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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 2003

	% Increase	2003 £'000	2002 £'000
Turnover	**+18**	**173,679**	**147,365**
Operating profit* **(before exceptional items and goodwill amortisation)**	**+21**	**43,110**	**35,743**
Operating profit	**+16**	**30,048**	**25,911**
Pre tax profit* **(before exceptional items and goodwill amortisation)**	**+20**	**39,585**	**32,929**
Pre tax profit	**+15**	**26,523**	**23,097**
Diluted earnings per share* **(before exceptional items and goodwill amortisation)**	**+27**	**34.19p**	**26.97p**
Diluted earnings per share	**+22**	**19.55p**	**15.96p**
Dividend per share	**+10**	**4.83p**	**4.39p**

- Turnover up 18% to £173.7 million
- Normalised operating profit up 21%* to £43.1 million, reflecting acquisitions and efficiency gains. Operating profit up 16% to £30.0 million
- Normalised pre tax profit up 20%* to £39.6 million. Pre tax profit up 15% to £26.5 million
- Normalised diluted earnings per share up 27%* to 34.19p. Diluted earnings per share up 22% to 19.55p
- Dividend per share up 10% to 4.83p
- Acquisitions of CRC Press (completed 8 April 2003) and Marcel Dekker (announced 18 November 2003, completed 2 January 2004) strengthened US product base and presence
- Acquisitions of Cass, SZP and Bios completed during 2003 further enhanced the portfolio
- Solid platform to drive further organic growth, with additional contribution from recent acquisitions – 2004 expected to be another successful year
- Today the Board announced a proposed merger with Informa Group plc

* Excludes exceptional items of £3.3 million (2003: £2.6 million) and goodwill amortisation of £9.8 million (2003: £7.3 million)

Operating and Financial Review

Introduction

In 2003, the Group enjoyed another successful year of revenue and profit growth despite the challenging situation in the worldwide higher education and scientific research markets signalled last year. Ongoing investment in organic product development and the dedication of the Group's employees produced sound organic growth, which was augmented by five well selected, high quality earnings enhancing acquisitions (including Marcel Dekker).

Importantly the purchase of the business and assets of the CRC Press group of companies in April 2003 ("CRC Press") also brought enhanced structural and management strength to the North American operations. This enhanced US presence culminated in the successful acquisition of the business and assets of the Marcel Dekker group of companies ("Marcel Dekker") on 2 January 2004. CRC Press and Marcel Dekker, together with the addition of Bios Scientific Publishers Limited ("Bios"), Frank Cass & Co. Limited ("Cass"), and the publishing business and assets of Swets and Zeitlinger Publishers ("SZP"), will add long-term value.

Several years of well targeted acquisitions and development have taken the Group into market segments adjacent to its original academic and scientific publishing roots. This is consistent with the Group's strategy of strengthening the portfolio, widening the customer base and internationalising the business. As a result, Taylor & Francis now has a significant presence in many professional and industrial areas such as engineering, construction and pharmaceuticals, which provide an important balance to the Group's historical revenue sources, as well as to future acquisition prospects.

Corporate Strategy

The market, despite pressure on library funding and the current debate over alternative journal business models, continues to respond positively to the Group's high quality publications. In its 200 year history, Taylor & Francis has built a reputation as a supporter of the academic and scientific communities and will continue to work to meet the demand for high quality, must have information whilst responding appropriately to the changing needs of the market.

Taylor & Francis' successful acquisition policy has also generated opportunities for development outside of its historic core markets. As a result the Group has operations in a number of adjacent professions and industries that have a similar requirement for high quality information. Acquisitions have also led to an expansion of the Group's position in the strategically important US market.

Today the Board has separately announced a proposed merger with Informa Group plc under a scheme of arrangement (the "Scheme") and subject to shareholder approval. Further details have been made available separately but the proposed merger would create a new international force in the provision of specialist information to the Academic/Scientific, Professional and Commercial communities.

Board, Directors and Employees

On 14 January 2004 Taylor & Francis announced that Mr Robert Kiernan would resign as Chairman and from the Board by the end of March 2004 and that Mr Don Cruickshank would become the new Chairman. In view of the timing of today's announcement of the proposed merger, Mr Kiernan has brought his resignation forward by a month, resigning on 1 March 2004. As a result Mr Cruickshank has been appointed Chairman of Taylor & Francis Group plc with effect from 1 March 2004 and until the completion of the merger.

The dedicated efforts of the executive management team, directors and staff have once again helped to produce good results and further the Group's success. Enthusiasm for our products, services and markets runs throughout the Group's world-wide organisation. During the past twelve months much progress has been made in the integration and consolidation of the Group's US operations in Philadelphia, Pennsylvania, New York City and Boca Raton, Florida. The US rationalisation combined with the 2002 consolidation and development of our UK journal publishing facility at Milton Park, in Oxfordshire have delivered greater operational efficiency and provide a strong platform for future growth.

Results

Turnover increased 17.9%, from £147.4 million to £173.7 million – a good result given the 9% weakening in the average US dollar to sterling exchange rate over the year. In 2003 the Group received more than 60% of its revenues and incurred around 50% of its costs in US dollars and hence material fluctuations in the exchange rate have had an adverse impact on the Group's sales reported in sterling. The organic sales growth rate, excluding acquisitions and at constant exchange rates, was 5.4%.

The Group's journals business continued to perform robustly with turnover growing by 8.8%, from £71.0 million to £77.2 million. Exchange movements had an adverse effect on translated turnover and at constant exchange rates the overall increase was 16.0%. Eliminating exchange effects and acquisitions, like for like organic growth was 9.1%.

Book turnover increased by 26.3% (£20.1 million) to £96.5 million, or 33.2% (£25.4 million) at constant exchange rates. This performance reflects the contributions from CRC Press, SZP and Bios. Eliminating exchange effects and acquisitions, like for like organic sales growth was 2.0%, achieved in a soft market. The growth was particularly pleasing given the contribution to 2002 revenue from the publication in that year of the 4th Edition of *Molecular Biology of the Cell.*

Group operating profit* before exceptional items and goodwill amortisation increased 20.6%, from £35.7 million to £43.1million. The operating margin* before goodwill amortisation and exceptional items was 24.8% compared to 24.2% in 2002, reflecting continuing efficiency gains. The Group continuously seeks to grow its profit margins across both acquired and existing businesses by achieving efficiencies through the elimination of duplicated overheads and through economies of scale.

Exceptional costs of £3.3 million (2002: £2.6 million) were incurred during 2003 and include £1.6 million of costs associated with the Group's participation in the BertelsmannSpringer Science and Business Media auction process. Exceptional items also include £1.7 million from rationalising and integrating acquisitions during the year and the related globalisation of the business.

Goodwill amortisation increased from £7.3 million to £9.8 million in the year, including eight months of amortisation of goodwill arising on the acquisition of CRC Press, net of the effects of exchange rate movements, with a large proportion of the Group's goodwill being denominated in US dollars.

After exceptional costs of £3.3 million and goodwill amortisation of £9.8 million, operating profit was up by 16% to £30.0 million (2002: £25.9 million).

Normalised* net interest cover has decreased marginally to 12.2 times, compared to 12.7 times in 2002, illustrating the continuing strength of the Group's cash flow and its ability to finance further acquisitions with debt.

Pre-tax profit*, before exceptional items and goodwill amortisation increased by 20%, to £39.6 million (2002: £32.9 million).

The effective tax rate of 36.8% (2002: 40.8%) is distorted mainly by goodwill amortisation for which tax relief is only partially available. The underlying tax rate, after adjustments in respect of exceptional items, goodwill amortisation and prior year items, was 27.8% (2002: 29.8%) reflecting the benefit of acquiring US based businesses and the potential for significant tax deductions against profits generated in the United States.

The Board intends to recommend a final dividend of 3.23p (2.94p in 2002) per ordinary share, making a total dividend for the year of 4.83p, an increase of 10% on 2002 (4.39p).

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* Excludes exceptional items of £3.3 million (2003: £2.6 million) and goodwill amortisation of £9.8 million (2003: £7.3 million)

The final dividend will be paid on 11 June 2004 to ordinary shareholders registered as of 12 March 2004. If the proposed merger with Informa Group plc becomes effective prior to the Annual General Meeting or if the Scheme has not become effective before 11 June, the directors will instead declare, prior to the effective date of the merger, a second interim dividend of an amount equal to the final dividend, payable to shareholders on the register at the record date for the final dividend unless such dividend is payable under the Scheme.

Diluted earnings per share* before exceptional items and goodwill amortisation increased 26.8% to 34.19p per ordinary share, compared to 26.97p in 2002.

Balance Sheet

Goodwill increased by £67.4 million to £177.1 million, of which £86.0 million related to goodwill arising on acquisitions made in the year, offset by amortisation of £9.8 million and the effect of exchange rate movements of £8.8 million. A significant proportion of the goodwill value is denominated in US dollars.

