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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 science, psychology, reference and social and political science. Publications are available in paper-based and electronic forms.

Highlights of 2001 Unaudited Interim Statement for the six months ended 30 June 2001

	% Increase	6 months 2001 £'000	6 months 2000 £'000
Turnover	+19	60,631	50,736
Operating profit (before exceptional items and goodwill amortisation)	+20	10,075	8,394
Operating profit	+6	5,857	5,522
Pre-tax profit (before exceptional items and goodwill amortisation)	+28	8,279	6,490
Pre-tax profit	+12	4,061	3,618
Diluted earnings per share (before exceptional items and goodwill amortisation)	+30	6.57p	5.05p
Interim dividend per share	+10	1.32p	1.20p

- Turnover up 19% to £60.6 million
- Operating profit up 20%* to £10.1 million
- Pre tax profit up 28%* to £8.3 million
- Diluted earnings per share up 30%* to 6.57p
- Interim dividend per share up 10% to 1.32p
- Acquisition of publishing assets of the Gordon and Breach Publishing Group completed

*Excludes exceptional items and goodwill amortisation

Chief Executive's Statement

Overview

The Group continued to perform well during the first six months of 2001 with sustained organic growth in turnover and profits, reflecting the strength and continued development of the existing businesses. We have further enhanced the quality of our journals portfolio, increasing the frequency of many titles whilst, where appropriate, cancelling titles which do not meet our required financial returns or quality criteria. Our books division has performed well and we are positioned to respond to the traditional autumn surge in turnover during the academic adoption season. Taylor & Francis has an ever improving portfolio of publications from which we expect further good organic growth.

During this period we have also made excellent progress in the re-organisation and integration of the Gordon and Breach business ("G&B"), acquired 14 February 2001 for £22.8 million (\$32.8m). With the addition of the 250 journals and 100 new books from G&B the Group now publishes more than 800 journals and approximately 1,800 new books each year, with a backlist of over 20,000 book titles.

The Group's strategy remains to grow the business both organically and through well planned earnings enhancing acquisitions. The global STM market is undergoing a period of consolidation and Taylor & Francis is well positioned to participate in this process.

Results

Turnover grew by 19%, from £50.7 million to £60.6 million, including a £4.3 million contribution

from G&B. The organic growth rate was 11%, helped in part by exchange rates which boosted turnover by £2.2 million. Excluding exchange effects and the impact of G&B, the Group's like-for-like turnover growth was 7%. Using constant exchange rates, organic growth from our journals business was 10% and from our books business 4%.

Books represented 49% of consolidated turnover and journals 51% in the first half of 2001, compared to 54% from books and 46% from journals in the first half of 2000, reflecting principally the impact of G&B which is predominantly a journals business. Due to the seasonality of the academic books market, with higher sales during the autumn academic adoption season, we expect to see stronger book sales in the second half year.

Group operating profit before exceptional items and goodwill amortisation increased by 20%, from £8.4 million to £10.1 million, with G&B contributing £0.5 million. After exceptional costs of £0.9 million (2000: £0.2 million) and goodwill amortisation of £3.3 million (2000: £2.7 million), operating profit was up by 6%, to £5.9 million (2000: £5.5 million).

The operating margin before goodwill amortisation and exceptional items was 16.6%, compared to 16.5% in the first six months of 2000. Excluding G&B, the operating margin before goodwill amortisation and exceptional items increased to 17.0%.

Exceptional costs of £0.9 million have been incurred in the re-organisation of G&B. The restructuring has largely been completed, resulting in the necessary

Chief Executive's Statement (continued)

closure of acquired offices in France, Holland, India, Malaysia, Singapore, Newark in the US and London in the UK. The experience gained in integrating previous acquisitions into our well established infrastructure has facilitated the smooth integration of G&B. Although the re-organisation is largely complete there will be limited additional costs, principally associated with terminating leases on redundant properties, in the second half of 2001.

Despite net cash expenditure of £16.7m on G&B, net interest cover has increased to 5.6, based on operating profit before exceptional items and goodwill amortisation, compared to 4.4 in 2000.

Pre tax profit before exceptional items and goodwill amortisation increased by 28%, to £8.3 million (2000: £6.5 million).

Across the Group tax has been provided at 32% (2000: 33%), which is the rate expected for the whole of 2001. The effective tax rate is distorted by goodwill amortisation, which in the main does not attract tax relief.

Diluted earnings per share before exceptional items and goodwill amortisation increased 30% to 6.57p per ordinary share compared to 5.05p in 2000.

The Directors have declared an interim dividend of 1.32p (2000:1.20p) per ordinary share, representing an increase of 10%. This dividend is payable on 2 November 2001 to ordinary shareholders registered as of the close of business on 28 September 2001.

