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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 2002

	% Increase	2002 £'000	2001 £'000
Turnover	**+7**	**147,365**	**137,326**
Operating profit (before exceptional items and goodwill amortisation)	**+17**	**35,743**	**30,580**
Operating profit	**+16**	**25,911**	**22,296**
Pre-tax profit (before exceptional items and goodwill amortisation)	**+23**	**32,929**	**26,759**
Pre-tax profit	**+25**	**23,097**	**18,475**
Diluted earnings per share (before exceptional items and goodwill amortisation)	**+23**	**26.97p**	**22.00p**
Diluted earnings per share	**+26**	**15.96p**	**12.70p**
Dividend per share	**+10**	**4.39p**	**3.99p**

- Turnover up 7% to £147.4 million
- Normalised operating profit up 17%* to £35.7 million, reflecting continued improvement in operating margins
- Normalised pre tax profit up 23%* to £32.9 million
- Normalised diluted earnings per share up 23%* to 26.97p
- Dividend per share up 10% to 4.39p
- Normalised interest cover improved to 12.7 times* (8.0 times in 2001) – reflecting continued strong cash flow
- Solid platform to drive further organic growth
- Acquisition of CRC Press announced 28 February 2003

* Excludes exceptional items of £2.6 million and goodwill amortisation of £7.3 million

Chairman's Statement

2002 proved to be another successful year for the Group, confirming the strength of Taylor & Francis' position in a dynamic market sector. The Group's strategy of growing the business through a combination of organic development and earnings enhancing acquisitions has once again delivered solid growth in turnover, profits and cashflow.

As previously indicated the Scientific, Technical and Medical (STM) market continues to grow in size and consolidate in structure and Taylor & Francis continues to benefit from this process. In September 2002 we acquired the publishing list of US based Fitzroy Dearborn Publishers and in recent weeks we announced the acquisitions of UK based Bios Scientific Publishers and US based CRC Press. All of these businesses complement Taylor & Francis' existing publishing programmes and will benefit from being part of a larger publisher.

Directors and Staff

Our new Chief Executive Officer David Smith has had a galvanising impact on the management of Taylor & Francis in his first year. His arrival has coincided with challenging trading conditions in the STM publishing market and his wide international operating experience has ensured timely reviews of our publishing activities and the structure of our US operations. David's energy, coupled with that of Group Finance Director Tony Foye and the rest of the senior management team, has been impressive in the light of the challenges and opportunities that have presented themselves over the last twelve months.

Of particular importance was the consolidation, completed in July 2002, of the Group's UK journal publishing activities under one roof in Oxfordshire. The speed, efficiency and budgetary control involved in the move were of the highest order and special thanks are due to the staff and management involved.

Overall the Group is well blessed with strong management, enthusiastic staff and a sense of purpose in serving its chosen markets. Again my thanks to all who have played their part so well.

Corporate Strategy

Whatever global conditions exist there is an irresistible world-wide demand for higher education and scientific research. This forms the basis of Taylor & Francis' strategy of growing the business through organic development of its established market positions and the integration of earnings enhancing acquisitions.

Robert Kiernan
Chairman 19 March 2003

Chief Executive's Operating Review

Overview

I am delighted to report another good set of financial results for the Taylor & Francis Group. These results confirm the strength of our business and the growth opportunities that are available in the STM publishing market.

The Group saw good organic growth in both its journals and books divisions despite the softening of the US academic market that we identified at the time of our interim results in September 2002. During the year we acquired the business and assets of Fitzroy Dearborn Publishers LLC ("FDP"), which complement our existing reference lists.

The journals division continued to perform strongly with turnover up 11.4% on the back of strong renewal rates in 2002 and new journal launches. We remain committed to developing our journals portfolio and consistent with this, 24 new journals were published during 2002 and a further 27 titles have been commissioned or acquired for the 2003 subscription year. Around 70% of our institutional subscribers took advantage of their on-line access rights, up from 50% the year before.

The books division had a good year with turnover up a pleasing 3.8% compared to 2001 despite a soft US market and a decline in the US dollar exchange rate. At constant exchange rates, book sales increased 6.1%. The books division published 2,193 new titles in 2002, compared to 1,788 in 2001. Our book list, which included the latest edition of *Molecular Biology of the Cell* (MBoC), performed solidly. The Pacific Rim region showed good progress, in particular in sales from Malaysia, Korea and China.

A strategic review of our publishing assets was initiated during the year. This process has already resulted in a realignment of some of our publishing programmes and the identification of related areas of the STM market where there are opportunities for further growth. Our strategy remains to combine well-planned organic growth with earnings enhancing acquisitions in our core markets. Since the year end we have already acquired Bios Scientific Publishers Limited ("Bios") and have agreed to acquire the business and assets of the CRC Press group of companies ("CRC Press"), both of which will strengthen our "hard science" offering.

Results

Turnover increased 7.3%, from £137.3 million to £147.4 million. This was primarily organic growth achieved in a challenging market. At constant exchange rates, turnover grew 8.6%.

The Group's journals continued to perform well with turnover up 11.4%, from £63.7 million to £71.0 million. Due to the timing of cash receipts exchange rate movements had little effect on the reported increase in journal revenue in 2002. Book turnover increased by 3.8% (£2.8 million), to £76.4 million. At constant exchange rates, book sales grew by 6.1%, helped by the contribution from the highly successful 4th edition of MBoC, which was offset by a softer US books market.

Group operating profit before exceptional items and goodwill amortisation increased 16.9%, from £30.6 million to £35.7 million. The operating margin before goodwill amortisation and exceptional items was 24.3% compared to 22.3% in 2001, reflecting continuing efficiency gains. The Group seeks to grow margins from acquired and existing businesses by achieving efficiencies at all levels. In response to the softening US books market and a strategic review of our book publishing portfolios, we have reduced our US workforce and will continue to operate at this lower overhead base until we see the need to increase resources.

Exceptional costs of £2.6 million (2001: £1.0 million) have been incurred and include £1.3 million for the successful centralisation of our UK journal publishing operations in Oxfordshire and the associated closure of redundant UK properties. The experience gained in integrating previous acquisitions facilitated this smooth relocation and reorganisation of the journals division. We also incurred net exceptional costs of £1.3 million in pursuit of our bid for Kluwer Academic Publishers, which was put up for sale in mid 2002.

Goodwill amortisation remained constant at £7.3 million.

After exceptional costs of £2.6 million and goodwill amortisation of £7.3 million, operating profit was up by 16.2%, to £25.9 million (2001: £22.3 million).

Normalised net interest cover increased to 12.7 times, compared to 8.0 times in 2001, illustrating the strength of the Group's cash flow and its increasing ability to finance further acquisitions using debt.

Pre-tax profit before exceptional items and goodwill amortisation increased by 23.1%, to £32.9 million (2001: £26.8 million).

The effective tax rate of 40.8% (2001: 41.0%) is distorted mainly by goodwill amortisation for which tax relief is only partially available and certain costs for which tax relief may not be available. The underlying rate of tax was 29.8% (2001: 29.6%).

The Board has recommended a final dividend of 2.94p (2.67p in 2001) per ordinary share, making a total dividend for the year of 4.39p, an increase of 10% on 2001 (3.99p). The final dividend will be paid on 20 June 2003 to ordinary shareholders registered as of 4 April 2003.

Diluted earnings per share before exceptional items and goodwill amortisation increased 22.6% to 26.97p per ordinary share, compared to 22.00p in 2001.

Like most international publishing businesses, the Group has an element of exchange translation exposure in terms of its profit and loss account, with around 60 per cent of its revenues and 40 per cent of its operating costs being incurred in US dollars. The impact of exchange rates can increase or reduce turnover or costs and can therefore affect the reported sterling value of profits. The acquisition of CRC Press will increase the amount of net income the Group receives in US dollars. However the acquisition will be funded by a US dollar revolving credit loan facility which will be repaid from the surplus US dollars generated by operations, thereby effectively reducing the enlarged Group's cash flow based exchange exposure.

Balance Sheet

After amortisation of £7.3 million and exchange effects, goodwill decreased by £9.8 million to £109.7 million. A significant proportion of goodwill is denominated in US dollars.

Stocks increased by £2.3 million compared to 2001 due to acquisitions and normal working capital requirements, offset by exchange effects on US dollar denominated stock balances.

Net debt decreased by £13.8 million, to £24.9 million, despite spending £2.9 million on acquisitions, £2.8 million on fixed assets and £2.6 million on exceptional items, reflecting the Group's strong cash flow from operations.

Deferred income, which represents cash received in advance of the publication of journal issues, was significantly affected by exchange rate movements due to the high proportion of subscriptions received in US dollars. The balance of deferred income as at 31 December 2002 was £42.4 million, which was down 2.9% (£1.3 million) compared to £43.7 million at the end of 2001. The US dollar exchange rate at 31 December 2002 was \$1.61: £1 compared to \$1.45: £1 at 31 December 2001, representing a decline of 11%. Deferred income is recognised as turnover when journal issues are published.