Stocks increased by £3.9 million compared to 2002, to £35.0 million, due to acquisitions and normal working capital requirements, offset by exchange effects on US dollar denominated stock balances.

Net debt increased by £58.1 million, to £83.0 million, reflecting the expenditure of £92.5 million on acquisitions of businesses, titles and long term investments. The sterling value of debt, which is predominately held in US dollars, was reduced by £8.1 million through the effect of exchange rate movements.

The Group converted 107% of operating profits before goodwill amortisation and depreciation to net cash flow from operations, a significant improvement on the comparable conversion rate for 2002 of 89%. Adjusting for the effect of exceptional items in cash flow from operations, the percentages were 108% and 87%, respectively.

Capital expenditure was up by £0.2 million to £3.0 million compared to 2002 (which included £0.75 million spent on the Milton Park premises).

Deferred income, which represents cash received in advance of publication of journal issues, was again significantly impacted by exchange rate movements, due to the high proportion of income received in US dollars. The balance of deferred income as at 31 December was £49.1 million, up 16% (£6.7 million) compared to £42.4 million at the end of 2002. The US dollar exchange rate at 31 December 2003 was $1.79: £1 compared to $1.61: £1 at 31 December 2002, representing a decline of 11%. At constant exchange rates and ignoring all acquisitions in 2003, the underlying growth in deferred income was an encouraging 13%. Deferred income is recognised as turnover when journal issues are published.

Exchange Effects

Like most international businesses, the Group has an element of exchange translation exposure in terms of its profit and loss account. With the addition of Marcel Dekker, the proportion of the Group's revenues and operating costs incurred in US dollars will increase to around 70% and 55%, respectively. Hence movements in the US dollar to sterling exchange rate will be reflected in both revenues and costs. As at 31 December 2003 the Group had also sold forward US $40 million at an average rate of $1.575: £1, which should reduce the exposure to 2004 profits from currency movements. From a cash flow perspective the Group's multi currency revolving credit facility enables it to repay surplus US dollars generated by operations, thereby effectively minimising the cash flow based exchange exposure.

Acquisitions

On 31 January 2003 Bios, a well regarded scientific publisher was acquired for £3.2 million (including costs). Bios, which has a number of repeat revenue generating products such as textbooks, was successfully integrated into the Group by the end of June 2003. Bios contributed £0.7 million and £0.1 million to 2003 Group turnover and profits, respectively.

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* Excludes exceptional items of £3.3 million (2003: £2.6 million) and goodwill amortisation of £9.8 million (2003: £7.3 million)

On 7 April the Group purchased the publishing business and assets of CRC Press for £58.6 million (including costs), financed through a new £165 million multi-currency revolving credit facility. The CRC Press acquisition added a backlist of over 6,000 book titles and 32 journal titles, along with database and newsletter subscription based products.

CRC Press, with its strong brand publishing in the areas of science, engineering and medicine, added further balance to the Group's book portfolio which had a predominance of social science and humanities publications. The acquisition of CRC Press also gave the Group the critical mass and the infrastructure necessary to enable further US acquisitions to be integrated more efficiently. CRC Press contributed £23.4 million to Group turnover and £4.8 million to operating profit* before exceptional items and goodwill amortisation.

On 28 July the Group acquired Cass, a well regarded book and journal publisher in the Humanities and Social Sciences for £11.0 million including costs. Cass contributed £1.8 million to 2003 turnover and £0.3 million to operating profit* before exceptional items and goodwill amortisation. The Cass business will be fully integrated by the end of March 2004.

On 31 October 2003 the publishing business and assets of SZP were acquired for €16.75 million (£11.6 million including costs). SZP publishes books, journals and conference proceedings and contributed £0.7 million to 2003 turnover and £0.1 million to operating profit before exceptional items and goodwill amortisation.

The acquisition of the publishing business and assets of Marcel Dekker was announced on 18 November 2003. The consideration, paid upon completion of the acquisition on 2 January 2004, was US $122.0 million (£68.2 million) in cash, a loan note of US $1.6 million (£0.9 million) and a further cash payment at completion of US $18.4 million (£10.2 million). In the year ended 31 December 2002 Marcel Dekker's sales were US $42.0 million (£24.9 million), producing an operating profit before exceptional items and shareholders' cost of US $5.1 million (£3.0 million).

The Marcel Dekker acquisition was financed by an increase, to £240 million, in the Group's revolving credit facility.

Operating Review

During the year we have made further progress towards our strategic goals of:

- strengthening and extending our portfolio of products and increasing the proportion of STM based products;
- extending our customer base into adjacent segments; and
- balancing the geographical focus of the Group's product generation.

Central to this progress has been the process of globalising the operational structure of the business by subject area rather than by geographical location.

The Group is now structured on a global basis with Science Books run from Boca Raton, USA and Humanities and Social Science Books from New York City and the UK. This structure is mirrored in the Journals division with the STM journals now being run predominantly from Philadelphia, USA and Humanities and Social Science Journals from the Milton Park offices in the UK.

Following the acquisitions of CRC Press and Marcel Dekker, the Group expects to derive around 40% of its 2004 revenue from products originated in the USA as compared to around 20% in 2001. The increase in US generated revenue will also help to achieve economies of scale and further underpin future Group performance.

* Excludes exceptional items of £3.3 million (2003: £2.6 million) and goodwill amortisation of £9.8 million (2003: £7.3 million)

The five acquisitions have significantly altered the shape of the publishing portfolio.

BIOS	Books and journals in Biological Science including Genetics.
CRC Press	Books, journals, electronic databases and newsletters in Sciences, Engineering and Mathematics.
Cass	Books and journals in the Humanities and Social Sciences.
SZP	Books, journals and conference proceedings in Engineering and Medical Biological Sciences.
Marcel Dekker	Books and journals in Science, Medical and Pharmaceuticals.

The Group will now generate the majority of its revenue from the Scientific, Technical and Medical subject areas, (which form the largest part of the academic market), with the balance from Social Sciences and Humanities. The Group now also has a significant medical/pharmaceutical business.

In parallel with our acquisition strategy we have continued to invest in appropriate technology. We have a number of key IT projects targeted to complete in 2004 to support the back office functions of the Group, including project tracking and sales order processing systems. During the last 12 months we have transferred the majority of our reference product on line and have increased the number of e-books available to 6,000.

Journal Publishing

The year started turbulently for journals publishers with the bankruptcy of Rowecom. 2003 was also characterised by widespread restrictions in library funding, particularly in the USA where both the state and private university sectors were affected by economic conditions.

Despite the market conditions, the Group has traded well through the cycle and is showing good organic growth as well as acquisitive growth in its order book for 2004, as demonstrated by the 13% organic growth in deferred income in the 2003 balance sheet.

There was strong growth in the Asian markets, particularly China, and the momentum in on-line access gathered pace as evidenced by downloads of Taylor & Francis research articles, which increased by more than 35% in the year.

Taylor & Francis has a tradition of partnering with academic societies in its core disciplines and we were delighted to sign agreements with a number of distinguished partners during the year including the American Industrial Hygiene Association and American Conference of Governmental Industrial Hygienists, the Scandinavian Society of Radiology and the Geological Society of Australia.

In total 46 new journal titles were added to the list for publication in 2004 on top of the 185 titles acquired with SZP, Cass and Marcel Dekker. The Group will publish more than 1,000 journal titles in 2004.

Book Publishing

The books division had a good year especially given the challenging market conditions that we experienced along with many of our competitors. The softness in the US books market we reported in September 2002 continued and was mirrored in most markets around the world during the course of 2003. The results were also affected by the significant decline in the US dollar exchange rate, which reduced reported book turnover by around £5.3 million.

Books turnover was up 26.3% in 2003, with an underlying constant currency organic growth rate of 2% compared to 2002. The Pacific Rim region performed very strongly continuing the momentum reported last year, despite the short term impact of SARS. Middle East sales were adversely affected during the Gulf war, but reverted to their normal patterns by the year end. European sales were strong in the southern European markets but noticeably weaker in Germany and France. India and China are growing markets for the Group's products and, although they are relatively small at the moment, as these markets develop there is scope for significant long term growth.

Revenue from online and e-books continues to be relatively small, but the benefits of digitising book content will play a greater part in revenue generation as Taylor & Francis develops its offering to the library subscription market. For example, over 90% of Europa reference product is now being digitised and for 2004 will be delivered through new content management systems.

The books division published 2,248 new titles in 2003, compared with 2,193 new titles published in 2002. In 2004, after the acquisition of Marcel Dekker, Taylor & Francis will publish around 2,600 new book titles per year, adding to its growing back-list of over 35,000 book titles.

On 1 March we announced to our staff the proposed relocation of the majority of the London based book publishing operation into expanded Milton Park offices when the current London office lease expires in September 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 swap 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 2003 the Group had in place a three year £165 million multi-currency revolving credit loan facility arranged in connection with the acquisition of CRC Press. The facility can be drawn in sterling, euros or US dollars or a combination thereof.