Balance Sheet

Provisional goodwill arising on the acquisition of G&B is £22.0 million and largely accounts for the increase, net of amortisation, in intangible fixed assets since 31 December 2000.

Net debt increased by £23.0 million, to £60.0 million, during the first six months of the year, reflecting cash and bank borrowings used to finance the acquisition of G&B, as well as normal working capital requirements. The £22.8 million gross consideration for the G&B business was satisfied by cash payments of £16.7 million and the assumption of £6.1 million of deferred income liabilities. The strength of the Group's cashflow is such that G&B was acquired under a revolving credit facility rather than through a term loan. This additional borrowing under the revolving credit facility is included in the balance sheet within creditors falling due within one year, resulting, as expected, in a net current liability position as at 30 June 2001.

Deferred income, which represents cash received in advance of the publication of journal issues, is up 44% to £28.9 million compared to 30 June 2000. £5.2 million of this increase relates to G&B and the remaining increase is an encouraging 18%. Deferred income is recognised as turnover as journal issues are published.

Electronic Publishing

Electronic publishing initiatives were also progressed during the period with, for example, further growth in the number of registered subscriptions to the

Chief Executive's Statement (continued)

Scholarly Article Research Alerting (SARA) online service for journal customers, which increased to over 200,000 from around 90,000 at this time last year. This level of interest can be seen as a recognition of the quality of the Taylor & Francis product and SARA has proven to be a valuable promotional tool.

The Group's book e-strategy remains firmly on course and in June 2001 we formally launched our e-books service (www.ebookstore.tandf.co.uk). We have initially made over 700 of our book titles available online, using our own electronic warehouse. Revenue has already been 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 as a result the number of titles that will be made available has been scaled back to around 3,000 selected texts.

The Group now has the ability to disseminate its content in various forms ranging from whole publications through to individual articles or even single paragraphs. 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.

Board Change

Stephen Neal (56), executive director, is retiring with effect from 31 October 2001 and the Board wishes to thank Stephen for his contribution to the success

of the Group. We expect to announce his successor in the near future.

Current Trading and Future Prospects

Due to the "must have" nature of our publications, which underpin our robust earnings stream, and the fact that the business has no advertising exposure, the Group has not been affected by the slow down in the world economy and continues to perform in line with our expectations. In view of the current economic environment the Board continues to monitor costs closely. Good journal renewal rates, a strong book publishing schedule for the important academic adoption season and the ongoing efficiencies associated with the integration of acquisitions make us confident that 2001 will be another successful year.

Looking forward, we are well placed to expand our business through organic growth and selective, earnings enhancing acquisitions that fit our clear investment criteria. We have substantially completed the integration of G&B and are looking to expand the business still further as acquisition opportunities present themselves. Our success is dependent upon the Group's employees and the Board wishes to express its appreciation to them, particularly for their outstanding contribution and diligence in the integration of G&B.

Anthony R Selvey

Chief Executive

19 September 2001

Independent Review Report to Taylor & Francis Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2001 which comprises the profit and loss account, the balance sheets, the cash flow statement and related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with The Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless

otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

Deloitte & Touche

Chartered Accountants

Columbia Centre

Market Street

Bracknell

Berkshire RG12 1PA

19 September 2001

Consolidated Profit & Loss Account

For the six months ended 30 June 2001

	Unaudited 2001 pre exceptional items £'000	Unaudited 2001 exceptional items £'000	Unaudited 2001 6 months total £'000	Unaudited 2000 6 months total £'000	Audited 2000 12 months total £'000
Note					
Turnover					
Continuing operations	56,375	—	56,375	50,736	116,355
Acquisitions	4,256	—	4,256	—	—
Total turnover	60,631	—	60,631	50,736	116,355
Operating costs before goodwill amortisation	(50,556)	(948)	(51,504)	(42,537)	(91,054)
Operating profit before goodwill amortisation					
Continuing operations	9,581	—	9,581	8,199	25,301
Acquisitions	494	(948)	(454)	—	—
Total operating profit before goodwill amortisation					
Goodwill amortisation			9,127	8,199	25,301
			(3,270)	(2,677)	(5,376)
Operating profit after goodwill amortisation					
Continuing operations			6,879	5,522	19,925
Acquisitions			(1,022)	—	—
Total operating profit					
Net interest payable			(1,796)	(1,904)	(4,134)
Profit on ordinary activities before taxation					
Tax on profit on ordinary activities			(2,344)	(2,073)	(6,890)
Profit on ordinary activities after taxation					
Dividends	4		(1,099)	(996)	(2,975)
Profit transferred to reserves					
			618	549	5,926
Earnings per ordinary share					
Diluted (normalised) (p)			6.57	5.05	16.75
Diluted (p)			2.00	1.79	10.35
Basic (p)			2.08	1.94	11.05

The Board of Directors has approved this interim report.