Strategic Review of Publishing Activities

During the course of 2002 we began a major strategic review of the Group's book and journal portfolios, a process that has involved staff from all offices across the Group. As a result of this review we have already realigned some of our portfolios and, in some cases, will cease to publish new book titles in peripheral publishing areas whilst expanding areas we see as having good growth prospects. The CRC Press transaction fits well with this review and brings a greater subject balance to our lists.

The review also concluded that, despite the short term concerns over US library funding, we still believe that significant growth prospects remain in our chosen subject areas and we will continue to develop our existing book and journal portfolios.

Acquisitions

In September 2002 the Group acquired, for consideration of £2.9 million, the publishing business and assets of FDP, a US based reference book publisher. This acquisition will enhance the Group's growing reference book offering.

On 31 January 2003 Bios, a well regarded book and journal publisher specialising in Bioscience publications, joined the Group for a maximum consideration of £2.7 million. Bios publishes a number of textbooks which will complement the existing Group portfolio and it fits readily into the Group structure.

On 28 February 2003 the Group agreed to acquire the business and assets of CRC Press for £60.0 million ($95.0 million), financed through a new £130 million multi-currency revolving credit facility. This acquisition will add a backlist of over 6,000 book titles, 350 new book titles per year, 32 journal titles and a growing subscription based electronic reference database, together with around 250 staff and office locations in the US and the UK.

CRC Press, with its strong brands, publishes in the traditional pure and applied science areas of chemistry, physics, mathematics, engineering and biology and will add balance to the Group's book portfolio. The CRC Press acquisition includes the Parthenon Publishing Group Limited, a UK based medical publisher with many similarities to the Martin Dunitz list, giving us greater critical mass in certain subject areas. Due to the applied nature of many of its products CRC Press derives a higher proportion of its revenues from the professional rather than the library markets. CRC Press has similar distribution channels, customer bases and systems to those of Taylor & Francis.

Electronic Initiatives

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.

Journals

As indicated in the interim results, we have decided to change the technology partner which hosts our e-journals, with effect from January 2003. We have been live testing our new technology partner's service on a selection of journals and as a result of these successful tests have decided to move our entire journals portfolio to the new platform.

SARA, the Group's on-line content altering service, experienced 30% growth in the number of subscribers and 1.27 million alerts were delivered with links through to the on-line editions of those journals. There was also a 75% increase in the number of journal articles downloaded.

Books

Electronic book initiatives continued with the launch of new on-line products in the Europa reference division and the conversion to e-books of more of the Group's backlist.

Further investment is being made in the electronic delivery of our key reference data as this is seen to be important to our success in delivering choice and value to our customers. Reference products represent a significant revenue stream and the planned investment of up to £0.6 million in the next two years will help to protect the existing reference book business as well as reap rewards in the years to come.

The revenue from digitised books is still relatively small, at around £0.4 million in 2002, but increasing, especially from the library market. In addition, the digitisation of all new titles and the continued digital conversion of the backlist are reaping other rewards in terms of lower reprint quantities, printing of books on demand and the compilation of digital collections for potential future consortia sales.

Capital Investment

As reported in the interim results we have increased our annual capital expenditure programme to enhance our back office and distribution systems to further develop the relationship with our customers and improve our overall services. This increased expenditure level will continue for a further two years. In February 2003 we have commissioned a more sophisticated customer and revenue reporting system which provides better intelligence about our customers and their requirements. In addition we have upgraded our internal networks and equipment. Capital expenditure in 2002 totalled £2.8 million, including £0.8 million for the new Oxfordshire premises, compared to £1.1 million in 2001.

Rowecom

In December 2002 Rowecom, a large journals subscription agent owned by Divine Inc., announced that it was experiencing trading difficulties and since then has filed for US Chapter 11 bankruptcy protection. Rowecom, as part of its relationship with libraries, received significant advance subscription monies for the 2003 subscription year which were intended to be passed on to journal publishers, including Taylor & Francis. Little of this money has been passed on to publishers and litigation incident to the bankruptcy of Rowecom is ongoing in the US.

The subscription agent Ebsco Industries Inc. announced in January 2003 that it would be acquiring the European operations of Rowecom and also announced on 5 March 2003 that it had signed a definitive agreement to acquire the US operations of Rowecom, subject to US bankruptcy court approval, successful completion of the acquisition of the Rowecom European operations and support of at least 50% of the creditors of Rowecom.

It is too early to identify the extent of any loss of revenue for the Group, but for 2003 we do not expect any loss of journal revenue to exceed £1.5 million. The Group has signed a prepaid order agreement whereby it will continue to supply the libraries' 2003 subscriptions in return for a claim in the Rowecom bankruptcy proceeding and in the expectation that they will renew again for 2004.

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 2002 the Group had in place bank syndicated loan facilities consisting of a £15.6 million term loan, repayable in instalments over five years to 31 December 2003, and a £40 million multi-currency revolving credit facility. Both facilities can be drawn in either sterling or US dollars or a combination thereof. In addition, the Group has available a £3 million multi-currency overdraft facility.

In connection with the proposed acquisition of CRC Press the Group has arranged a new three-year £130 million multi-currency revolving credit facility. Upon closing of the CRC Press acquisition this new bank loan facility will replace the existing bank syndicated loan facility.

As at 31 December 2002 the Group's net debt was £24.9 million compared to £38.7 million at 31 December 2001. The decrease of £13.8 million resulted mainly from the net cash generated from operations.

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.

In respect of interest rate risk, the Group's policy is to minimise exposure to fluctuations in interest rates and to that end it has entered into interest rate swaps.

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 75 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 reduce substantially 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

While the softer nature of the US market, identified at the time of the interim results, has continued into the current year, Taylor & Francis has a solid platform from which to drive further organic growth. The Group has a global market and strong products, which enable it to balance the effect of localised market conditions and we have seen good growth during the year from our other markets, particularly China.

The acquisitions of Bios and CRC Press are good examples of the opportunities within the fragmented STM and academic publishing market segments and the Group is well positioned to participate, where appropriate, in the consolidation of the market.

The addition of the newly acquired titles during 2003, combined with organic growth and the benefits of continued overhead control and the realignment of our publishing programmes, make us confident that 2003 will be another successful year for the Group.

It has been a busy and very enjoyable first year. 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. There are still many opportunities for further profitable development. I would like to end my report by thanking the Group's employees for their continued support and hard work, making 2002 another successful year.

David J Smith
Chief Executive

19 March 2003

Directors

Robert Kiernan (62), *Non-executive Chairman*[1 2]
Robert Kiernan joined the Board in 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. He is also the Non-executive Chairman of the Discovery Group plc and has a number of other private business interests.

David Smith (53), *Chief Executive*
David Smith was appointed Chief Executive with effect from 8 April 2002. In the previous ten years David held senior management positions at Wolters Kluwer and was latterly Chief Executive of its European Education and Legal, Tax and Business divisions.

Anthony Foye BA, ACA, (40), *Group Finance Director*
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 resigned as Company Secretary in December 2002 and was replaced by Jeff Thomasson. Anthony is responsible for the Group's finance function and is Managing Director of Taylor & Francis Publishing Services Limited.

Roger Horton (45), *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.

Jon Conibear (51), *Director*
Jon Conibear joined the Board in November 2001 from the Blackwell publishing group, 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 Banister BA, PhD, MCIT, MIL, FRSA, (52), *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 (52), *Non-executive Director*[1 2]
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, (57), *Non-executive Director*[2]
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. David is also currently President of the Institute of Physics and a Vice President of the Royal Society.

Nicholas Berwin, MA (Hons), (45), *Non-executive Director*[1]
Nicholas Berwin joined the Board in March 2001. Nicholas has broad experience in strategic and financial consulting having held positions with Morgan Grenfell & Company Limited/Deutsche Morgan Grenfell and more recently in his own consultancy business.

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1 denotes member of Audit Committee

2 denotes member of Remuneration Committee

Advisers

Financial Adviser and Broker
ABN AMRO Bank NV
250 Bishopsgate
London EC2M 4AA

Principal Solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
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Auditors
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Chartered Accountants
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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 2002.

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 28. A review of the Group's business and future prospects is set out in the Chairman's Statement and the Chief Executive's Operating Review.

Share Capital: Increase of Capital and Authorities to Allot Shares and Disapply Pre-emption Rights

Resolution 9 in the Notice of the Annual General Meeting proposes an increase in the authorised share capital of the Company from £5.75 million to £6.25 million by the creation of 10 million Ordinary Shares of 5p each, an increase of 8.70 per cent. This increase is to maintain an appropriate amount of unissued capital, consequent upon issues of shares which have taken place since the authority referred to below was last renewed.

Resolution 10 set out in the Notice convening the Annual General Meeting contains authority for the directors to allot relevant securities for a period of five years up to a maximum nominal amount of £1,427,958 (representing 33.33 per cent of the total issued ordinary share capital as at 18 March 2003).

Resolution 11 gives the directors power to allot equity securities for cash pursuant to this authority, disapplying the pre-emption provisions contained in Section 89(1) of the Companies Act 1985. This power is valid for the same period and is limited to the allotment of equity securities up to a nominal amount of £214,193 (approximately five per cent of the issued ordinary share capital at 18 March 2003) or in connection with a rights issue or other pre-emptive offer.