In connection with the Marcel Dekker acquisition, in January 2004 the revolving credit facility was increased by £75 million, to £240 million.

As at 31 December 2003 the Group's net debt was £83.0 million compared to £24.9 million at 31 December 2002. The increase of £58.1 million results mainly from the financing of acquisitions, net of cash generated from operations and exchange gains.

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.

With the addition of Marcel Dekker, the proportion of the Group's revenues and operating costs incurred in US dollars will increase to around 70% and 55%, respectively.

The Group's policy is to minimise the effect of fluctuations caused by currency movements with reference to pre-determined exchange rates and to substantially reduce the currency exposure on the projected net surplus of US dollar income over US dollar expenditure through the use of forward currency contracts. This exposure is determined after reviewing operational requirements for the period in which the exposure arises and is adjusted for acquisitions and other known events.

From a cash flow perspective the Group's multi currency revolving credit facility enables it to repay surplus US dollars generated by operations, thereby effectively minimising the cash flow based exchange exposure.

Current Trading and Prospects

Our markets have and continue to experience funding pressures although this appears to be easing in 2004. The Group has a tremendous benefit in that it has strong niche products and operates in global markets, which enables it to balance the effect of localised market conditions. In 2003 the Group has seen good growth from many markets, and has posted a strong underlying performance. The Group will also have the benefit of a full year contribution from the acquisitions made during 2003 to help sustain growth into 2004. The enlarged product and customer bases will enable the Group to develop and compete more effectively in an enlarged and growing market place.

Taylor & Francis has a solid platform from which to drive further organic growth, and with the addition of CRC Press, Cass, SZP and Marcel Dekker it is well placed to continue to participate, where appropriate, in the consolidation of the STM and academic publishing market.

There has been a debate recently regarding the subject of alternative journal business models, which we have been following with interest. Taylor & Francis, being flexible in its approach, has been able to respond to market changes appropriately in the past. We view any changes associated with open access as an opportunity to strengthen our relationship with the academic community and will monitor trends carefully and respond as necessary. As an illustration, the Group has experimented with a number of pricing models over the past few years and publishes a number of titles which could be considered as "open access" products.

This truly is an exciting time for the Group and Taylor & Francis is well positioned for the next step in its development as a public company. As a result the Board is confident of another successful year. I would like to end my report by thanking the Group's employees as always for their support and hard work, making 2003 another successful and enjoyable year.

David J Smith
Chief Executive 2 March 2004

Directors

Robert Kiernan (63) *Non-executive Chairman* [1 2 3]
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. Robert is also the Non-executive Chairman of the Discovery Group plc and has a number of other private business interests. He retired on 1 March 2004.

Don Cruickshank (62) *Non-executive Chairman elect* [1 2 3]
Don Cruickshank joined the Board as Non-executive Director on 14 January 2004 and replaced Robert Kiernan as Chairman on 1 March 2004. Don was previously Chairman of the London Stock Exchange and is currently Chairman of SMG plc. Prior to this he held a number of senior positions including Director General of the Office of Telecommunications (OFTEL) as well as Managing Director roles at both Pearson Longman plc and Virgin Group plc.

David Smith (54) *Chief Executive*
David Smith was appointed Chief Executive in April 2002. In the previous ten years he held senior management positions at Wolters Kluwer and was latterly Chief Executive of its European Education and Legal, Tax and Business divisions. David is responsible for the overall business development of the Group.

Anthony Foye BA, ACA (41) *Group Finance Director*
Anthony Foye joined Taylor & Francis in 1987 as Group Chief Accountant after qualifying as a Chartered Accountant with Haines Watts. He was appointed Finance Director in 1994. Anthony is responsible for the Group's finance function and is Managing Director of Taylor & Francis Publishing Services Limited.

Roger Horton (46) *Group Books Director*
Roger Horton joined the Board in 1994 with over 15 years of previous publishing experience. Roger is responsible for the Group's global book publishing activities and is Managing Director of Taylor & Francis Books Limited.

Jon Conibear (52) *Group Journals Director*
Jon Conibear joined the Board in 2001 from the Blackwell publishing group, bringing with him over 25 years experience in academic publishing. He is responsible for the Group's journal publishing activities and is Managing Director of Taylor & Francis Limited.

David Banister BA, PhD, CMILT, FRSA (53) *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 17 books and written more than 200 papers for refereed journals and books.

Derek Mapp (53) *Non-executive Director* [1 2 3]
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 (58) *Non-executive Director* [2]
David Wallace was appointed as a non-executive Director in 2000. He is Vice-Chancellor of Loughborough University and 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) (46) *Non-executive Director* [1 3]
Nicholas Berwin joined the Board in 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.

1 denotes member of Audit Committee
2 denotes member of Remuneration Committee
3 denotes member of Nominations Committee

Advisers

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

Principal Solicitors
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Auditors
Deloitte & Touche LLP
Chartered Accountants
Abbots House
Abbey Street
Reading
Berkshire RG1 3BD

Principal Bankers
The Royal Bank of Scotland
9th Floor
280 Bishopsgate
London EC2M 4RB

Registrars
Capita Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public Relations Advisers
Financial Dynamics
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Registered Office 11 New Fetter Lane, London, EC4P 4EE

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 2003.

Principal Activities

The Group's principal activities are the publishing and distribution of scientific, technical and medical and social sciences 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 30. A review of the Group's business and future prospects is set out in the Operating and Financial Review.

Dividends

The company continues to actively invest in acquiring businesses and reserves need to be built up to accommodate this investment. Your Board intends to recommend a final dividend of 3.23p per share, making a total for the year of 4.83p per share, an increase of 10% on 2002.

The final dividend will be payable to shareholders registered as at the close of business on 12 March 2004 and will be paid on 11 June 2004. If the proposed merger becomes effective prior to the AGM of if the Scheme has not become effective before 11 June, the directors will instead declare, prior to the effective date of the merger, a second interim dividend of an amount equal to the final dividend, payable to shareholders on the register at the record date for the final dividend unless such dividend is payable under the Scheme.

Directors

Details of directors who held office during the year ended 31 December 2003 and their interests in the issued share capital of the Company are set out in the Directors' Remuneration Report on pages 19 to 26. Resolutions will be submitted to the Annual General Meeting in accordance with the Articles of Association for the reappointment of three directors.

Mr D Cruickshank, who was offered and has accepted a position as non-executive Director with effect from 14 January 2004 and as Chairman with effect from 1 March 2004, retires under the provisions contained in the Articles of Association and, being eligible, offers himself for election by the shareholders. Messrs R Horton and D Mapp retire by rotation in accordance with the Articles and, being eligible, offer themselves for re-election. Brief biographical details of those directors who are proposed for election or re-election appear on page 10.

Annual General Meeting

The notice of the Annual General Meeting will be despatched at a later date, depending on the timing of the proposed merger.

Charitable and Political Contributions

The Group made gifts during the year for charitable purposes of £4,155 (2002: £nil). No political donations were made (2002: £nil).

Auditors

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

Substantial Shareholdings

As at 1 March 2004 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	6,235,308	7.26%
Aviva PLC and its subsidiary Morley Fund Management Limited	4,600,413	5.36%
Legal & General Investment Management Limited	3,436,634	4.00%

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 2003 and 2002 the Company had no trade creditors.

Corporate Social Responsibility

Social, environmental and ethical (SEE) matters are 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.

Managers are specifically required to comment on SEE matters within the formalised Risk Assessment process. These SEE matters are then referred to the Audit Committee as part of their review and, where appropriate, to the Environmental Policy Committee. Board members have the opportunity to receive external training on SEE matters and during 2004 the Board will be formalising its ethical conduct policies.

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 our 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 the Group's main London office (none in New York or Philadelphia) for more than 300 staff. Additionally, the Group provides locked storage facilities and, where possible, facilities such as showers to encourage staff to cycle to work. The Group 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 2003 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 2004. Also during 2003 a number of employee incentive schemes were introduced which 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.

By order of the Board

11 New Fetter Lane
London
EC4P 4EE

J Thomasson
Secretary

2 March 2004

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 on Corporate Governance issued by the London Stock Exchange in June 1998 (the "Hampel Code" or the "Code"). The directors consider that throughout the year ended 31 December 2003 the Company has been in compliance 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 2003, comprised four executive and five non-executive directors. Their biographies appear on page 10. Except for Professor D Banister, who has been a director for more than ten years, all of the non-executive directors are considered independent by the Board and Mr D Mapp is 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 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 2003 eight scheduled Board meetings were held. Matters arising between scheduled Board meetings which require Board approval are dealt with by committee appointed by the Board.

