of the operations involved. Further explanation is given in the Chief Executive's Operating Review on pages 7 to 8.

20 Deferred Income

Group	2001 £'000	2000 £'000
Subscriptions received in advance	43,682	30,104

21 Share Capital

Group and Company	2001 £'000	2000 £'000
Authorised		
115,000,000 ordinary shares of 5p each	5,750	5,750
Allotted, called up and fully paid		
84,536,579 ordinary shares of 5p each (2000: 82,358,629 of 5p each)	4,227	4,118

	2001 £'000	2000 £'000
At 1 January	4,118	3,958
Shares issued to Routledge Publishing Holdings Limited vendors	–	17
Options exercised	109	98
Shares issued to Europa Publications Limited vendors	–	45
At 31 December	4,227	4,118

During the period options to purchase 2,177,950 ordinary 5p shares were exercised for a consideration of £214,000.

As at 31 December 2001, outstanding options to subscribe for ordinary shares of 5p were as follows:

Number	Exercise price per share	Exercise period
960,750	13.33p	06.11.00 to 05.11.04
419,400	13.33p	06.11.00 to 05.11.07
42,366	390.00p	30.03.02 to 29.03.06
15,672	381.50p	30.06.02 to 29.06.06
121,455	427.50p	04.11.02 to 03.11.06
101,175	427.50p	04.11.02 to 03.11.09
18,629	370.98p	05.11.02 to 04.05.03
15,176	615.00p	06.06.03 to 05.06.07
20,903	591.38p	06.11.03 to 05.05.04
579,531	585.00p	26.04.04 to 25.04.08
20,358	556.00p	01.08.03
47,058	510.00p	01.11.04 to 31.10.08
24,908	479.75p	02.11.04 to 01.05.05
16,143	575.50p	05.12.04 to 04.12.08
2,403,524		

22 Share Premium Account

	Group and Company £'000
At 1 January 2001	43,884
Premium arising on	
– Options exercised during period	105
At 31 December 2001	43,989

23 Reserve for Own Shares

	Group and Company £'000
At 1 January 2001 and 31 December 2001	2,111

The balance at 31 December 2001 represents deferred consideration shares payable to the vendors of Routledge Publishing Holdings Limited if no claims are made against warranties given on the sale of that company. The balance is payable in stages to 30 November 2005 and can be paid in either cash or shares at the Company's option.

24 Reserves

Profit and loss account	Group £'000	Company £'000
At 1 January 2001	13,348	20,804
Profit on ordinary activities after taxation	10,896	3,845
Dividend payable	(3,341)	(3,341)
Currency translation difference on foreign currency net investments	373	–
At 31 December 2001	21,276	21,308

In accordance with the transitional provisions of FRS 17, Retirement Benefits, the following additional reconciliation is provided of Group profit and loss account reserves as at 31 December 2001:

	Group £'000
Profit and loss account excluding pension liability	21,276
Pension liability (note 32)	(386)
Profit and loss account after deducting pension liability	20,890

25 Reconciliation of Movements in Consolidated Shareholders' Funds

	2001 £'000	2000 £'000
Profit for the year	10,896	8,901
Dividends	(3,341)	(2,975)
Retained profit for the year	7,555	5,926
Currency translation difference on foreign currency net investments	373	1,069
Proceeds of new share issues (net)	214	5,925
Decrease in reserve for own shares	–	(5,511)
Opening shareholders' funds	63,461	56,052
Closing shareholders' funds	71,603	63,461

26 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2001 £'000	2000 £'000
Operating profit	22,296	19,925
Depreciation and amortisation	8,597	6,665
Increase in stocks	(2,392)	(1,298)
Increase in debtors	(5,146)	(2,782)
Increase in creditors	8,879	2,220
Net cash inflow from operating activities	32,234	24,730

The Gordon and Breach business, acquired 14 February 2001, generated £646,000 of the Group's operating cash flow. Curzon Press Limited, acquired 5 December 2001, generated £26,000 of the Group's operating cash flow.