The directors have no present intention of issuing any further shares other than to satisfy the exercise of option holders' rights under the Company's share option schemes or in relation to any appropriate acquisition opportunities which may become available to the Company.

Dividends

Trends in publishing require the Group to invest in new technology and products; reserves need to be built up to accommodate this investment. Your Board is recommending a final dividend of 2.94p per share, making a total of 4.39p per share, an increase of 10% on 2001. The final dividend will be payable to shareholders registered as at the close of business on 4 April 2003 and will be paid on 20 June 2003.

Directors

Details of directors who held office during the year ended 31 December 2002 and their interests in the issued share capital of the Company are set out in the Directors' Remuneration Report on pages 18 to 24. Resolutions will be submitted to the Annual General Meeting in accordance with the Articles of Association for the reappointment of three directors.

Messrs D Wallace, D Banister and N Berwin 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 re-election appear on page 9.

Annual General Meeting

The Annual General Meeting will be held on 18 June 2003 and the notice is set out on page 58.

Charitable and Political Contributions

The Group made gifts during the year for charitable purposes of £nil (2001: £670). No political donations were made (2001: £nil).

Auditors

On 1 June 2003 Deloitte & Touche will transfer their entire business to Deloitte & Touche LLP, a limited liability partnership formed pursuant to the Limited Liability Partnerships Act 2000. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 June 2003. Accordingly, although the accounts were signed in the name of Deloitte & Touche, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Substantial Shareholdings

As at 18 March 2003 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	7,593,023	8.86%
Henderson Global Investors Limited and fellow subsidiaries	7,072,126	8.26%
FMR Corp and Fidelity International Limited and their subsidiaries	4,356,300	5.09%
3i Group plc	4,072,900	4.76%
Zurich Financial Services and its Group	2,583,712	3.02%
Legal & General Investment Management Limited	2,581,256	3.01%

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 2002 and 2001 the Company had no trade creditors.

Social, Environmental and Ethical Matters

Social, environmental and ethical (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.

Going forward, managers will be specifically required to comment on SEE matters within the formalised Risk Assessment process. These SEE matters will then be referred to the Audit Committee as part of their review and, where appropriate, to the Environmental Policy Committee. Board members will also be given the opportunity to receive external training on SEE matters and during 2003 the Board will be formalising its ethical conduct policies which will then be implemented throughout the Group.

It is the Group's policy not to make any political donations.

Environmental Policy

The Board has an Environmental Policy Committee, consisting of Mr R Kiernan and Mr D Banister, who 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.

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 its books and journals, of which 100% are 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. 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 319 staff. Additionally, the Group provides locked storage facilities and, where possible, facilities such as showers to encourage staff to cycle to work. During 2003 the Group will also offer loans to UK staff to purchase bicycles.

Employee Policies

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

During 2002 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 under an equivalent US scheme. The Board intends to allocate further shares under both schemes during 2003. Also during 2003 a number of employee incentive schemes will be introduced which will link bonuses to achievement of individual and Group objectives, both financial and non financial.

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. During 2002 we also involved a significant number of employees in an on-going review of our publishing activities. The objective is to encourage staff to participate in the development of the business while utilising their knowledge and skills to enhance its performance.

By order of the Board

11 New Fetter Lane
London
EC4P 4EE

J Thomasson
Secretary

19 March 2003

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 2002 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 2002, 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 key appointments and significant employee issues, as well as social, environmental and ethical matters.

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 2002 seven 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 can participate and 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:

	Number of meetings attended during 2002	
Board Meetings	**Scheduled**	**Ad Hoc**
R Kiernan (Chair)	7	2
D Smith (appointed 8 April 2002)	5	3
A Foye	7	4
R Horton	7	4
J Conibear	7	2
D Banister	7	1
D Mapp	7	–
D Wallace	7	–
N Berwin	6	1
A Selvey (resigned 6 April 2002)	2	2

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 2002. 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 2002**
D Mapp (Chair)	3
R Kiernan	3
N Berwin	3

Remuneration Committee	**Number of meetings attended during 2002**
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 any two independent non-executive directors. A quorum consists of three members.

During 2002 the committee met to consider the successor to Mr A Selvey and subsequently recommended the appointment of Mr D Smith.

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 and the Group Finance Director attended more than 70 meetings with analysts and institutional shareholders and the trade and financial press in the year ended 31 December 2002. 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 2002 and the period up to 19 March 2003 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, through the Audit Committee, is in the process of introducing a Group internal audit function. The Committee has established a Charter of Group Internal Audit under which the internal audit function will operate, including adherence to the *Code of Ethics, Standards and Guidelines* of the Institute of Internal Auditors.

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.

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Director's Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information

Remuneration Committee

The Remuneration Committee comprises Messrs D Wallace, R Kiernan and D Mapp, under the chairmanship of Mr D Wallace. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Committee 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 Mr D 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, although no director plays a part in any discussion about his own remuneration.

The Committee consults the Chief Executive about its proposals and has access to professional advice from inside and outside the Company. During 2002 the Committee appointed New Bridge Street Consultants to provide advice on structuring directors' remuneration packages. New Bridge Street Consultants did not provide any other services to the Group.

The Committee met three times during 2002, to review general policy and to agree remuneration for executive and non-executive directors for recommendation to the Board. The Board also discussed and agreed the remuneration policy for senior staff.

Remuneration Policy

Taylor & Francis operates globally and its continued success is dependent on its ability to recruit, retain and reward appropriate high calibre staff. The rewards for the Chief Executive, for the other executive directors and for senior staff must therefore be competitive with global salary scales and, in particular, must reflect the international dimension of the Group. However, individual performance targets must be demanding, so that outstanding performance is appropriately rewarded. Whatever the geographical location of staff, their rewards must enable the Company to attract the best, and to motivate them as a team.

The Remuneration Committee works within the fundamental principles of corporate governance, of independence, accountability, transparency of information and alignment of reward with performance. In making its judgements it utilises external independent advice, both commissioned and from reputable surveys.

In its most recent reviews, the Committee has noted that the remuneration of the directors is generally in the lowest quartile of companies which are comparable, whether by market capitalisation, revenue, number of employees or sector. The Committee is now in the process of addressing this position, to reflect the continuing success of the Group, and to ensure this for the future.

There are four elements of the remuneration package for executive directors:

- Basic salary and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension benefits

These are summarised below.

Basic Salary

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

In addition to basic salary, executive directors receive certain benefits-in-kind, principally private medical insurance.

Annual Performance Related Bonus Scheme

The Group's policy is that a significant proportion of the maximum potential remuneration of the executive directors should be performance related. Accordingly, the executive directors participate in an annual bonus scheme. The level of potential bonus is expressed as a percentage of basic salary with Messrs A Foye, R Horton and J Conibear receiving up to 40 per cent of basic salary and Mr D Smith receiving up to 50 per cent of basic salary, subject to the achievement of financial targets on a sliding scale for revenue, operating profit 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 2002, the maximum and actual bonuses payable for achievement of each of the financial targets, as a percentage of basic salary, were as follows:

	Maximum bonus payable				
	Revenue %	**Operating profit*** %	**Earnings per share*** %	**Total** %	**Actual bonus awarded** %
D Smith	17.5	15.0	17.5	50.0	25.0
A Foye	12.0	14.0	14.0	40.0	20.0
R Horton	12.0	14.0	14.0	40.0	20.0
J Conibear	12.0	14.0	14.0	40.0	20.0

* Excluding exceptional items and goodwill amortisation

Awards under the bonus scheme are non-pensionable.

Share Option 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 can be granted to executives under the Taylor & Francis Group plc Approved Discretionary Share Option Scheme and under the Taylor & Francis Group plc Unapproved Share Option Scheme (together the "Discretionary Share Option Schemes"). The directors are not eligible to participate in the Company's Save as You Earn share option scheme.

The directors have reviewed the operation of the existing Discretionary Share Option Schemes and, in the light of developments in current best practice (encapsulated in the revised guidelines issued by the Association of British Insurers in December 2002) propose to amend the individual limits under the Company's Discretionary Share Option Schemes. It is proposed to replace the current individual limit of four times earnings for subsisting options with an annual limit on option grants of up to one times annual basic salary, except in the case of new executive appointments only, wherein the Remuneration Committee would continue to have the discretion to award higher grants on appointment of up to four times basic salary. Any such higher grants would be subject to more stretching and demanding performance criteria. Resolution 11 set out in the Notice of Annual General Meeting authorises the directors to amend the rules of the Company's Discretionary Share Option Schemes accordingly.

Since 2001 all options granted under the Discretionary Share Option Schemes have been and will continue to be subject to performance criteria. The options granted to the executive directors during 2002 and the performance criteria attached to them are shown on page 23.

The exercise price of the options granted is equal to the market value of the Company's shares on the date the options were granted.

The company does not currently operate any long-term incentive schemes other than the share option schemes described above.