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

Board Meetings	Number of meetings attended during 2003
R Kiernan (Chair)	7
D Smith	8
A Foye	8
R Horton	8
J Conibear	6
D Banister	7
D Mapp	6
D Wallace	8
N Berwin	8

During 2003 the Board had three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee, each of which operates within defined terms of reference. The Audit Committee met three times during 2003 and the Remuneration Committee met four times. 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 2003
D Mapp (Chair)	3
R Kiernan	3
N Berwin	3

Remuneration Committee	Number of meetings attended during 2003
D Wallace (Chair)	4
R Kiernan	4
D Mapp	3

From 1 January 2004 the Audit Committee will be chaired by Mr N Berwin.

During 2003 a Nominations Committee was formally constituted, comprising Mr N Berwin (Chair), Mr R Kiernan and Mr D Smith, to consider the successor to Mr R Kiernan and, following a search conducted with the assistance of independent consultants Spencer Stuart, recommended the appointment of Mr D Cruickshank.

Following the appointment of Mr Cruickshank, the Nominations Committee is now comprised of Mr D Cruickshank (Chair), Mr N Berwin and Mr D Mapp.

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 fifty meetings with analysts and institutional shareholders and the trade and financial press during the year 2003.

All shareholders have at least twenty working days' notice of the Annual General Meeting at which all directors are available for questions. The number of proxy votes received for and against each resolution is disclosed at the Annual General Meeting and a separate resolution is proposed on each item.

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 2003 and the period up to 2 March 2004 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, introduced a Group internal audit function during 2003. The function operates under a Charter of Group Internal Audit, 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 Operating and Financial Review.

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 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, D Mapp and, following his appointment, Mr D Cruickshank, 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 2003 New Bridge Street Consultants provided advice on structuring directors' remuneration packages. New Bridge Street Consultants did not provide any other services to the Group.

The Committee met four times during 2003, to review general policy and to agree remuneration for executive and non-executive directors for recommendation to the Board.

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 2002 the committee recognised that the remuneration of the directors was generally in the lowest quartile of companies which are comparable, whether by market capitalisation, revenue, number of employees or sector. During 2003 the Committee began the process of reviewing the directors remuneration packages in order to reflect the continuing success of the Group, and to safeguard this for the future. The committee's review is continuing.

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 the executive directors eligible to earn up to 50 per cent of basic salary, subject to the achievement of financial targets on a sliding scale primarily in respect of 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 2003, the maximum and actual bonuses payable for achievement of each of the targets, as a percentage of basic salary, were as follows:

	Maximum bonus payable					
	Group revenue %	Group operating profit* %	Group earnings per share* %	Other criteria %	Total %	Actual bonus awarded %
D Smith	17.0	17.0	16.0	–	50	22
A Foye	12.5	12.5	12.5	12.5	50	28
R Horton	12.5	12.5	–	25.0	50	20
J Conibear	12.5	12.5	–	25.0	50	25

* 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, incorporating performance criteria, were granted to the executive directors during 2003 as shown on page 24. The directors are not eligible to participate in the Company's Save as You Earn share option scheme.

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 but the Remuneration Committee is considering the introduction of a new long-term incentive scheme.

Pension Benefits

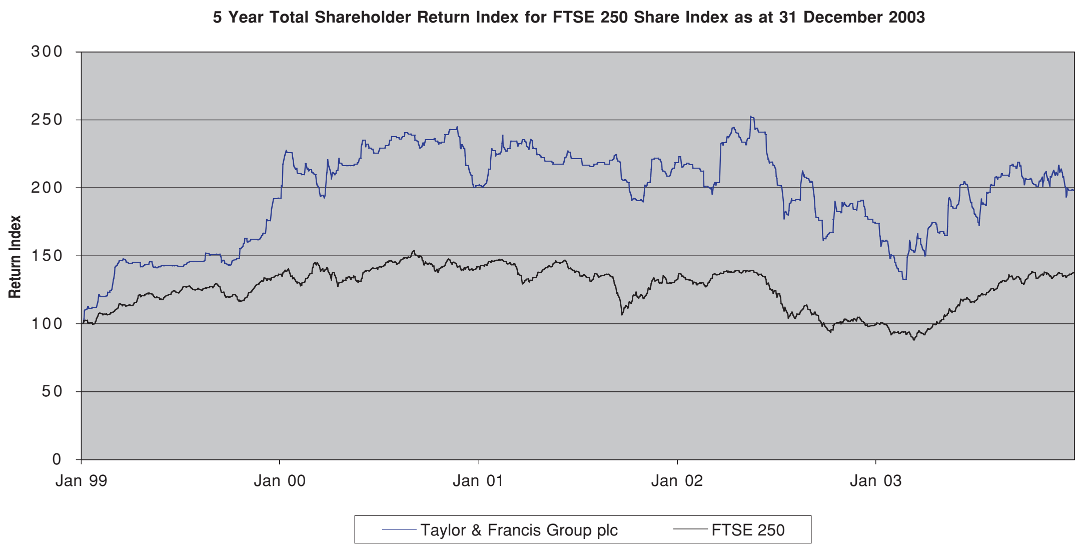
Executive directors and employees of certain UK subsidiaries were eligible until 8 March 2002 (when the scheme was closed to new entrants) to join the Taylor & Francis Limited Group Pension and Life Assurance Scheme. This is a defined benefit scheme which, subject to Inland Revenue limits and length 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.

As 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 5 year period ended 31 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 2003 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:

	2003 £'000	**2002** £'000
Emoluments	1,108	998
Gains on exercise of share options	–	4,437
	1,108	5,435

Directors' Emoluments

	Salary £'000	**Fees** £'000	**Bonus accrued** £'000	**Benefits in kind** £'000	**Total 2003** £'000	**Total 2002** £'000
Executive Directors						
D Smith	297	–	65	1	363	347
A Foye	173	–	48	1	222	175
R Horton	147	–	29	1	177	151
J Conibear	147	–	37	1	185	151
A Selvey (resigned 6 April 2002)	–	–	–	–	–	56
	764	–	179	4	947	880
Non-Executive Directors						
R Kiernan	–	60	–	–	60	40
D Banister	–	22	–	–	22	19
D Mapp	–	26	–	–	26	20
D Wallace	–	26	–	–	26	20
N Berwin	–	27	–	–	27	19
	764	161	179	4	1,108	998

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

Mr D Cruickshank, appointed 14 January 2004, receives annual fees of £85,000.

Directors' Share Interests

The directors who held office at 31 December 2003 had the following interests in the issued share capital of the Company :

	At 31 December 2003 Ordinary Shares		At 31 December 2002* Ordinary Shares	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R Kiernan	22,493	356,162	184,993	356,162
D Smith	16,500	–	16,500	–
A Foye	54,081	–	44,081	–
R Horton	114,054	–	239,054	–
J Conibear	–	–	–	–
D Banister	1,785,772	5,078,400	1,861,147	5,078,400
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 as trustee of the Taylor & Francis Group 1997 Employee Benefit Trust holds. All Taylor & Francis Group employees (including executive directors) are potential beneficiaries under this trust.

The figures for Mr D Banister exclude 6,170,000 Ordinary Shares held as trustees by Coutts & Co (included in the interests of The Royal Bank of Scotland Group plc shown on page 13) and Mr S M A Banister, a connected party of Mr D Banister, save for 430,000 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 2003 to the date of this report. Mr D Cruickshank does not have any interest in the Company's issued share capital.

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 2002	Granted	Lapsed	Exercised	Exercise price (p)	Market price at date of exercise (p)	At 31 December 2003	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
	–	28,696	–	–	517.5	–	28,696[7]	18.11.06 to 17.11.10
	–	28,695	–	–	517.5	–	28,695[8]	18.11.06 to 17.11.10
	195,390	57,391	–	–			252,781	
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
	–	19,942	–	–	432.5	–	19,942[7]	30.04.06 to 29.04.10
	–	19,942	–	–	432.5	–	19,942[8]	30.04.06 to 29.04.10
	294,989	39,884	–	–			334,873	
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
	–	17,052	–	–	432.5	–	17,052[7]	30.04.06 to 29.04.10
	–	17,052	–	–	432.5	–	17,052[8]	30.04.06 to 29.04.10
	57,215	34,104	–	–			91,319	
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
	–	17,052	–	–	432.5	–	17,052[7]	30.04.06 to 29.04.10
	–	17,052	–	–	432.5	–	17,052[8]	30.04.06 to 29.04.10
	66,666	34,104	–	–			100,770	

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. The 3% target having been achieved in each of the three years ending 31 December 2003, these options have vested.

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. The 10% target having been achieved in each of the three years ending 31 December 2003, these options have vested.

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.

[7] 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 2005.

[8] 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 2005.

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 2003 was 509.0p and the range during the year was 345.0p to 565.0p. The average market price during the year was 536.9p.