Consolidated Balance Sheet

As at 30 June 2001

	Unaudited 30 June 2001 £'000	Unaudited 30 June 2000 £'000	Audited 31 December 2000 £'000
Fixed assets			
Intangible assets	123,956	102,406	101,172
Tangible assets	<u>3,518</u>	<u>4,570</u>	<u>3,560</u>
	<u>127,474</u>	<u>106,976</u>	<u>104,732</u>
Current assets			
Stocks	26,826	24,596	25,492
Debtors	26,684	23,418	28,888
Investments	427	—	18,679
Cash at bank and in hand	<u>3,154</u>	<u>3,715</u>	<u>2,433</u>
	<u>57,091</u>	<u>51,729</u>	<u>75,492</u>
Creditors: amounts falling due within one year			
Bank loans & overdrafts	31,887	20,230	27,959
Creditors and accrued charges	19,045	13,786	20,924
Proposed dividend	1,099	974	1,979
Corporation tax	<u>5,972</u>	<u>4,571</u>	<u>5,288</u>
	<u>58,003</u>	<u>39,561</u>	<u>56,150</u>
Net current (liabilities)/assets	<u>(912)</u>	<u>12,168</u>	<u>19,342</u>
Total assets less current liabilities	126,562	119,144	124,074
Creditors: amounts falling due after more than one year			
Bank loans	31,708	41,037	30,166
Provisions for liabilities and charges	227	58	343
Deferred income	<u>28,893</u>	<u>20,054</u>	<u>30,104</u>
	<u>65,734</u>	<u>57,995</u>	<u>63,461</u>
Capital and reserves			
Called up share capital	4,227	4,036	4,118
Share premium account	43,989	39,853	43,884
Reserve for own shares	2,111	5,922	2,111
Profit and loss account	<u>15,407</u>	<u>8,184</u>	<u>13,348</u>
Equity shareholders' funds	<u>65,734</u>	<u>57,995</u>	<u>63,461</u>

Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000	
Net cash inflow/(outflow) from operating activities	A	2,633	(2,604)	24,730
Returns on investments and servicing of finance				
Interest received		126	163	268
Interest paid		(2,147)	(2,729)	(4,239)
Net cash outflow from returns on investments and servicing of finance		(2,021)	(2,566)	(3,971)
Taxation				
Corporation tax paid		(1,777)	(1,126)	(4,338)
Overseas taxes paid		—	—	(544)
Tax paid		(1,777)	(1,126)	(4,882)
Capital expenditure and financial investment				
Purchase of publishing goodwill		(660)	(30)	(909)
Tangible fixed assets acquired		(523)	(971)	(1,522)
Tangible fixed assets sold		26	150	1,062
Net cash outflow from investing activities		(1,157)	(851)	(1,369)
Acquisitions				
Purchase of business/subsidiary undertakings (net of cash and overdrafts acquired)		(16,714)	(2,167)	(2,167)
Net cash outflow from acquisitions		(16,714)	(2,167)	(2,167)
Equity dividends paid		(1,979)	(1,758)	(2,732)
Net cash (outflow)/inflow before use of liquid resources and financing		(21,015)	(11,072)	9,609
Management of liquid resources	C	18,252	17,950	(729)
Financing				
Net loans advanced/(repaid)		3,270	(6,175)	(8,468)
Proceeds (net) from share issues		214	114	414
Net cash inflow/(outflow) from financing		3,484	(6,061)	(8,054)
Increase in cash	B	721	817	826

Notes to Consolidated Cash Flow Statement

For the six months ended 30 June 2001

Note A Reconciliation of Operating Profit to Net Cash Inflow/(Outflow) from Operating Activities

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Operating profit	5,857	5,522	19,925
Depreciation and amounts written off tangible and intangible fixed assets	3,928	3,300	6,665
Increase in stocks	(267)	(402)	(1,298)
Decrease/(increase) in debtors	2,320	2,784	(2,782)
(Decrease)/increase in creditors	(9,205)	(13,808)	2,220
	<u>2,633</u>	<u>(2,604)</u>	<u>24,730</u>

Note B Reconciliation of Net Cash Flow to Movement in Net Debt

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Increase in cash in the period	721	817	826
(Decrease)/increase in bank loans and loan notes	(3,270)	6,175	8,468
Foreign exchange translation difference	(2,200)	(2,003)	(2,445)
Cash flow from (decrease)/increase in liquid resources (Note C)	(18,252)	(17,950)	729
Movement in net debt during the period	(23,001)	(12,961)	7,578
Opening net debt	(37,013)	(44,591)	(44,591)
Closing net debt	(60,014)	(57,552)	(37,013)

Note C Management of Liquid Resources

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Cash withdrawn from/(invested in) deposit accounts	18,252	17,950	(729)
Cash flow from decrease/(increase) in liquid resources	18,252	17,950	(729)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2001

1 Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Taylor & Francis Group plc financial statements for the 12 months ended 31 December 2000.