Pension Benefits

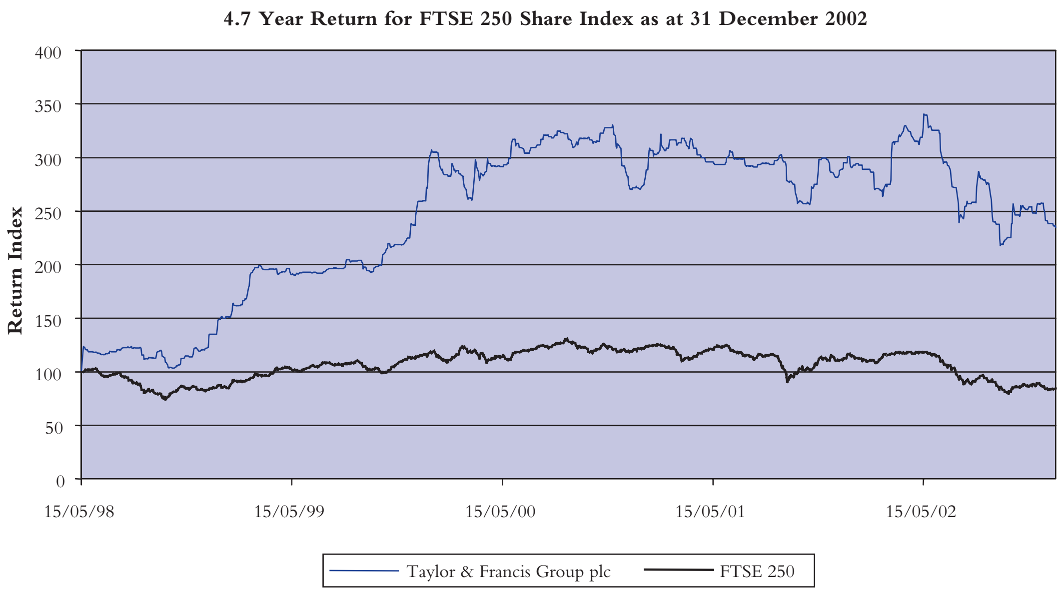
Executive directors and employees of certain UK subsidiaries were eligible until 8 March 2002 (when the scheme was closed to new entrants) to join the Taylor & Francis Limited Group Pension and Life Assurance Scheme. This is a defined benefit scheme which, subject to Inland Revenue limits and length of service, provides a pension of up to two-thirds of final salary (excluding benefits) at the age of 63. Dependants are eligible for dependants' pensions and the payment of a lump sum in the event of the member's death in service.

No payments other than basic salary are pensionable.

Because he joined the Company after the above pension scheme was closed to new entrants, Mr D Smith does not participate in the scheme and instead receives an additional 10% of his basic salary.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE 250 Share Index, also measured by total shareholder return, in the 4.7 year period from May 1998 (when the Company was first listed on the London Stock Exchange) to December 2003. The FTSE 250 Share Index has been selected for this comparison because the Company is a constituent company of that index.



Director's Contracts

At 31 December 2002 and in accordance with the Company's policy, the four executive directors had service contracts with an indefinite term under which twelve months' notice must be given by the Company or by the director.

The details of the executive director's contracts are summarised in the table below:

	Date of Contract
D Smith	8 April 2002
A Foye	1 January 1998
R Horton	1 January 1998
J Conibear	1 November 2001

In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period, in addition to the continued provision of private medical insurance and pension benefits during the notice period. Mr D Smith's contract also provides for the payment of any bonus which would have been earned during the notice period.

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. Non-executive directors are not eligible to participate in any of the Company's share option schemes or join any Company pension scheme.

Audited Information

Aggregate Directors' Remuneration

The total amounts for director's remuneration were as follows:

	2002 £'000	2001 £'000
Emoluments	998	818
Gains on exercise of share options	4,437	11,911
	5,435	12,729

Directors' Emoluments

	Salary £'000	Fees £'000	Bonus accrued £'000	Benefits in kind £'000	Total 2002 £'000	Total 2001 £'000
Executive Directors						
D Smith (appointed 8 April 2002)	201	–	145	1	347	–
A Foye	145	–	29	1	175	173
R Horton	125	–	25	1	151	146
J Conibear (appointed 1 November 2001)	125	–	25	1	151	20
A Selvey (resigned 6 April 2002)	55	–	–	1	56	265
S Neal (resigned 31 October 2001)	–	–	–	–	–	103
	651	–	224	5	880	707
Non–Executive Directors						
R Kiernan	–	40	–	–	40	37
D Banister	–	19	–	–	19	17
D Mapp	–	20	–	–	20	18
D Wallace	–	20	–	–	20	18
N Berwin (appointed 12 March 2001)	–	19	–	–	19	14
H Baum (resigned 7 June 2001)	–	–	–	–	–	7
	651	118	224	5	998	818

The salary figure for Mr D Smith includes a payment in lieu of pension equal to 10% of his basic salary.

In addition to the annual bonus accruing to Mr D Smith under the scheme described on page 19, he received a one-off signing bonus of £83,000 in 2002, giving a total of £145,000.

Directors' Share Interests

The directors who held office at 31 December 2002 had the following interests in the issued share capital of the Company:

	At 31 December 2002 Ordinary Shares		At 31 December 2001* Ordinary Shares	
	Beneficial	**Non-Beneficial**	**Beneficial**	**Non-Beneficial**
R Kiernan	184,993	356,162	184,993	356,162
D Smith	16,500	–	–	–
A Foye	44,081	–	44,081	–
R Horton	239,054	–	239,054	–
J Conibear	–	–	–	–
D Banister	1,861,147	5,078,400	1,355,772	5,578,400
D Mapp	17,016	–	17,016	–
D Wallace	1,500	–	1,500	–
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 Smith, 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 holds as trustee of the Taylor & Francis Group 1997 Employee Benefit Trust. All Taylor & Francis Group employees (including executive directors) are potential beneficiaries under this trust.

The figures for Mr D Banister exclude 6,937,400 Ordinary Shares held as trustees by Coutts & Co (included in the interests of The Royal Bank of Scotland Group plc shown on page 12) and Mr S M A Banister, a connected party of Mr D Banister, save for 505,375 of those shares in which Mr D Banister has a beneficial interest and which have been included in the above table.

No notification has been received of any change in directors' share interests from 31 December 2002 to the date of this report.

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

Directors' Share Options

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

	At 31 December 2001	Granted	Lapsed	Exercised	Exercise price (p)	Market price at date of exercise (p)	At 31 December 2002	Exercise period
D Smith	–	39,215	–	–	637.5	–	39,215[5]	27.05.05 to 26.05.09
	–	39,216	–	–	637.5	–	39,216[6]	27.05.05 to 26.05.09
	–	58,479	–	–	427.5	–	58,479[5]	03.10.05 to 02.10.09
	–	58,480	–	–	427.5	–	58,480[6]	03.10.05 to 02.10.09
	–	195,390	–	–			195,390	
A Foye	227,800	–	–	–	13.33	–	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
	–	11,372	–	–	637.5	–	11,372[5]	27.05.05 to 26.05.09
	–	11,373	–	–	637.5	–	11,373[6]	27.05.05 to 26.05.09
	272,244	22,745	–	–			294,989	
R Horton	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
	–	9,804	–	–	637.5	–	9,804[5]	27.05.05 to 26.05.09
	–	9,804	–	–	637.5	–	9,804[6]	27.05.05 to 26.05.09
	37,607	19,608	–	–			57,215	
J Conibear	11,764	–	–	–	510.0	–	11,764[5]	01.11.04 to 31.10.11
	11,765	–	–	–	510.0	–	11,765[6]	01.11.04 to 31.10.11
	23,529	–	–	–	510.0	–	23,529[4]	01.11.04 to 31.10.11
	–	9,804	–	–	637.5	–	9,804[5]	27.05.05 to 26.05.09
	–	9,804	–	–	637.5	–	9,804[6]	27.05.05 to 26.05.09
	47,058	19,608	–	–			66,666	
A Selvey	183,000	–	–	(183,000)	13.33	605.0	–	
	567,000	–	–	(567,000)	13.33	605.0	–	
	17,094	–	(17,094)	–	585.0	–	–	
	17,094	–	(17,094)	–	585.0	–	–	
	34,188	–	(34,188)	–	585.0	–	–	
	818,376	–	(68,376)	(750,000)			–	

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.

3 100% of options vest if normalised, inflation-adjusted earnings per share growth was at least 17% in the year ended 31 December 2001. Actual normalised, inflation-adjusted earnings per share growth exceeded 17% in 2001 and hence these options have vested.

4 100% of options vest if normalised, inflation-adjusted earnings per share growth was at least 17% in the year ended 31 December 2002. Actual normalised, inflation-adjusted earnings per share growth exceeded 17% in 2002 and hence these options have vested.

5 Options vest if normalised, inflation-adjusted earnings per share growth is at least 3% per year in each of the three years ending 31 December 2004.

6 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 2004.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

The market price of the Company's ordinary shares at 31 December 2002 was 452.5p and the range during the year was 420.0p to 660.0p. The average market price during the year was 536.9p.