Directors' Pension Entitlements

Three directors who served during the year are members of the Company's final salary pension scheme described on page 21 and have accrued entitlements under the scheme as follows:

	Accrued pension 31 December 2002 £'000	Real increase in accrued pension £'000	Increase in accrued pension (excluding inflation) £'000	Accrued pension 31 December 2003 £'000	Age at year end	Normal retirement age	Spouse/ dependant benefits
A Foye	42	10	11	53	41	63	50%
R Horton	15	2	2	17	46	63	50%
J Conibear	4	4	4	8	52	63	50%

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 2002 £'000	Increase in transfer value £'000	Transfer value 31 December 2003 £'000
A Foye	157	61	218
R Horton	73	20	93
J Conibear	27	30	57

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

2 March 2004

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 2003 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 – 35. 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 2003 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 LLP
Chartered Accountants and Registered Auditors
Reading

2 March 2004

Consolidated Profit and Loss Account

For the Year Ended 31 December 2003

	Note	2003 Before goodwill amortisation and exceptional items £'000	2003 Goodwill amortisation and exceptional items £'000	2003 Total £'000	2002 Total £'000
Turnover					
Continuing operations		147,108	–	147,108	147,365
Acquisitions		26,571	–	26,571	–
Total turnover	2	173,679	–	173,679	147,365
Net operating costs					
Operating costs before goodwill amortisation	3,5	(130,569)	(3,286)	(133,855)	(114,203)
Goodwill amortisation	11	–	(9,776)	(9,776)	(7,251)
Total net operating costs		(130,569)	(13,062)	(143,631)	(121,454)
Operating profit					
Continuing operations		37,653	(10,059)	27,594	25,911
Acquisitions		5,457	(3,003)	2,454	–
Total operating profit	3	43,110	(13,062)	30,048	25,911
Interest receivable and similar income	6			95	166
Interest payable and similar charges	7			(3,620)	(2,980)
Profit on ordinary activities before taxation				26,523	23,097
Tax on profit on ordinary activities	8			(9,750)	(9,420)
Profit on ordinary activities after taxation				16,773	13,677
Dividends	9			(4,114)	(3,761)
Profit for the financial year transferred to reserves				12,659	9,916
Earnings per ordinary share					
Diluted (normalised) (p)	10			34.19	26.97
Diluted (p)	10			19.55	15.96
Basic (p)	10			19.69	16.12

Consolidated Statement of Total Recognised Gains and Losses

For the Year Ended 31 December 2003

	2003 £'000	2002 £'000
Profit attributable to shareholders	16,773	13,677
Currency translation differences on foreign currency net investments	(1,444)	(5,121)
Total recognised gains and losses since last annual report	15,329	8,556

Group and Company Balance Sheets

At 31 December 2003

		Group		Company	
	Note	**2003** £'000	**2002** £'000	**2003** £'000	**2002** £'000
Fixed assets					
Intangible assets	11	177,054	109,658	–	–
Tangible assets	12	6,194	4,565	–	–
Investments	13	6,705	–	163,268	94,029
		189,953	114,223	163,268	94,029
Current assets					
Stocks	14	34,995	31,098	–	–
Debtors due within one year	15(a)	38,194	34,754	4,357	9,496
Debtors due after more than one year	15(b),18	500	1,028	–	–
Investments	16	–	11,988	–	11,988
Cash at bank and in hand		13,132	6,070	3,448	1,301
		86,821	84,938	7,805	22,785
Creditors: amounts falling due within one year	17(a)	(19,173)	(63,188)	(3,165)	(44,573)
Net current assets/(liabilities)		67,648	21,750	4,640	(21,788)
Total assets less current liabilities		257,601	135,973	167,908	72,241
Creditors: amounts falling due after more than one year	17(b)	(95,099)	–	(95,099)	–
Accruals and deferred income	20	(72,835)	(58,089)	(665)	(991)
		89,667	77,884	72,144	71,250
Capital and reserves					
Called up share capital	21	4,293	4,284	4,293	4,284
Share premium account	22	44,842	44,283	44,842	44,283
Reserve for own shares	23	1,267	1,267	1,267	1,267
Profit and loss account	24	39,265	28,050	21,742	21,416
Equity shareholders' funds		89,667	77,884	72,144	71,250

These financial statements were approved by the Board of Directors on 2 March 2004 and were signed on its behalf by:

D Smith
Director

A Foye
Director

Consolidated Cashflow Statement

For the Year Ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	26	44,891	31,008
Returns on investments and servicing of finance			
Interest received		95	166
Interest paid		(3,353)	(3,112)
Net cash outflow from returns on investments and servicing of finance		(3,258)	(2,946)
Taxation			
Corporation tax paid		(7,479)	(5,088)
Overseas taxes paid		(1,557)	(1,008)
Tax paid		(9,036)	(6,096)
Capital expenditure and financial investment			
Purchase of publishing goodwill	11	(3,469)	(571)
Tangible fixed assets acquired	12	(3,002)	(2,820)
Tangible fixed assets sold		47	113
Purchase of unlisted investments	13	(6,705)	–
Net cash outflow from investing activities		(13,129)	(3,278)
Acquisitions			
Purchase of businesses/subsidiary undertakings (net of cash and overdrafts acquired)	34	(82,379)	(2,946)
Net cash outflow from acquisitions		(82,379)	(2,946)
Equity dividends paid		(3,844)	(3,484)
Net cash (outflow)/inflow before use of liquid resources and financing		(66,755)	12,258
Management of liquid resources	28	11,988	(6,487)
Financing			
Net loans drawn/(repaid)		61,602	(4,790)
Proceeds (net) from share issues		568	351
Payment of deferred consideration		–	(844)
Net cash inflow/(outflow) from financing		62,170	(5,283)
Increase in cash	27	7,403	488

Notes to the Accounts

For the Year Ended 31 December 2003

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.

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 £5,253,000 (2002: £4,478,000).

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.

Any termination payments are taken to the profit and loss account.

2 Analysis of Turnover

Geographical analysis of turnover by destination	2003 £'000	2002 £'000
United Kingdom	39,542	32,171
North America	68,891	62,196
Europe	31,100	24,854
Rest of the world	34,146	28,144
	173,679	147,365

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

Geographical analysis of turnover by origin	2003 £'000	2002 £'000
United Kingdom	112,238	106,677
United States of America	54,134	34,324
Europe	7,307	6,364
	173,679	147,365

Analysis of turnover by class of business	2003 £'000	2002 £'000
Journals	77,225	70,998
Books	96,454	76,367
	173,679	147,365

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.

The acquisition of CRC Press (see note 34) contributed £20.5 million to books turnover and £2.9 million to journals turnover during the period. £17.5 million of CRC Press turnover originated in the United States of America and £5.9 million in the United Kingdom.

The geographical analysis of the turnover of CRC Press by destination was as follows:

Geographical analysis of turnover by destination CRC Press	£ million
United Kingdom	2.6
North America	15.4
Europe	3.0
Rest of the world	2.4
	23.4

3 Operating Profit

Net operating costs	Continuing operations 2003 £'000	Acquisitions 2003 £'000	Total 2003 £'000	Total 2002 £'000
Increase in stock of finished goods and work in progress	(1,322)	(106)	(1,428)	(807)
Raw materials and consumables	45,934	4,262	50,196	39,446
Depreciation of tangible and intangible fixed assets	9,026	2,912	11,938	8,743
Staff costs in total (note 4)	23,449	7,907	31,356	24,711
Other operating charges (including exceptional items (note 5))	42,523	9,142	51,665	49,367
Other operating income	(96)	–	(96)	(6)
	119,514	24,117	143,631	121,454

The only acquisition to have a material impact on operating costs was CRC Press. The operating costs of CRC Press comprise £56,000 increase in stock of finished goods and work in progress, £3,579,000 raw materials and consumables, £295,000 depreciation of tangibles and intangibles fixed assets, £6,927,000 staff costs, £68,000 exchange loss and £7,699 other operating charges.

Operating profit is stated After charging:	2003 £'000	2002 £'000
Auditors' remuneration:		
Audit – Group	330	285
Audit – Company	25	25
Taxation compliance and advisory – Group	272	181
Other – Group and Company	144	480
Depreciation and other amounts written off tangible fixed assets owned	2,162	1,492
Exceptional items (note 5)	3,286	2,581
Goodwill amortisation	9,776	7,251
Hire of plant and machinery: rentals payable under operating leases	230	299
Hire of other assets: rentals payable under operating leases	3,128	2,503
Exchange (gains)/losses	(3,572)	439

After crediting:	2003 £'000	2002 £'000
Rents receivable from property	96	6

Included within 'Auditors' remuneration: Other – Group and Company' is an amount of £127,000 (2002: £480,000) paid to the Group's auditors in their capacity as reporting accountants in the attempted acquisition of the BertelsmannSpringer Science and Business Media business. (2002: Kluwer Academic Publishers)

In addition the Group's auditors acted for the company in connection with a number of successful acquisitions during the year. Total fees for their work for these assignments were £326,000. Such costs have been included within the cost of investments.