27 Reconciliation of Net Cash Flow to Movement in Net Debt

	2001 £'000	2000 £'000
Increase in cash net of overdrafts in the period	3,500	826
Decrease in bank loans and loan notes	8,943	8,468
Cash flow from (decrease)/increase in liquid resources	(13,178)	729
Change in net debt resulting from cash flows	(735)	10,023
Foreign exchange translation difference	(974)	(2,445)
Movement in net debt during the period	(1,709)	7,578
Opening net debt	(37,013)	(44,591)
Closing net debt (note 29)	(38,722)	(37,013)

28 Management of Liquid Resources

	2001 £'000	2000 £'000
Cash withdrawn from/(invested in) deposit accounts	13,178	(729)
Cash flow from decrease/(increase) in liquid resources	13,178	(729)

29 Analysis of Net Debt

	At 1 January 2001 £'000	Cash flow £'000	Exchange movement £'000	At 31 December 2001 £'000
Cash at bank and in hand	2,433	5,730	–	8,163
Overdrafts	(1,266)	(2,230)	–	(3,496)
Net cash	1,167	3,500	–	4,667
Bank loans and loan notes	(56,859)	8,943	(974)	(48,890)
Current asset investments	18,679	(13,178)	–	5,501
Total (note 27)	(37,013)	(735)	(974)	(38,722)

30 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
Group	**Land & buildings** £'000	**Other** £'000	**Land & buildings** £'000	**Other** £'000
Operating leases which expire:				
– Within one year	38	37	32	25
– Within two to five years	1,937	150	790	118
– After five years	335	–	520	–
	2,310	187	1,342	143

The Group had no material capital commitments at 31 December 2001 (2000: none).

31 Contingent Liabilities

The Company has guaranteed the overdrafts of certain of its UK subsidiaries, up to a combined maximum of £3 million.

The Company has also guaranteed £975,000 of loan notes issued by its indirect subsidiary, Taylor & Francis Books Limited.

The Company has also guaranteed the lease commitments of certain of its US subsidiaries which amount annually to £175,000.

As at 31 December 2001 the Company has entered into forward exchange contracts for a total of $30 million to be converted into sterling, as follows during 2002:

January 2002	$20,000,000 @ $1.5017
February 2002	$10,000,000 @ $1.4211

Also as at 31 December 2001 the Company has entered into forward exchange contracts for a total of £14,093,000 to be converted into US dollars during January 2002 at a rate of $1.4191.

32 Pension Schemes

As explained in the accounting policies set out on page 30, in the UK the Group operates a pension scheme for eligible UK employees providing benefits based on final pensionable pay (the "Final Salary Scheme"). Contributions are charged to the profit and loss account so as to spread the cost of contributions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 30 September 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the growth rate of the fund and the rates of increase in salaries. A growth rate of 9% for the fund, a 6.5% salary increase per annum, an increase in pensions of 4.5% per annum and dividend growth of 5.5% per annum have been assumed.

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,868,000 and that the actuarial value of those assets represented 108% of the benefits that had accrued to members, assuming all members were to leave the scheme at the valuation date with an entitlement to normal leaving service benefit.

The pension charge in the profit and loss account for the Final Salary Scheme amounted to £371,000 (2000: £316,000), which is not materially different from the regular pension cost. In addition a provision of £250,000 (2000: nil) was made against pension paid in advance (note 15) to reflect recent concerns about returns generated by equities, which form the largest part of the scheme assets.

The Group also operates three defined contribution schemes in the UK. Contributions during the year were £242,000 (2000: £244,000).

In the US the Group operates a pension scheme providing benefits based on the value of contributions paid. £371,000 (2000: £236,000) was paid in respect of the US defined contributions scheme.

33 Fair Value of Final Salary Scheme Assets and Expected Rates of Return

The following additional disclosures are provided in accordance with the transitional provisions of FRS 17, Retirement Benefits.

A full valuation of the Final Salary Scheme was undertaken on 30 September 1999 and updated to 31 December 2001 by a qualified independent actuary.

	Expected rate of return at 31 December 2001	**Fair value at 31 December 2001**
	%	£'000
Equities	8.00%	4,573
Bonds	5.25%	742
Cash	4.00%	59
		5,374

Contributions to the Final Salary Scheme during 2001 totalled £285,000. The funding position as at 31 December 2001 was as follows:

	£'000
Total fair value of assets	5,374
Present value of scheme liabilities	5,925
Deficit	(551)
Related deferred tax credit	165
Net pension liability	(386)

The deficit is due to poor returns on the Scheme's assets held in equities. The Company will be reviewing the position of the Scheme, which will be re-valued on 30 September 2002 as part of the triennial review, and will be taking appropriate action in consultation with the Scheme's actuaries. On 8 March 2002 the Scheme was closed to new entrants.

34 Acquisitions

The following tables show the book values and adjustments made to arrive at the provisional fair values of the major categories of assets and liabilities acquired and included in the consolidated financial statements at the respective dates of acquisition. The acquisitions have been accounted for by the acquisition method of accounting.

Cash outflow in respect of these acquisitions was £18,688,000 (net of £122,000 cash acquired).