Directors' Pension Entitlements

Four directors who served during the year are members of the Company's final salary pension scheme described on page 20 and have accrued entitlements under the scheme as follows:

	Accrued pension 31 December 2001 £'000	Increase in accrued pension (excluding inflation) £'000	Accrued pension 31 December 2002 £'000	Age at year end	Normal retirement age	Spouse/ dependant benefits
A Foye	36	6	42	40	63	50%
R Horton	13	2	15	45	63	50%
J Conibear	–	4	4	51	63	50%
A Selvey (resigned 6 April 2002)	126	3	129	58	60	67%

The accrued pension shown is that which would be paid annually on retirement based on service to 31 December 2002. The figures for Mr A Selvey have been calculated as of his date of early retirement.

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 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.

The following table sets out the transfer values of the accrued benefits under the scheme for the directors who served during the year, calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries:

	Transfer value 31 December 2001 £'000	Increase in transfer value £'000	Transfer value 31 December 2002 £'000
A Foye	174	(17)	157
R Horton	83	(10)	73
J Conibear	5	22	27
A Selvey (resigned 6 April 2002)	1,945	376	2,321

The transfer values disclosed above do not represent a sum paid or payable to the individual director; instead they represent a potential liability of the pension scheme.

Members of the scheme have the option to pay Additional Voluntary Contributions; no directors made any contributions in the current or preceding year.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

D Wallace
Director 19 March 2003

Statement of Directors' Responsibilities

United Kingdom 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 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses and the related notes numbered 1 – 34. These financial statements have been prepared under the accounting policies set out therein. We also audited the information in the part of the Director's Remuneration Report that is described as having been audited.

This report is made solely to the Group's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

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. They are also responsible for the preparation of the other information contained in the annual report including the Director's Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited 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 whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been 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 including the unaudited part of the Director's Remuneration Report 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 and the part of the Directors' Remuneration Report described as having been audited. 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 and the part of the Directors' Remuneration Report described as having been audited 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 and the part of the Directors' Remuneration Report described as having been audited.

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 2002 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors

Reading 19 March 2003

Consolidated Profit and Loss Account

For the Year Ended 31 December 2002

	Note	2002 Before goodwill amortisation and exceptional items £'000	2002 Goodwill amortisation and exceptional items £'000	2002 Total £'000	2001 Total £'000
Turnover – Continuing operations	2	147,365	–	147,365	137,326
Net operating costs					
Operating costs before goodwill amortisation	3,5	(111,622)	(2,581)	(114,203)	(107,780)
Goodwill amortisation	11	–	(7,251)	(7,251)	(7,250)
Total net operating costs		(111,622)	(9,832)	(121,454)	(115,030)
Operating profit – continuing operations	3	35,743	(9,832)	25,911	22,296
Interest receivable and similar income	6			166	218
Interest payable and similar charges	7			(2,980)	(4,039)
Profit on ordinary activities before taxation				23,097	18,475
Tax on profit on ordinary activities	8			(9,420)	(7,579)
Profit on ordinary activities after taxation				13,677	10,896
Dividends	9			(3,761)	(3,341)
Profit for the financial year transferred to reserves				9,916	7,555
Earnings per ordinary share					
Diluted (normalised) (p)	10			26.97	22.00
Diluted (p)	10			15.96	12.70
Basic (p)	10			16.12	13.09

Consolidated Statement of Total Recognised Gains and Losses

For the Year Ended 31 December 2002

	2002 £'000	2001 £'000
Profit attributable to shareholders	13,677	10,896
Currency translation differences on foreign currency net investments	(5,121)	373
Total recognised gains and losses relating to the period	8,556	11,269
Prior year adjustment (note 18)	1,979	–
Total recognised gains and losses since last annual report	10,535	11,269

Group and Company Balance Sheets

At 31 December 2002

	Note	Group 2002 £'000	Group As restated* (note 18) 2001 £'000	Company 2002 £'000	Company 2001 £'000
Fixed assets					
Intangible assets	11	109,658	119,466	–	–
Tangible assets	12	4,565	3,415	–	–
Investments	13	–	–	94,029	96,633
		114,223	122,881	94,029	96,633
Current assets					
Stocks	14	31,098	28,835	–	–
Debtors due within one year	15	34,754	34,523	9,496	21,138
Debtors due after more than one year	18	1,028	1,583	–	–
Investments	16	11,988	5,501	11,988	4,147
Cash at bank and in hand		6,070	8,163	1,301	920
		84,938	78,605	22,785	26,205
Creditors: amounts falling due within one year	17(a)	(63,188)	(57,042)	(44,573)	(34,103)
Net current assets/(liabilities)		21,750	21,563	(21,788)	(7,898)
Total assets less current liabilities		135,973	144,444	72,241	88,735
Creditors: amounts falling due after more than one year	17(b)	–	(16,514)	–	(16,514)
Accruals and deferred income	20	(58,089)	(54,348)	(991)	(586)
		77,884	73,582	71,250	71,635
Capital and reserves					
Called up share capital	21	4,284	4,227	4,284	4,227
Share premium account	22	44,283	43,989	44,283	43,989
Reserve for own shares	23	1,267	2,111	1,267	2,111
Profit and loss account	24	28,050	23,255	21,416	21,308
Equity shareholders' funds		77,884	73,582	71,250	71,635

* The consolidated balance sheet for the year ended 31 December 2001 has been restated for the adoption of FRS 19 (see note 18).

These financial statements were approved by the Board of Directors on 19 March 2003 and were signed on its behalf by:

D Smith
Director

R Kiernan
Director

Consolidated Cashflow Statement

For the Year Ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	26	31,008	32,234
Returns on investments and servicing of finance			
Interest received		166	187
Interest paid		(3,112)	(4,707)
Net cash outflow from returns on investments and servicing of finance		(2,946)	(4,520)
Taxation			
Corporation tax paid		(5,088)	(5,317)
Overseas taxes paid		(1,008)	(18)
Tax paid		(6,096)	(5,335)
Capital expenditure and financial investment			
Purchase of publishing goodwill	11	(571)	(459)
Tangible fixed assets acquired	12	(2,820)	(1,154)
Tangible fixed assets sold		113	51
Net cash outflow from investing activities		(3,278)	(1,562)
Acquisitions			
Purchase of businesses/subsidiary undertakings (net of cash and overdrafts acquired)	34	(2,946)	(18,688)
Net cash outflow from acquisitions		(2,946)	(18,688)
Equity dividends paid		(3,484)	(3,078)
Net cash inflow/(outflow) before use of liquid resources and financing		12,258	(949)
Management of liquid resources	28	(6,487)	13,178
Financing			
Net loans repaid		(4,790)	(8,943)
Proceeds (net) from share issues		351	214
Payment of deferred consideration		(844)	–
Net cash outflow from financing		(5,283)	(8,729)
Increase in cash	27	488	3,500

Notes to the Accounts

For the Year Ended 31 December 2002

1 Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom 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.

Prior Period Adjustment

The adoption of Financial Reporting Standard (FRS) 19 – Deferred Tax has necessitated changes in the basis of accounting for deferred tax. As a result of the change in accounting policy comparative figures have been restated as disclosed in notes 18 and 24.

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 £4,478,000 (2001: £3,845,000).

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. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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	2002 £'000	2001 £'000
United Kingdom	32,171	27,188
North America	62,196	60,728
Western Europe	24,854	22,197
Rest of the world	28,144	27,213
	147,365	137,326

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

Geographical analysis of turnover by origin	2002 £'000	2001 £'000
United Kingdom	106,677	100,605
United States of America	34,324	30,685
Western Europe	6,364	6,036
	147,365	137,326

Analysis of turnover by class of business	2002 £'000	2001 £'000
Journals	70,998	63,739
Books	76,367	73,587
	147,365	137,326

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	Total 2002 £'000	Total 2001 £'000
Increase in stock of finished goods and work in progress	(807)	(2,392)
Raw materials and consumables	39,446	38,277
Depreciation of tangible and intangible fixed assets	8,743	8,597
Staff costs in total (note 4)	24,711	22,519
Other operating charges (including exceptional items (note 5))	49,367	48,048
Other operating income	(6)	(19)
	121,454	115,030

Operating profit is stated After charging:	2002 £'000	2001 £'000
Auditors' remuneration:		
Audit – Group	285	307
Audit – Company	25	25
Taxation compliance – Group	181	198
Other – Group and Company	480	–
Depreciation and other amounts written off tangible fixed assets owned	1,492	1,347
Exceptional items (note 5)	2,581	1,034
Goodwill amortisation	7,251	7,250
Hire of plant and machinery: rentals payable under operating leases	299	298
Hire of other assets: rentals payable under operating leases	2,503	1,915
Exchange losses	439	1,506

After crediting:	2002 £'000	2001 £'000
Rents receivable from property	6	19

The Group's auditors acted for the Company as reporting accountants in the attempted acquisition of Kluwer Academic Publishers. Their fee for the assignment was £480,000.

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 2002	2001
Management and administration	152	152
Publishing and distribution	679	656
	831	808

The aggregate payroll costs of these persons was as follows:

	2002 £'000	2001 £'000
Wages and salaries	21,195	19,397
Social security costs	1,912	1,888
Other pension costs (note 32)	1,604	1,234
	24,711	22,519

Disclosures on directors' remuneration, share options, pension contributions and pension entitlements are provided in the element of the Directors' Remuneration Report marked as audited on pages 21 to 24.