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	
	2003	**2002**
Management and administration	198	152
Publishing and distribution	844	679
	1,042	831

The aggregate payroll costs of these persons was as follows:

	2003	**2002**
	£'000	£'000
Wages and salaries	27,562	21,195
Social security costs	2,730	1,912
Other pension costs (note 32)	1,064	1,604
	31,356	24,711

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 22 to 26.

5 Exceptional Items

	2003	**2002**
	£'000	£'000
Reorganisation and relocation of US book publishing operations	1,705	–
Cost of attempted acquisition of BertelsmannSpringer	1,581	–
Cost of attempted acquisition of Kluwer Academic Publishers, net of costs recovered	–	1,250
Re-organisation and relocation of journal publishing operations	–	1,331
	3,286	2,581

The estimated tax effect of exceptional items is to reduce the overall tax charge by £511,000 (2002: £399,000).

6 Interest Receivable and Similar Income

	2003	**2002**
	£'000	£'000
Bank interest	95	166

7 Interest Payable and Similar Charges

	2003 £'000	2002 £'000
Bank loans and loan notes	3,248	2,788
Amortisation of loan premium	372	192
	3,620	2,980

8 Tax on Profit on Ordinary Activities

The tax charge comprises:

	2003 £'000	2002 £'000
Current tax		
UK corporation tax at 30% (2002: 30%)	8,862	7,397
Adjustments in respect of prior years	(856)	72
Foreign tax	1,392	1,396
Total current tax	9,398	8,865
Deferred tax		
Origination and reversal of timing differences	252	635
Adjustment in respect of prior years	100	(80)
Total deferred tax (note 18)	352	555
Total tax on profit on ordinary activities	9,750	9,420

The current effective tax rate of 35% is higher than that resulting from applying the standard rate of corporation tax in the UK. The difference is explained below:

	2003 %	2002 %
Tax on Group profit on ordinary activities at standard UK corporation tax rate	(30)	(30)
Effects of:		
Expense not deductible for tax purposes	–	(2)
Movement in short term timing differences	1	2
Other deferred tax movements	–	1
Higher tax rates on overseas earnings	(1)	(2)
Goodwill amortisation	(7)	(5)
Exceptional items	(2)	(2)
Prior year adjustments	4	–
Group current tax charge for period	(35)	(38)

9 Dividends

	2003 £'000	2002 £'000
Ordinary equity shares		
Interim 1.60p (2002: 1.45p) per share	1,359	1,242
Final* 3.23p (2002: 2.94p) per share	2,755	2,519
	4,114	3,761

* See the Directors' Report for circumstances in which this dividend may alternatively be payable as a second interim dividend or under the scheme of arrangement.

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 £16,773,000 (2002: £13,677,000). 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 85,175,000 (2002: 84,823,000).

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 85,770,000 (2002: 85,697,000). 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 2003 at the closing mid-market share price on 31 December 2003 of 509p, making 249,000 (2002: 280,000) 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:

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	16,773	13,677
Goodwill amortisation	9,776	7,251
Exceptional items after tax	2,775	2,182
Normalised profit on ordinary activities after taxation	29,324	23,110

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

	2003 No. '000	2002 No. '000
Weighted average number of shares used in basic earnings per share calculation	85,175	84,823
Share options	346	594
Shares potentially to be issued or allotted	249	280
Weighted average number of shares used in diluted earnings per share calculation	85,770	85,697

11 Intangible Fixed Assets

Group	Publishing goodwill £'000	Goodwill arising on acquisitions £'000	Total £'000
Cost			
At 1 January 2003	2,643	131,361	134,004
Additions	3,469	82,523	85,992
Exchange adjustment	(226)	(10,147)	(10,373)
At 31 December 2003	5,886	203,737	209,623
Amortisation			
At 1 January 2003	562	23,784	24,346
Charge for the year	294	9,482	9,776
Exchange adjustment	(40)	(1,513)	(1,553)
At 31 December 2003	816	31,753	32,569
Net book value			
At 31 December 2003	5,070	171,984	177,054
At 31 December 2002	2,081	107,577	109,658

12 Tangible Fixed Assets

Group	Freehold property £'000	Long leasehold property £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 January 2003	182	1,273	9,366	10,821
Arising from acquisitions	–	–	931	931
Additions	–	–	3,002	3,002
Disposals	–	–	(1,011)	(1,011)
Exchange adjustment	–	–	(329)	(329)
At 31 December 2003	182	1,273	11,959	13,414
Depreciation				
At 1 January 2003	87	488	5,681	6,256
Charge for year	8	22	2,132	2,162
Disposals	–	–	(964)	(964)
Exchange adjustment	–	–	(234)	(234)
At 31 December 2003	95	510	6,615	7,220
Net book value				
At 31 December 2003	87	763	5,344	6,194
At 31 December 2002	95	785	3,685	4,565

13 Investments Held as Fixed Assets

a) Group	2003 £'000	2002 £'000
At 1 January	–	–
Additions during year	6,705	–
At 31 December	6,705	–

The addition during the year represents the purchase of an unlisted investment.

b) Company	2003 £'000	2002 £'000
Shares in Group undertakings		
Cost and net book value		
At beginning of year	94,029	96,633
Exchange adjustments	(8,951)	(2,619)
Additions during year	78,190	15
At end of year	163,268	94,029

The addition during the year represents the company's investment in Frank Cass & Co Limited, the long term loan to a group undertaking for the acquisition of CRC Press and the purchase of an unlisted investment.

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

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

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

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

14 Stocks

Group	2003 £'000	2002 £'000
Raw materials	603	557
Work in progress	5,761	6,018
Finished goods and goods for resale	28,631	24,523
	34,995	31,098

15(a) Debtors due within one year

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Trade debtors	30,240	28,122	–	–
Amounts owed by subsidiary undertakings	–	–	3,883	8,744
Other debtors	6,036	5,173	474	750
Prepayments and accrued income	1,918	1,459	–	2
	38,194	34,754	4,357	9,496

15(b) Debtors after more than one year

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Deferred taxation (see note 18)	500	1,028	–	–

16 Investments Held as Current Assets

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Short term bank deposits	–	11,988	–	11,988

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

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Bank loans and overdrafts	574	42,494	–	41,579
Loan notes	455	511	412	452
Trade creditors	4,005	7,637	–	–
Amounts owed to subsidiary undertakings	–	–	–	–
Corporation tax	8,970	9,288	–	–
Other taxes and social security	686	319	–	–
Other creditors	1,730	420	–	23
Dividends proposed	2,753	2,519	2,753	2,519
	19,173	63,188	3,165	44,573

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

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Bank loans (secured)	95,099	–	95,099	–

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

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

Loan notes comprise £412,000 (2002: £452,000) and £43,000 (2002: £59,000) 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	2003 £'000	2002 £'000
Deferred taxation asset	500	1,028

The movements during the year were as follows:	2003 £'000	2002 £'000
At 1 January	1,028	1,583
Current year charge	(252)	(635)
Prior year (charge)/credit	(100)	80
Reclassification of overseas Corporation Tax	(251)	–
Exchange difference	75	–
At 31 December	500	1,028

The deferred tax asset consists of the following amounts:	2003 £'000	2002 £'000
Depreciation in excess of capital allowances	198	399
Other timing differences	302	629
	500	1,028

A deferred tax asset of £500,000 has been recognized as at 31 December 2003, 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.

19 Financial Instruments

The Group's policies as regards derivatives and financial instruments are set out in the Operating and Financial Review on pages 8 to 9 and the accounting policies on page 35 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

	2003 £'000	2002 £'000
Within one year or less or on demand	1,029	43,185
More than two years but not more than five years	95,794	–
	96,823	43,185
Unamortised element of loan premium	(695)	(180)
	96,128	43,005

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

Expiry date	2003 £'000	2002 £'000
In one year or less	3,000	16,800
In more than two years but not more than five years	69,206	–
	72,206	16,800

19(b) Interest Rate Profile

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

Financial Liabilities

				Fixed rate financial liabilities	
Currency	**Total** £'000	**Floating rate financial liabilities** £'000	**Fixed rate financial liabilities** £'000	**Weighted average interest rate** %	**Weighted average period for which the rate is fixed** Years
At 31 December 2003					
GBP	53,529	38,529	15,000	5.19	1.9
USD	43,294	15,363	27,931	3.04	1.9
Gross financial liabilities	96,823	53,892	42,931	4.22	1.9
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

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 2003				
GBP	2,889	2,497	–	392
USD	9,170	8,085	–	1,085
AUD	44	24	–	20
CAD	72	–	–	72
SGD	32	–	–	32
MLR	15	–	–	15
NOK	88	88	–	–
SEK	61	61	–	–
INR	17	–	–	17
EUR	744	35	–	709
Gross financial assets	13,132	10,790	–	2,342
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

Financial assets comprise cash at bank and in hand of £13,132,000 (2002: £6,070,000) and current asset investments of £nil (2002: £11,988,000). 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 one month. There were no fixed rate deposits as at 31 December 2003 or 2002.