The financial information for the year ended 31 December 2000 is abridged from the statutory accounts which have been reported on by the Company's auditors, Deloitte & Touche and which have been filed at Companies House. The report of the auditors thereon was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial statements are unaudited but have been reviewed by the Company's auditors whose report to the Company is set out in these interim financial statements.

The interim financial statements do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985.

2 Analysis of turnover

Geographical analysis of turnover by destination

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
United Kingdom	12,420	10,580	25,838
North America	27,214	20,749	48,211
Western Europe	9,791	9,054	19,760
Rest of the World	11,206	10,353	22,546
	60,631	50,736	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

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
United Kingdom	45,637	38,420	88,238
United States of America	11,808	9,904	22,620
Western Europe	3,186	2,412	5,497
	60,631	50,736	116,355

Notes to the Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2001

2 Analysis of turnover (continued)

Analysis of turnover by class of business

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Journals	30,668	23,394	47,883
Books	29,963	27,342	68,472
	60,631	50,736	116,355

3 Exceptional items

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
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Operating profit is stated after charging exceptional items:

Reorganisation costs	948	195	195
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The 2001 exceptional item relates to costs associated with the reorganisation of the Gordon and Breach business acquired 14 February 2001.

4 Dividends

An interim dividend of 1.32p per share will be paid on 2 November 2001 to ordinary shareholders registered at the close of business on 28 September 2001.

5 Earnings per share

Basic

The basic earnings per share calculation is based on profit on ordinary activities after taxation of £1,717,000 (2000: £1,545,000 six months and £8,901,000 twelve months). 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 82,485,000 (2000: 79,700,000 six months and 80,585,000 twelve months).

Notes to the Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2001

5 Earnings per share (continued)

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 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 85,732,000 (2000: 86,278,000 six months and 86,007,000 twelve months). In accordance with FRS14 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 share price on 30 June 2001 of £5.825, making 362,000 (2000: 700,000 six months and 396,000 twelve months) 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 £5,631,000 (2000: £4,353,000 six months and £14,407,000 twelve months).

	Unaudited 6 months 2001 No. '000	Unaudited 6 months 2000 No. '000	Audited 12 months 2000 No. '000
Weighted average number of shares used in basic earnings per share calculation	82,485	79,700	80,585
Share options	2,885	5,421	5,026
Shares potentially to be issued or allotted	362	1,157	396
Weighted average number of shares used in diluted earnings per share calculation	85,732	86,278	86,007

Notes to the Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2001

6 Reconciliation of movement in equity shareholders' funds

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Profit for the period	1,717	1,545	8,901
Dividends	(1,099)	(996)	(2,975)
Retained profit for the period	618	549	5,926
Currency translation difference on foreign currency net investments	1,441	1,281	1,069
Proceeds of new share issues (net)	214	113	5,925
Transfers from reserve for own shares	—	1,700	—
Decrease in reserve for own shares	—	(1,700)	(5,511)
Opening equity shareholders' funds	63,461	56,052	56,052
Closing equity shareholders' funds	65,734	57,995	63,461

7 Consolidated statement of total recognised gains and losses

	Unaudited 6 months 2001 £'000	Unaudited 6 months 2000 £'000	Audited 12 months 2000 £'000
Profit attributable to shareholders	1,717	1,545	8,901
Currency translation difference on foreign currency net investments	1,441	1,281	1,069
Total recognised gains and losses relating to the period	3,158	2,826	9,970

Directors and Advisers

Directors	Robert Kiernan (Non-executive Chairman) Anthony R Selvey FCCA, CIMgt, FlntD (Chief Executive) Stephen B Neal BSc Anthony M Foye BA, ACA Roger G Horton David J Banister BA, PhD, MCIT, MIL, FRSA (Non-executive) Derek Mapp (Non-executive) David Wallace CBE, FRS, FREng, FRSE, FlntP, FRSA, CEng (Non-executive) Nicholas Berwin MA (Hons) (Non-executive)	
Secretary	Anthony M Foye	
Registered Office	Taylor & Francis Group plc 11 New Fetter Lane London EC4P 4EE	
Public Relations	Financial Dynamics Holborn Gate 26 Southampton Buildings London WC2A 1PB	Financial Adviser and Broker Hoare Govett Limited 250 Bishopsgate London EC2M 4AA
Auditors	Deloitte & Touche Chartered Accountants Columbia Centre Market Street Bracknell Berkshire RG12 1PA	Registrars Capita IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU
Principal Bankers	The Royal Bank of Scotland 3rd Floor Waterhouse Square 138-142 Holborn London EC1N 2TH	Principal Solicitors Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA
Registration	Registered in England and Wales Number 2280993	