5 Exceptional Items

	2002 £'000	2001 £'000
Reorganisation following the acquisition of the Gordon and Breach business	–	1,034
Cost of attempted acquisition of Kluwer Academic Publishers, net of costs recovered	1,250	–
Re-organisation and relocation of journal publishing operations	1,331	–
	2,581	1,034

The estimated tax effect of exceptional items is to reduce the overall tax charge by £399,000 (2001: £310,000).

6 Interest Receivable and Similar Income

	2002 £'000	2001 £'000
Bank interest	166	218

7 Interest Payable and Similar Charges

	2002 £'000	2001 £'000
Bank loans and loan notes	2,788	3,845
Amortisation of loan premium	192	194
	2,980	4,039

8 Tax on Profit on Ordinary Activities

The tax charge comprises:

	2002 £'000	2001 £'000
Current tax		
UK corporation tax at 30% (2001: 30%)	7,397	6,248
Adjustments in respect of prior years	72	(342)
Foreign tax	1,396	1,620
Total current tax	8,865	7,526
Deferred tax		
Origination and reversal of timing differences	635	53
Adjustments in respect of prior years	(80)	–
Total deferred tax (note 18)	555	53
Total tax on profit on ordinary activities	9,420	7,579

The current tax rate is higher than that resulting from applying the standard rate of corporation tax in the UK. The difference is explained below:

	2002 %	2001 %
Tax on Group profit on ordinary activities at standard UK corporation tax rate	(30)	(30)
Effects of:		
Expenses not deductible for tax purposes	(2)	(2)
Movement in short term timing differences	2	–
Other deferred tax movements	1	–
Higher tax rates on overseas earnings	(2)	(3)
Goodwill amortisation	(5)	(7)
Exceptional items	(2)	–
Prior year adjustments	–	1
Group current tax charge for period	(38)	(41)

9 Dividends

	2002 £'000	2001 £'000
Ordinary equity shares		
Interim 1.45p (2001: 1.32p) per share	1,242	1,099
Final 2.94p (2001: 2.67p) per share	2,519	2,242
	3,761	3,341

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 £13,677,000 (2001: £10,896,000). 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 84,823,000 (2001: 83,230,000).

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 85,697,000 (2001: 85,781,000). 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 2002 at the closing mid-market share price on 31 December 2002 of 452.5p, making 280,000 (2001: 368,000) ordinary shares potentially issued.

Diluted (normalised)

The diluted earnings per share (normalised) calculation has been made to allow shareholders to gain a better understanding of the trading performance of the Group. It 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 as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities after taxation	13,677	10,896
Goodwill amortisation	7,251	7,250
Exceptional items after tax	2,182	724
Normalised profit on ordinary activities after taxation	23,110	18,870

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

	2002 No. '000	2001 No. '000
Weighted average number of shares used in basic earnings per share calculation	84,823	83,230
Share options	594	2,183
Shares potentially to be issued or allotted	280	368
Weighted average number of shares used in diluted earnings per share calculation	85,697	85,781

11 Intangible Fixed Assets

Group	Publishing goodwill £'000	Goodwill arising on acquisitions £'000	Total £'000
Cost			
At 1 January 2002	2,245	135,005	137,250
Additions	571	1,809	2,380
Exchange adjustment	(173)	(5,453)	(5,626)
At 31 December 2002	2,643	131,361	134,004
Amortisation			
At 1 January 2002	456	17,328	17,784
Charge for the year	141	7,110	7,251
Exchange adjustment	(35)	(654)	(689)
At 31 December 2002	562	23,784	24,346
Net book value			
At 31 December 2002	2,081	107,577	109,658
At 31 December 2001	1,789	117,677	119,466

12 Tangible Fixed Assets

Group	Freehold property £'000	Long leasehold property £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 January 2002	182	1,273	7,055	8,510
Additions	–	–	2,820	2,820
Disposals	–	–	(338)	(338)
Exchange adjustment	–	–	(171)	(171)
At 31 December 2002	182	1,273	9,366	10,821
Depreciation				
At 1 January 2002	80	466	4,549	5,095
Charge for year	7	22	1,463	1,492
Disposals	–	–	(225)	(225)
Exchange adjustment	–	–	(106)	(106)
At 31 December 2002	87	488	5,681	6,256
Net book value				
At 31 December 2002	95	785	3,685	4,565
At 31 December 2001	102	807	2,506	3,415

13 Investments Held as Fixed Assets

Company	2002 £'000	2001 £'000
Shares in Group undertakings		
Cost and net book value		
At beginning of year	96,633	95,928
Exchange adjustments	(2,619)	705
Additions during year	15	–
At end of year	94,029	96,633

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*	England	Distribution of books	100%
Carfax Publishing Limited*	England	Dormant	100%
Curzon Press Limited*	England	Dormant	100%
Europa Publications Limited	England	Dormant	100%
Falmer Press Limited*	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 multimedia	16%
Routledge Publishing Holdings Limited	England	Holding company	100%
Scandinavian University Press (UK) Limited*	England	Dormant	100%
Taylor & Francis AB*	Sweden	Provision of publishing services	100%
Taylor & Francis AS*	Norway	Publishing of journals	100%
Taylor & Francis Books Inc.*	USA	Publishing of books	100%
Taylor & Francis Books Limited*	England	Publishing of books	100%
Taylor & Francis Inc.*	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*	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.

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

14 Stocks

Group	2002 £'000	2001 £'000
Raw materials	557	747
Work in progress	6,018	5,307
Finished goods and goods for resale	24,523	22,781
	31,098	28,835

15 Debtors due within one year

	2002 Group £'000	2001 Group £'000	2002 Company £'000	2001 Company £'000
Trade debtors	28,122	25,120	–	–
Amounts owed by subsidiary undertakings	–	–	8,744	21,138
Other debtors	5,173	4,020	750	–
Prepayments and accrued income	1,459	5,383	2	–
	34,754	34,523	9,496	21,138

16 Investments Held as Current Assets

	2002 Group £'000	2001 Group £'000	2002 Company £'000	2001 Company £'000
Short term bank deposits	11,988	5,501	11,988	4,147

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

	2002 Group £'000	As restated 2001 Group £'000	2002 Company £'000	As restated 2001 Company £'000
Bank loans and overdrafts (secured)	42,494	34,389	41,579	30,893
Loan notes	511	1,483	452	508
Trade creditors	7,637	9,532	–	–
Amounts owed to subsidiary undertakings	–	–	–	–
Corporation tax	9,288	7,480	–	–
Other taxes and social security	319	678	–	–
Other creditors	420	1,246	23	468
Dividends proposed	2,519	2,234	2,519	2,234
	63,188	57,042	44,573	34,103

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

	2002 Group £'000	2001 Group £'000	2002 Company £'000	2001 Company £'000
Bank loans (secured)	–	16,514	–	16,514

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

Term loans total £15.2 million of which £12.0 million was drawn and is repayable in US dollars. Translated at year end exchange rates, term loans total £15.6 million (2001: £31.3 million) of which £12.4 million (2001: £25.1 million) was drawn and is repayable in US dollars.

Included in loans falling due within one year is £26.2 million (2001: £16.5 million) drawn from a £40.0 million revolving credit facility.

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

Loan notes comprise £452,000 (2001: £508,000) and £59,000 (2001: £975,000) 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 holders' option and interest is payable at 0.5% below LIBOR and 1.0% below LIBOR, respectively.

18 Deferred Taxation

Group	2002 £'000	As restated 2001 £'000
Deferred taxation asset	1,028	1,583

The movements during the year were as follows:	2002 £'000	2001 £'000
At 1 January as previously reported	1,583	(343)
Prior year adjustment (see note below)	–	1,979
At 1 January as restated	1,583	1,636
Current year charge	(635)	–
Prior year credit/(charge)	80	(53)
At 31 December	1,028	1,583

The deferred tax asset consists of the following amounts:	2002 £'000	2001 £'000
Depreciation in excess of capital allowances	399	343
Short term timing differences	2,305	2,675
Other	(1,676)	(1,435)
	1,028	1,583

A deferred tax asset of £1,028,000 has been recognized as at 31 December 2002, in accordance with FRS 19. This asset relates mainly to tax deductible expenses in overseas subsidiaries for which relief has yet to be obtained. The value of this asset is dependant upon future profits from those overseas subsidiaries and based on forecasts the directors are of the opinion that sufficient profits will be realised in due course to ensure that the asset is recoverable. The comparative figures have been re-stated accordingly, resulting in an increase in profit and loss reserves of £1,979,000 at 1 January 2001 as disclosed in note 24. The adoption of FRS 19 had no impact on the tax charge in the current or prior year.