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 2003 and 2002.

Based on market values, the fair values as at 31 December 2003 of derivative financial instruments held to manage the interest rate and currency profile were as follows:

	Carrying amount 2003 £'000	Estimated fair value 2003 £'000	Carrying amount 2002 £'000	Estimated fair value 2002 £'000
Interest rate swaps	–	(66)	–	(479)
Forward foreign exchange contracts	–	3,045	–	2,708

19(d) Hedging

As explained in the Operating and Financial Review on pages 8 to 9, 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 2003 and 2002 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 (£43,294,000; 2002: £12,359,000) 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 Operating and Financial Review on pages 8 to 9.

20 Accruals and Deferred Income

	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
Subscriptions received in advance	49,065	42,414	–	–
Accruals	23,770	15,675	665	991
	72,835	58,089	665	991

21 Share Capital

Group and Company	2003 £'000	2002 £'000
Authorised		
125,000,000 (2002: 115,000,000) ordinary shares of 5p each	6,250	5,750

During the year an additional 10 million ordinary shares of 5p each were authorised.

Allotted, called up and fully paid		
85,850,668 ordinary shares of 5p each (2002: 85,670,426 of 5p each)	4,293	4,284

	2003 £'000	2002 £'000
At 1 January	4,284	4,227
Options exercised	9	57
At 31 December	4,293	4,284

During the period options to purchase 180,242 ordinary 5p shares were exercised for a consideration of £568,000.

As at 31 December 2003, outstanding options to subscribe for ordinary shares of 5p were as follows:

Number	Exercise price per share	Exercise period
241,550	13.33p	06.11.00 to 05.11.04
15,672	381.50p	25.06.02 to 24.06.06
51,655	427.50p	04.11.02 to 03.11.06
49,805	427.50p	04.11.02 to 03.11.09
15,176	615.00p	08.06.03 to 07.06.07
12,619	591.38p	01.01.04 to 30.06.04
488,511	585.00p	26.04.04 to 25.04.08
47,058	510.00p	01.11.04 to 31.10.08
20,506	479.75p	01.01.05 to 30.06.05
16,143	575.50p	05.12.04 to 04.12.08
414,301	619.00p	26.04.05 to 25.04.09
140,392	672.50p	27.05.05 to 26.05.09
1,597	579.50p	01.08.04
116,959	427.50p	03.10.05 to 02.10.09
19,244	470.25p	01.01.06 to 30.06.06
751,833	432.50p	30.04.06 to 29.04.06
46,158	415.00p	01.08.05
12,063	444.00p	10.07.06 to 09.07.10
13,415	503.50p	01.01.07 to 30.06.07
57,391	517.50p	18.11.06 to 17.11.10
2,532,048		

22 Share Premium Account

	Group and Company £'000
At 1 January 2003	44,283
Premium arising on	
– Options exercised during period	559
At 31 December 2003	44,842

23 Reserve for Own Shares

	Group and Company £'000
At 1 January 2003 and 31 December 2003	1,267

The balance at 31 December 2003 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 in stages to 30 November 2005 and can be paid in either cash or shares at the Company's option.

24 Reserves

Profit and loss account	2003 Group £'000	2002 Group £'000	2003 Company £'000	2002 Company £'000
At 1 January	28,050	23,255	21,416	21,308
Profit on ordinary activities after taxation	16,773	13,677	5,253	4,478
Dividend payable	(4,114)	(3,761)	(4,114)	(3,761)
Currency translation difference on foreign currency net investments	(1,444)	(5,121)	(813)	(609)
At 31 December 2003	39,265	28,050	21,742	21,416

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:

	2003 Group £'000	2002 Group £'000
Profit and loss account excluding pension liability	39,265	28,050
Pension liability (note 33)	(2,943)	(2,291)
Profit and loss account after deducting pension liability	36,322	25,759

25 Reconciliation of Movements in Consolidated Shareholders' Funds

	2003 £'000	2002 £'000
Profit for the year	16,773	13,677
Dividends	(4,114)	(3,761)
Retained profit for the year	12,659	9,916
Currency translation difference on foreign currency net investments	(1,444)	(5,121)
Proceeds of new share issues (net)	568	351
Decrease in reserve for own shares	–	(844)
	11,783	4,302
Opening shareholders' funds	77,884	73,582
Closing shareholders' funds	89,667	77,884

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

	2003 £'000	2002 £'000
Operating profit	30,048	25,911
Depreciation and amortisation	11,938	8,743
Decrease/(increase) in stocks	159	(807)
Decrease/(increase) in debtors	4,213	(29)
Decrease in creditors	(1,467)	(2,810)
Net cash inflow from operating activities	44,891	31,008

CRC Press (see note 34) contributed £1,990,000 to the net cash inflow from operating activities during the period.

27 Reconciliation of Net Cash Flow to Movement in Net Debt

	2003 £'000	2002 £'000
Increase in cash net of overdrafts in the period	7,403	488
(Increase)/decrease in bank loans and loan notes	(61,602)	4,790
Cash flow from (decrease)/increase in liquid resources	(11,988)	6,487
Change in net debt resulting from cash flows	(66,187)	11,765
Foreign exchange translation difference	8,138	2,010
Movement in net debt during the period	(58,049)	13,775
Opening net debt	(24,947)	(38,722)
Closing net debt (note 29)	(82,996)	(24,947)

28 Management of Liquid Resources

	2003 £'000	2002 £'000
Cash withdrawn from/(invested in) deposit accounts	11,988	(6,487)
Cash flow from decrease/(increase) in liquid resources	11,988	(6,487)

29 Analysis of Net Debt

	At 1 January 2003 £'000	Cash flow £'000	Exchange movement £'000	At 31 December 2003 £'000
Cash at bank and in hand	6,070	7,062	–	13,132
Overdrafts	(915)	341	–	(574)
Net cash	5,155	7,403	–	12,558
Bank loans and loan notes	(42,090)	(61,602)	8,138	(95,554)
Current asset investments	11,988	(11,988)	–	–
Total (note 27)	(24,947)	(66,187)	8,138	(82,996)

30 Commitments

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

	2003		2002	
Group	**Land & buildings** £'000	**Other** £'000	**Land & buildings** £'000	**Other** £'000
Operating leases which expire:				
– Within one year	1,494	141	359	75
– Within two to five years	919	148	1,401	196
– After five years	722	–	494	20
	3,135	289	2,254	291

The Group had capital commitments at 31 December 2003 of £517,000 (2002: £130,000).

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 £43,000 of loan notes outstanding and 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 $255,000.

As at 31 December 2003 the Company has entered into forward exchange contracts for a total of $40.0 million to be converted into sterling, as follows during 2004:

January 2004	$30.0 million @ $1.584
February 2004	$10.0 million @ $1.550

32 Pension Schemes

As explained in the accounting policies set out on page 35, 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, and 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% 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 was made in 2002 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 in 2002 referred to above) for the Scheme amounted to £241,000 (2002: £353,000), which is not materially different from the regular pension cost.

As a result of the actuarial valuation as at 30 September 2002, the Company has increased contributions from 10.7% to 33.6% of pensionable salaries from 1 January 2004 until 30 September 2006 and 21.4% thereafter. The Scheme is closed to new entrants and so this contribution rate is likely to increase as the membership ages.

The Group also operates three defined contribution schemes in the UK. Contributions during the year were £370,000 (2002: £283,000).

In the US the Group operates 2 pension schemes providing benefits based on the value of contributions paid. £453,000 (2002: £414,000) 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 2003 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	At 31 December 2003	At 31 December 2002	At 31 December 2001
Rate of increase in salaries	3.75% p.a.	3.30% p.a.	3.50% p.a.
Limited price indexation pension increases	2.75% p.a.	2.30% p.a.	2.50% p.a.
Discount rate	5.40% p.a.	5.75% p.a.	6.00% p.a.
Inflation assumption	2.75% p.a.	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 2003 %	Value at 31 December 2003 £'000	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	7.80%	2,938	7.50%	2,620	8.00%	4,573
Bonds	5.10%	347	4.75%	346	5.25%	742
Cash	3.75%	1,408	4.00%	1,472	4.00%	59
		4,693		4,438		5,374

The funding position was as follows:

	At 31 December 2003 £'000	At 31 December 2002 £'000	At 31 December 2001 £'000
Total market value of assets	4,693	4,438	5,374
Present value of Scheme liabilities	(8,898)	(7,711)	(5,925)
Deficit in the Scheme	(4,205)	(3,273)	(551)
Related deferred tax credit	1,262	982	165
Net pension liability	(2,943)	(2,291)	(386)

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current service cost	349	296
Past service cost	–	–
Total operating charge	349	296