Gordon and Breach Business Net assets acquired 14 February 2001	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	392	(330)	62
Stocks	859	(225)	634
Creditors and provisions	(5,916)	375	(5,541)
Net liabilities	(4,665)	(180)	(4,845)
Goodwill			21,519
			16,674
Discharged by			
– Cash			16,674

Curzon Press Ltd Acquired 5 December 2001	Book and fair value £'000
Tangible fixed assets	13
Stocks	265
Debtors	394
Cash at bank and in hand	122
Creditors and provisions	(640)
Net assets	154
Goodwill	1,212
	1,366
Discharged by	
– Cash	1,366

Isis Medical Media Net assets acquired 1 March 2001	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	3	–	3
Stocks	721	(669)	52
Debtors	266	(200)	66
Creditors and provisions	(515)	–	(515)
Net assets/(liabilities)	475	(869)	(394)
Goodwill			1,164
			770
Discharged by			
– Cash			770

Group Five Year Record

	1997 £'000	1998 £'000	1999 £'000	2000 £'000	2001 £'000
Turnover	30,064	40,220	95,879	116,355	137,326
Operating profit before exceptional items and goodwill amortisation	6,877	8,538	19,949	25,496	30,580
Exceptional items and goodwill amortisation	(26)	(1,727)	(5,864)	(5,571)	(8,284)
Operating profit	6,851	6,811	14,085	19,925	22,296
Profit on ordinary activities before taxation	7,152	7,156	10,540	15,791	18,475
Taxation	(2,541)	(2,605)	(5,096)	(6,890)	(7,579)
Profit on ordinary activities after taxation	4,611	4,551	5,444	8,901	10,896
Earnings per ordinary share*1					
– basic	8.17p	7.30p	6.99p	11.05p	13.09p
– diluted before exceptional items and goodwill amortisation	7.74p	8.56p	12.77p	16.75p	22.00p
Dividends per share (net)*1	1.07p	3.00p	3.30p	3.63p	3.99p

*1 Prior year figures have been restated for share split and bonus issue 18 May 1998.

	1997 £'000	1998 £'000	1999 £'000	2000 £'000	2001 £'000
Fixed assets					
Intangible assets	359	81,075	98,177	101,172	119,466
Tangible assets	2,382	4,418	4,281	3,560	3,415
Investments	88	–	–	–	–
	2,829	85,493	102,458	104,732	122,881
Current assets					
Stocks	6,155	20,031	24,176	25,492	28,835
Debtors	5,532	20,279	25,605	28,888	34,523
Investments and cash at bank and in hand	9,006	17,567	20,848	21,112	13,664
	20,693	57,877	70,629	75,492	77,022
Creditors: amounts falling due within one year	(9,593)	(37,454)	(55,069)	(56,150)	(67,708)
Net current assets	11,100	20,423	15,560	19,342	9,314
Total assets less current liabilities	13,929	105,916	118,018	124,074	132,195
Creditors: amounts falling due after more than one year	–	(37,320)	(35,406)	(30,166)	(16,514)
Provisions for liabilities and charges	–	(58)	(58)	(343)	(396)
Deferred income	(12,597)	(22,564)	(26,502)	(30,104)	(43,682)
Net assets	1,332	45,974	56,052	63,461	71,603

Taylor & Francis Group plc

Notice of Meeting

Notice is hereby given that the fourteenth Annual General Meeting of Taylor & Francis Group plc will be held at 11 New Fetter Lane, London, EC4P 4EE on 12 June 2002 at 10.00 am to transact the following business:

1. To receive and adopt the Directors' Report and the audited financial statements for the year ended 31 December 2001.
2. To declare a final dividend of 2.67 pence per share on the ordinary share capital.
3. To re-appoint Deloitte & Touche as auditors to the Company.
4. To authorise the directors to fix the remuneration of the auditors.
5. To approve the Report on Directors' Remuneration in the 2001 financial statements.
6. To re-elect Mr R Kiernan as a director.
7. To re-elect Mr A M Foye as a director
8. To elect Mr D Smith as a director.
9. To elect Mr J Conibear as a director.

A brief biography of each director seeking re-election is on page 9 of the 2001 financial statements.

By Order of the Board

A M Foye
Secretary

Taylor & Francis Group plc
11 New Fetter Lane
London
EC4P 4EE

21 March 2002

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. Completion and return of the proxy will not preclude a shareholder attending and voting. To be effective, forms of proxy must be received by the Company's registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the meeting.
2. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excluded), will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting:
   (i) copies of service contracts of the directors with the Company or any subsidiary;
   (ii) the register of interests of directors and their families in the share capital of the Company.
3. The Company pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those registered in the Register of Members as at 6.00pm on 10 June 2002 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the Register of Members after 6.00pm on such date shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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