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 33 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

	2002 £'000	2001 £'000
Within one year or less or on demand	43,185	35,872
More than one year but not more than two years	–	16,870
	43,185	52,742
Unamortised element of loan premium	(180)	(356)
	43,005	52,386

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

Expiry date	2002 £'000	2001 £'000
In one year or less	16,800	3,000
In more than one year but not more than two years	–	23,500
	16,800	26,500

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

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Fixed rate financial liabilities: Weighted average interest rate %	Fixed rate financial liabilities: Weighted average period for which the rate is fixed Years
At 31 December 2002					
GBP	30,826	27,626	3,200	6.33	1.0
USD	12,359	–	12,359	5.92	1.0
Gross financial liabilities	43,185	27,626	15,559	6.00	1.0
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

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 2002				
GBP	1,963	267	–	1,696
USD	15,430	2,761	11,988	681
AUD	156	142	–	14
CAD	12	–	–	12
SGD	112	–	–	112
MLR	8	–	–	8
NOK	123	123	–	–
SEK	76	76	–	–
INR	6	–	–	6
EUR	172	172	–	–
Gross financial assets	18,058	3,541	11,988	2,529
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

Financial assets comprise cash at bank and in hand of £6,070,000 (2001: £8,163,000) and current asset investments of £11,988,000 (2001: £5,501,000). 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. The weighted average rate and period for fixed rate deposits was 1.2% and within one month, respectively.

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 2002 and 2001.

Based on market values, the fair values as at 31 December 2002 of derivative financial instruments held to manage the interest rate and currency profile were as follows:

	Carrying amount 2002 £'000	Estimated fair value 2002 £'000	Carrying amount 2001 £'000	Estimated fair value 2001 £'000
Interest rate swaps	–	(479)	–	(1,240)
Forward foreign exchange contracts	–	2,708	–	(609)

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 2002 and 2001 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 (£12,359,000; 2001: £25,063,000) 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 Accruals and Deferred Income

	2002 Group £'000	As restated 2001 Group £'000	2002 Company £'000	As restated 2001 Company £'000
Subscriptions received in advance	42,414	43,682	–	–
Accruals	15,675	10,666	991	586
	58,089	54,348	991	586

21 Share Capital

Group and Company	2002 £'000	2001 £'000
Authorised		
115,000,000 ordinary shares of 5p each	5,750	5,750
Allotted, called up and fully paid		
85,670,426 ordinary shares of 5p each (2001: 84,536,579 of 5p each)	4,284	4,227

	2002 £'000	2001 £'000
At 1 January	4,227	4,118
Options exercised	57	109
At 31 December	4,284	4,227

During the period options to purchase 1,133,847 ordinary 5p shares were exercised for a consideration of £351,000.

As at 31 December 2002, outstanding options to subscribe for ordinary shares of 5p were as follows:

Number	Exercise price per share	Exercise period
251,550	13.33p	06.11.00 to 05.11.04
37,500	13.33p	06.11.00 to 05.11.07
15,672	381.50p	25.06.02 to 24.06.06
97,408	427.50p	04.11.02 to 03.11.06
94,157	427.50p	04.11.02 to 03.11.09
14,559	370.98p	05.11.02 to 04.05.03
15,176	615.00p	08.06.03 to 07.06.07
14,877	591.38p	06.11.03 to 05.05.04
511,155	585.00p	26.04.04 to 25.04.08
18,863	556.00p	01.08.03
47,058	510.00p	01.11.04 to 31.10.08
24,038	479.75p	02.11.04 to 01.05.05
16,143	575.50p	05.12.04 to 04.12.08
437,418	619.00p	26.04.05 to 25.04.09
140,392	672.50p	27.05.05 to 26.05.09
9,404	579.50p	01.08.04
116,959	427.50p	03.10.05 to 02.10.09
23,941	470.25p	12.11.05 to 11.05.06
1,886,270		

22 Share Premium Account

	Group and Company £'000
At 1 January 2002	43,989
Premium arising on	
– Options exercised during period	294
At 31 December 2002	44,283

23 Reserve for Own Shares

	Group and Company £'000
At 1 January 2002	2,111
Deferred consideration settled in cash during the year	(844)
At 31 December 2002	1,267

The balance at 31 December 2002 represents deferred consideration 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 on 30 November 2005 and can be paid in either cash or shares at the Company's option.

24 Reserves

	2002 Group £'000	As restated 2001 Group £'000	2002 Company £'000	2001 Company £'000
Profit and loss account				
At 1 January as previously reported	23,255	13,348	21,308	20,804
Prior year adjustment	–	1,979	–	–
At 1 January as restated	23,255	15,327	21,308	20,804
Profit on ordinary activities after taxation	13,677	10,896	4,478	3,845
Dividend payable	(3,761)	(3,341)	(3,761)	(3,341)
Currency translation difference on foreign currency net investments	(5,121)	373	(609)	–
At 31 December 2002	28,050	23,255	21,416	21,308

In accordance with the transitional provisions of FRS 17, Retirement Benefits, the following additional reconciliation is provided showing Group profit and loss account reserves if FRS 17 were to be adopted in full:

	2002 Group £'000	As restated 2001 Group £'000
Profit and loss account excluding pension liability	28,050	23,255
Pension liability (note 33)	(2,291)	(386)
Profit and loss account after deducting pension liability	25,759	22,869

25 Reconciliation of Movements in Consolidated Shareholders' Funds

	2002 £'000	As restated 2001 £'000
Profit for the year	13,677	10,896
Dividends	(3,761)	(3,341)
Retained profit for the year	9,916	7,555
Currency translation difference on foreign currency net investments	(5,121)	373
Proceeds of new share issues (net)	351	214
Decrease in reserve for own shares	(844)	–
	4,302	8,142
Opening shareholders' funds – as previously reported	73,582	63,461
Prior year adjustment (note 24)	–	1,979
Opening shareholders' funds as restated	73,582	65,440
Closing shareholders' funds	77,884	73,582

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

	2002 £'000	2001 £'000
Operating profit	25,911	22,296
Depreciation and amortisation	8,743	8,597
Increase in stocks	(807)	(2,392)
Increase in debtors	(29)	(5,146)
(Decrease)/increase in creditors	(2,810)	8,879
Net cash inflow from operating activities	31,008	32,234

27 Reconciliation of Net Cash Flow to Movement in Net Debt

	2002 £'000	2001 £'000
Increase in cash net of overdrafts in the period	488	3,500
Decrease in bank loans and loan notes	4,790	8,943
Cash flow from increase/(decrease) in liquid resources	6,487	(13,178)
Change in net debt resulting from cash flows	11,765	(735)
Foreign exchange translation difference	2,010	(974)
Movement in net debt during the period	13,775	(1,709)
Opening net debt	(38,722)	(37,013)
Closing net debt (note 29)	(24,947)	(38,722)

28 Management of Liquid Resources

	2002 £'000	2001 £'000
Cash (invested in)/withdrawn from deposit accounts	(6,487)	13,178
Cash flow from (increase)/decrease in liquid resources	(6,487)	13,178

29 Analysis of Net Debt

	At 1 January 2002 £'000	Cash flow £'000	Exchange movement £'000	At 31 December 2002 £'000
Cash at bank and in hand	8,163	(2,093)	–	6,070
Overdrafts	(3,496)	2,581	–	(915)
Net cash	4,667	488	–	5,155
Bank loans and loan notes	(48,890)	4,790	2,010	(42,090)
Current asset investments	5,501	6,487	–	11,988
Total (note 27)	(38,722)	11,765	2,010	(24,947)

30 Commitments

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

Group	2002 Land & buildings £'000	2002 Other £'000	2001 Land & buildings £'000	2001 Other £'000
Operating leases which expire:				
– Within one year	359	75	38	37
– Within two to five years	1,401	196	1,937	150
– After five years	494	20	335	–
	2,254	291	2,310	187

The Group had capital commitments at 31 December 2002 of £130,000 (2001: 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 £59,000 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 2002 the Company has entered into forward exchange contracts for a total of $40.0 million to be converted into sterling, as follows during 2003:

January 2003	$30.0 million @ $1.43205
February 2003	$10.0 million @ $1.5136

32 Pension Schemes

As explained in the accounting policies set out on page 33, in the UK the Group operates a pension scheme for eligible UK employees providing benefits based on final pensionable pay (the "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 2002. This does not take into account any impact of the general fall in stock markets since that date. Any such impact will be reflected in the next valuation. 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 5.0% per annum have been assumed.

The most recent actuarial valuation showed that the market value of the Scheme's assets was £4,271,000 and that the actuarial value of those assets represented 66% 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 most recent actuarial valuation also showed that the deficit of the Scheme's liabilities over assets on an on-going basis was £2,248,000. In order to address this deficit an additional provision of £554,000 (2001: £250,000) was made to reflect recent concerns about returns generated by equities, which form the largest part of the Scheme assets.

The pension charge in the profit and loss account (before the additional provision of £554,000 referred to above) for the Scheme amounted to £353,000 (2001: £371,000), which is not materially different from the regular pension cost.

The Group also operates three defined contribution schemes in the UK. Contributions during the year were £283,000 (2001: £242,000).

In the US the Group operates a pension scheme providing benefits based on the value of contributions paid. £414,000 (2001: £371,000) was paid in respect of the US defined contributions scheme.

33 Additional FRS 17 Retirement Benefit Disclosures

A full valuation of the Group's Final Salary Scheme was undertaken as at 30 September 2002 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	At 31 December 2002	At 31 December 2001
Rate of increase in salaries	3.30% p.a.	3.50% p.a.
Limited price indexation pension increases	2.30% p.a.	2.50% p.a.
Discount rate	5.75% p.a.	6.00% p.a.
Inflation assumption	2.30% p.a.	2.50% p.a.