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Expected cost return on pension scheme assets	263	418
Interest cost on pension scheme liabilities	(420)	(354)
Net finance (cost)/return	(157)	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 2003 £'000	Year ended 31 December 2002 £'000
Actual return less expected return on pension scheme assets	279	(1,632)
Experience gains and losses arising on scheme liabilities	225	(713)
Effect of changes in assumptions underlying present value of scheme liabilities	(1,151)	(419)
Total actuarial loss recognised in STRGL	(647)	(2,764)

Movement in deficit during the year:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Deficit in Scheme at beginning of year	(3,273)	(551)
Current service cost	(349)	(296)
Contributions	221	274
Other finance (costs)/income	(157)	64
Actuarial loss	(647)	(2,764)
Deficit in Scheme at end of year	(4,205)	(3,273)

History of experience gains and losses:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Difference between expected and actual return on Scheme assets:		
Amount (£'000)	279	(1,632)
Percentage of Scheme assets	6%	(37)%
Experience gain and losses on Scheme liabilities:		
Amount (£'000)	225	(713)
Percentage of present value of Scheme liabilities	3%	(9)%
Total amount recognised in STRGL:		
Amount (£'000)	(647)	(2,764)
Percentage of present value of Scheme liabilities	(7)%	(36)%

34 Acquisitions

The following tables show 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 respective dates of acquisition. The acquisitions have been accounted for by the acquisition method of accounting.

Cash outflow in respect of acquisitions was £82,379,000 (net of £1,611,000 net cash required).

(1)

Praxton Limited (including Bios Scientific Publishers Limited) Business acquired 31 January 2003	**Book value** £'000	**Fair value adjustments** £'000	**Fair value** £'000
Tangible Fixed Assets	136	(90)	46
Stocks	438	(173)	265
Debtors	586	(196)	390
Cash at bank and in hand	(460)	–	(460)
Creditors and provisions	(1,123)	30	(1,093)
Net liabilities	(423)	(429)	(852)
Goodwill			4,063
			3,211
Discharged by cash			3,211

Fair value adjustments have been made to provide for slow moving stock lines, irrecoverable debts and write off obsolete tangible fixed assets.

During the post acquisition period ended 31 December 2003 the Praxton Group (including Bios Scientific Publishers Limited) contributed £713,000 to Group turnover and £89,000 to profit after tax.

The profit after tax for the Praxton Group (including Bios Scientific Publishers Limited) prior to acquisition was not significant for the period 1 January 2003 to acquisition on 31 January 2003. For the year ended 31 December 2002 the group made a loss of £35,000.

(2) **Frank Cass and Co. Limited** **Business acquired 28 July 2003**	**Book value** £'000	**Fair value adjustments** £'000	**Fair value** £'000
Fixed Assets	165	(38)	127
Stocks	542	(200)	342
Debtors	718	(264)	454
Cash at bank and in hand	2,029	–	2,029
Creditors and provisions	(2,033)	(379)	(2,412)
Net assets	1,421	(881)	540
Provisional goodwill			10,420
			10,960
Discharged by cash			10,610
Deferred consideration			350
			10,960

Fair value adjustments have been made to provide for slow moving stock lines, returns and unrecoverable debts.

The payment of the deferred consideration in contingent on the future sales performance of the business acquired.

During the post acquisition period ended 31 December 2003 Frank Cass & Co Limited contributed £1,779,000 to Group turnover and £280,000 to profit after tax.

The goodwill figure is provisional pending the finalisation of completion accounts.

The profit after tax for Frank Cass & Co Limited prior to acquisition for the period from 30 June 2003 to acquisition was deminimus and was £309,000 for the year ended 30 June 2002.

(3) **Swets & Zeitlinger Publishers (SZP)** **Business acquired 31 October 2003**	**Book value** £'000	**Fair value adjustments** £'000	**Fair value** £'000
Fixed Assets	66	–	66
Stocks	650	(548)	102
Debtors	500	–	500
Creditors and provisions	(577)	(205)	(782)
Net assets	639	(753)	(114)
Provisional Goodwill			11,705
			11,591
Discharged by cash			11,591

Fair value adjustments have been made to provide for unrecorded liabilities and obsolete and slow moving stock. The goodwill figure is provisional pending the finalisation of completion accounts.

During the post acquisition period ended 31 December 2003 SZP contributed £651,000 to Group turnover and £108,000 to profit after tax.

It is not practical to identify the pre acquisition profit after tax of the SZP business acquired as it formed part of a larger divisional entity.

(4) CRC Press (including Parthenon Publishing Group Limited) Business acquired 7 April 2003	Book value £'000	Fair value adjustments Revaluations £'000	Fair value adjustments Accounting policy changes £'000	Fair value £'000
Fixed Assets	1,805	–	(607)	1,198
Stocks	8,386	(577)	(4,127)	3,682
Debtors	6,743	(433)	–	6,310
Cash in bank and in hand	42	–	–	42
Creditors	(7,979)	(675)	–	(8,654)
Net assets	8,997	(1,685)	(4,734)	2,578
Goodwill				56,000
				58,578
Discharged by cash				58,578

The fair value adjustments have been made to bring accounting policies for stock valuation and the capitalisation of costs into line with group policy as well as providing for slow moving stock lines, unrecoverable debts and additional liabilities.

During the post acquisition period CRC Press (including Parthenon Publishing Group Limited) contributed £23,428,000 to Group turnover and £1,679,000 to profit after tax.

The results of the acquired CRC Press business (including Parthenon Publishing Group Limited) prior to acquisition were as follows:

	1 January 2003 to 7 April 2003 £'000	Year ended 31 December 2002 £'000
Turnover	7,173	34,493
Operating profit	(24)	4,581
Net interest payable	21	103
Profit before tax	(45)	4,478
Tax	25	143
Profit after tax	(70)	4,335

In addition to the profits for the periods the business also recorded gains related to currency translation differences of £94,000 for the period from 1 January 2003 to 7 April 2003 and £237,000 for the year ended 31 December 2002.

(5)
Fitzroy Dearborn

In addition to the goodwill arising on the acquisitions noted above an increase of £335,000 has been recorded in goodwill of £1,809,000 arising from the Fitzroy Dearborn acquisition as disclosed in the prior year's financial statements. The increase in goodwill relates to a further adjustment being required to the valuation of stock. The total goodwill recorded for the Fitzroy Dearborn acquisition is now £2,144,000.

Post year end acquisition

On 2 January 2004 the business and certain assets and liabilities of Marcel Dekker were acquired for a consideration of £79.3 million. In the year ended 31 December 2002 Dekker's sales were US $42.0 million (£24.9 million) and its an operating profit before exceptional items and shareholders' cost was $5.1 million (£3.0 million).

35 Post balance sheet event

On 2 March 2004 the company announced a proposed merger with Informa Group plc under a scheme of arrangement and subject to shareholder approval.

Group Five Year Record

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	2003 £'000
Turnover	95,879	116,355	137,326	147,365	173,679
Operating profit before exceptional items and goodwill amortisation	19,949	25,496	30,580	35,743	43,110
Exceptional items and goodwill amortisation	(5,864)	(5,571)	(8,284)	(9,832)	(13,062)
Operating profit	14,085	19,925	22,296	25,911	30,048
Profit on ordinary activities before taxation	10,540	15,791	18,475	23,097	26,523
Taxation	(5,096)	(6,890)	(7,579)	(9,420)	(9,750)
Profit on ordinary activities after taxation	5,444	8,901	10,896	13,677	16,773
Earnings per ordinary share					
– basic	6.99p	11.05p	13.09p	16.12p	19.69p
– diluted before exceptional items and goodwill amortisation	12.77p	16.75p	22.00p	26.97p	34.19p
Dividends per share (net)	3.30p	3.63p	3.99p	4.39p	4.83p

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	2003 £'000
Fixed assets					
Intangible assets	98,177	101,172	119,466	109,658	177,054
Tangible assets	4,281	3,560	3,415	4,565	6,194
Investments	–	–	–	–	6,705
	102,458	104,732	122,881	114,223	189,953
Current assets					
Stocks	24,176	25,492	28,835	31,098	34,995
Debtors	25,605	28,888	36,106	35,782	38,694
Investments and cash at bank and in hand	20,848	21,112	13,664	18,058	13,132
	70,629	75,492	78,605	84,938	86,821
Creditors: amounts falling due within one year	(48,931)	(49,887)	(57,042)	(63,188)	(19,173)
Net current assets	21,698	25,605	21,563	21,750	67,648
Total assets less current liabilities	124,156	130,337	144,444	135,973	257,601
Creditors: amounts falling due after more than one year	(35,406)	(30,166)	(16,514)	–	(95,099)
Provisions for liabilities and charges	(58)	(343)	–	–	–
Accruals and deferred income	(32,640)	(36,367)	(54,348)	(58,089)	(72,835)
Net assets	56,052	63,461	73,582	77,884	89,667

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

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