The assets of the Scheme are held in managed funds and cash funds operated by Henderson Investment Managers.

The fair value of the assets held and the expected rates of return assumed are as follows:

	Expected rate of return year commencing 31 December 2002 %	Value at 31 December 2002 £'000	Expected rate of return year commencing 31 December 2001 %	Value at 31 December 2001 £'000
Equities and property	7.50%	2,623	8.00%	4,573
Bonds	4.75%	343	5.25%	742
Cash	4.00%	1,472	4.00%	59
		4,438		5,374

The funding position was as follows:

	At 31 December 2002 £'000	At 31 December 2001 £'000
Total market value of assets	4,438	5,374
Present value of Scheme liabilities	(7,711)	(5,925)
Deficit in the Scheme	(3,273)	(551)
Related deferred tax credit	982	165
Net pension liability	(2,291)	(386)

Analysis of amount chargeable to operating profit if FRS 17 were to be adopted:

	Year ended 31 December 2002 £'000
Current service cost	296
Past service cost	–
Total operating charge	296

Analysis of amount to be credited to other finance income if FRS 17 were to be adopted:

	Year ended 31 December 2002 £'000
Expected cost return on pension scheme assets	418
Interest cost on pension scheme liabilities	(354)
Net finance return	64

Analysis of amount recognisable in consolidated Statement of Total Recognised Gains and Losses (STRGL) if FRS 17 were to be adopted:

	Year ended 31 December 2002 £'000
Actual return less expected return on pension scheme assets	(1,632)
Experience gains and losses arising on scheme liabilities	(713)
Effect of changes in assumptions underlying present value of scheme liabilities	(419)
Total actuarial loss recognised in STRGL	(2,764)

Movement in deficit during the year:

	Year ended 31 December 2002 £'000
Deficit in Scheme at beginning of year	(551)
Current service cost	(296)
Contributions	274
Past service costs	–
Other finance income	64
Actuarial loss	(2,764)
Deficit in Scheme at end of year	(3,273)

As a result of the actuarial valuation as at 30 September 1999, the Company has been contributing to the Scheme at the rate of 10.7% of pensionable salaries. The Scheme is closed to new entrants and so this contribution rate is likely to increase as the membership ages.

History of experience gains and losses:

	Year ended 31 December 2002 £'000
Difference between expected and actual return on Scheme assets:	
Amount (£'000)	(1,632)
Percentage of Scheme assets	37%
Experience gain and losses on Scheme liabilities:	
Amount (£'000)	(713)
Percentage of present value of Scheme liabilities	9%
Total amount recognised in STRGL:	
Amount (£'000)	(2,764)
Percentage of present value of Scheme liabilities	36%

34 Acquisitions

The following table shows the book values and adjustments made to arrive at the fair values of the major categories of assets and liabilities acquired and included in the consolidated financial statements at the date of acquisition. The acquisition has been accounted for by the acquisition method of accounting.

Cash outflow in respect of this acquisition was £2,946,000.

Fitzroy Dearborn Assets acquired 9 September 2002	**Book value** £'000	**Fair value adjustments** £'000	**Fair value** £'000
Stocks	1,756	(300)	1,456
Creditors and provisions	(319)	–	(319)
Net assets	1,437	(300)	1,137
Goodwill			1,809
			2,946
Discharged by cash			2,946

The fair value adjustment has been made to provide for slow moving stock lines.

The impact of this acquisition on the Group results for 2002 is deminimus and accordingly no analysis of the effect on turnover or profits is presented in these financial statements.

On 31 January 2003 Bios Scientific Publishers Limited was acquired for a maximum consideration of £2.7 million. On 28 February 2003 the Group agreed to acquire the business and assets of the CRC Press group of companies for £60 million, financed through a new £130 million multi-currency revolving credit facility.

Group Five Year Record

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	2002 £'000
Turnover	40,220	95,879	116,355	137,326	147,365
Operating profit before exceptional items and goodwill amortisation	8,538	19,949	25,496	30,580	35,743
Exceptional items and goodwill amortisation	(1,727)	(5,864)	(5,571)	(8,284)	(9,832)
Operating profit	6,811	14,085	19,925	22,296	25,911
Profit on ordinary activities before taxation	7,156	10,540	15,791	18,475	23,097
Taxation	(2,605)	(5,096)	(6,890)	(7,579)	(9,420)
Profit on ordinary activities after taxation	4,551	5,444	8,901	10,896	13,677
Earnings per ordinary share					
– basic	7.30p	6.99p	11.05p	13.09p	16.12p
– diluted before exceptional items and goodwill amortisation	8.56p	12.77p	16.75p	22.00p	26.97p
Dividends per share (net)	3.00p	3.30p	3.63p	3.99p	4.39p

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	2002 £'000
Fixed assets					
Intangible assets	81,075	98,177	101,172	119,466	109,658
Tangible assets	4,418	4,281	3,560	3,415	4,565
	85,493	102,458	104,732	122,881	114,223
Current assets					
Stocks	20,031	24,176	25,492	28,835	31,098
Debtors	20,279	25,605	28,888	36,106	35,782
Investments and cash at bank and in hand	17,567	20,848	21,112	13,664	18,058
	57,877	70,629	75,492	78,605	84,938
Creditors: amounts falling due within one year	(33,725)	(48,931)	(49,887)	(57,042)	(63,188)
Net current assets	24,152	21,698	25,605	21,563	21,750
Total assets less current liabilities	109,645	124,156	130,337	144,444	135,973
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)	–	–
Accruals and deferred income	(26,293)	(32,640)	(36,367)	(54,348)	(58,089)
Net assets	45,974	56,052	63,461	73,582	77,884

Figures prior to 2001 have not been restated for the adoption of FRS 19.

Taylor & Francis Group plc

Notice of Meeting

Notice is hereby given that the fifteenth Annual General Meeting of Taylor & Francis Group plc will be held at 11 New Fetter Lane, London, EC4P 4EE on 18 June 2003 at 10.00 am to transact the following business:

1. To receive the accounts and reports of the directors and auditors for the year ended 31 December 2002.
2. To declare a final dividend of 2.94 pence per share on the ordinary share capital.
3. To re-appoint Deloitte & Touche LLP as auditors to the Company.
4. To authorise the directors to fix the remuneration of the auditors.

5 To re-elect Mr D Wallace as a director.

6. To re-elect Mr D Banister as a director
7. To re-elect Mr N Berwin as a director.

A brief biography of each director seeking re-election is given on page 9 of the 2002 financial statements.

As special business, to consider, and, if thought fit, pass the following Resolutions, of which numbers 8, 9 10 and 11 will be proposed as ordinary resolutions and number 12 will be proposed as a special resolution:

8. That the Directors' Remuneration Report for the financial year ended 31 December 2002 be approved.
9. That the authorised share capital of the Company be increased from £5,750,000 to £6,250,000 by the creation of an additional 10,000,000 ordinary shares of 5p each;
10. That the directors be generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "**Act**") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £1,427,958 provided that this authority shall expire on 17 June 2008 (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and that the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired), such authority to be in substitution for any and all authorities previously conferred upon the directors for the purposes of Section 80 of the Act.
11. That the directors be hereby authorised to:

    (a) make amendments to the Taylor & Francis Group plc Unapproved Discretionary Share Option Scheme (in the form of the revised draft rules produced to the meeting and initialled for the purpose of identification by the Chairman) to replace the individual limit of four times basic salary for subsisting options with an annual limit on option grants of up to one times annual basic salary, except in the case of new executive appointments only, wherein the Remuneration Committee will continue to have the discretion to award higher grants on appointment of up to four times salary;

    (b) subject to the approval of the Board of Inland Revenue, make amendments to the Taylor & Francis Group plc Approved Discretionary Share Option Scheme (in the form of the revised draft rules produced to the meeting and initialled for the purpose of identification by the Chairman) to replace the individual limit of four times basic salary for subsisting options with an annual limit on option grants of up to one times annual basic salary, except in the case of new executive appointments only, wherein the Remuneration Committee will continue to have the discretion to award higher grants on appointment of up to four times salary;

(c) do all such things as they consider necessary or desirable to carry such amendments into effect, including, if required, obtaining the approval of the Board of Inland Revenue.

12. That, subject to the passing of Resolution number 10 set out in the notice of the 2003 Annual General Meeting of the Company, the directors be empowered pursuant to Section 95 of the Companies Act 1985 (the "**Act**") to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority conferred by Resolution number 10 as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to the allotment of equity securities for cash:

(a) in connection with or pursuant to a rights issue or any other offer in favour of the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective amounts of equity securities held by them (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold), on the record date for such allotment but subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with any fractional entitlements, record dates or legal or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory or otherwise howsoever; and

(b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount equal to £214,193, and this power shall expire on 17 June 2008 save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

J Thomasson
Secretary

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

19 March 2003

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 Registrars, The Registry, 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; and
   (iii) the rules of the Discretionary Share Option Schemes incorporating draft amendments to the individual limits.
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 16 June 2003 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.