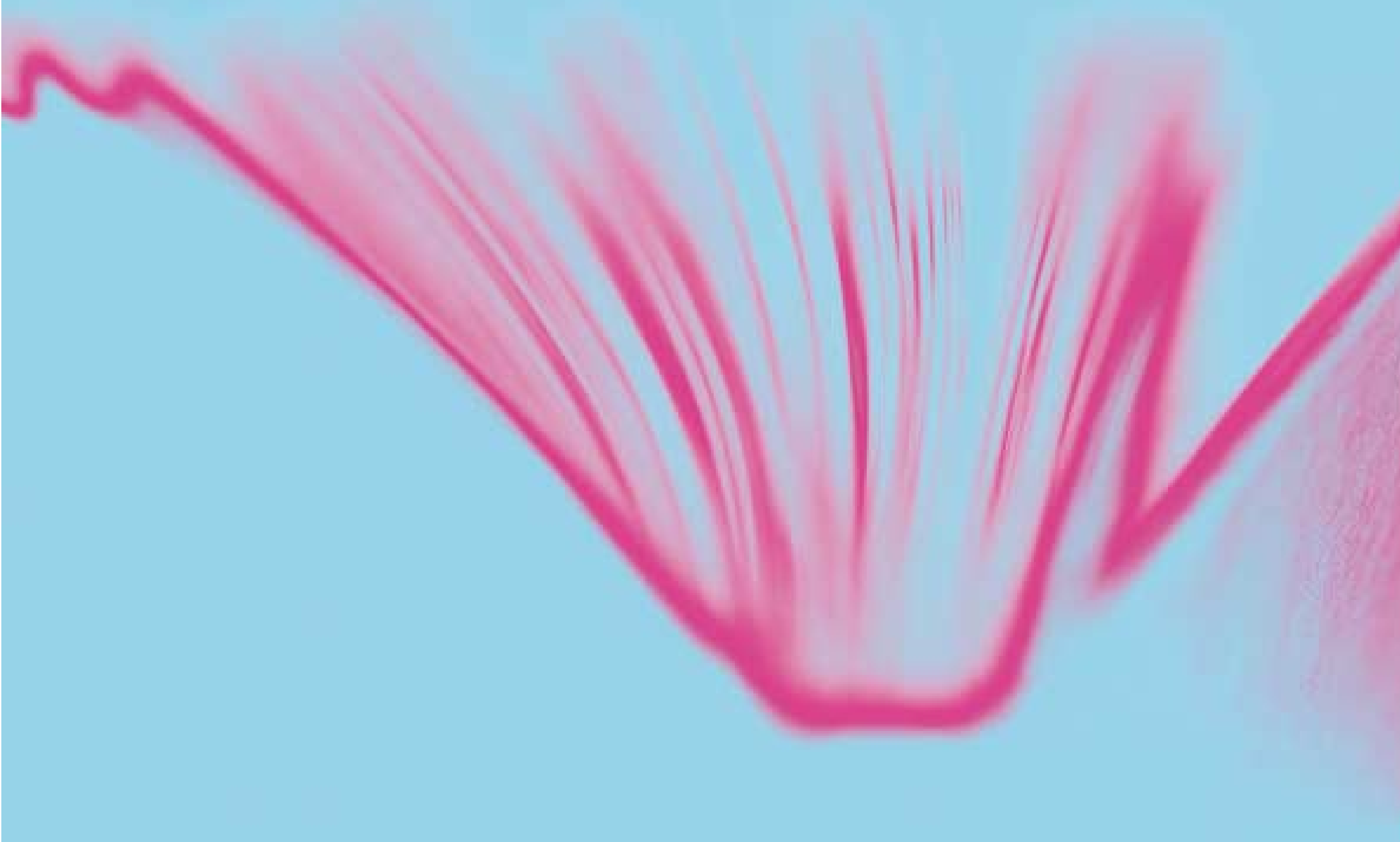
Taylor & Francis Group plc

Two centuries of publishing excellence

Interim Statement

For the six months ended 30 June 2003



We are providers of quality information and knowledge that enable our customers to perform their jobs efficiently, continue their education, and help contribute to the advancement of their chosen markets. Our customers are researchers, students, academics and increasingly professionals.

Highlights of Unaudited Interim Statement

For the six months ended 30 June 2003

	% Increase	6 months 2003 £'000	6 months 2002 £'000
Turnover	+12	73,922	66,185
Operating profit (before exceptional items and goodwill amortisation)*	+22	17,792	14,630
Operating profit	+7	11,453	10,661
Pre-tax profit (before exceptional items and goodwill amortisation)*	+24	16,461	13,327
Pre-tax profit	+8	10,122	9,358
Diluted earnings per share (before exceptional items and goodwill amortisation)*	+26	13.80p	10.96p
Diluted earnings per share	+2	6.56p	6.45p
Interim dividend per share	+10	1.60p	1.45p

* Excludes exceptional items of £2.1 million and goodwill amortisation of £4.3 million

Chief Executive's Statement

Overview

The Group has reported a good set of results for the first six months of 2003 with turnover up 11.7%, to £73.9 million and profit before tax, exceptional items and goodwill amortisation up 24%, to £16.5 million. This performance was underpinned by solid organic growth in both turnover and profits coupled with the initial contribution from the CRC Press group of companies ("CRC Press") acquired 8 April 2003. Taylor & Francis has again demonstrated the strength of its strategy of combining organic growth with earnings enhancing acquisitions. During the year to date the Group has made three acquisitions: Bios Scientific Publishers Limited ("Bios") on 31 January, CRC Press in April and, on 28 July, Frank Cass & Co. Limited ("Cass").

Taylor & Francis has again demonstrated the strength of its strategy of combining organic growth with earnings enhancing acquisitions

The journals division has performed well with strong renewal rates, despite the difficulties created by a major subscription agent filing for US Chapter 11 bankruptcy protection in December 2002. 27 new journal titles were launched during the first half and 32 titles were acquired with CRC Press. This activity was reflected in the division's financial performance with journal turnover up by 5.4% to £36.0 million (2002: £34.2 million). The books division also performed well during the first half despite the widely reported softer market conditions, with turnover up 18.4% to £37.9 million (2002: £32.0 million). US book sales were encouraging and the division's results also included the maiden contribution from CRC Press. During the first half the books division also benefited from the early publication of a major annual Europa textbook and the journals division was enhanced by the earlier publication of some journal issues reflecting the more efficient organisation created last year.

Turnover

In common with most UK based international businesses, the Group's reported sales have been materially adversely affected by the decline in the exchange rates between the US dollar and sterling when compared to the same period in the previous year. The Group receives over 60% of its revenues in US dollars and as a consequence, when reporting results in sterling, the exchange rate movement this year masks the underlying turnover growth. Average US dollar exchange rates for the period were \$1.61: £1, considerably weaker than the comparable rates in 2002 of \$1.45: £1.

At constant exchange rates turnover from continuing business increased by 6.7% (£4.5 million), with journal turnover growing by £3.1 million (8.9%) and books by £1.4 million (4.5%).

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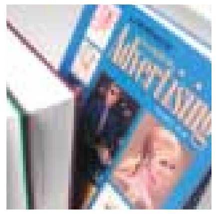
Converted at actual exchange rates, turnover grew by 11.7% in the first six months of the year, from £66.2 million to £73.9 million. Journal division sales grew by 5.4% and the books division by 18.4%, helped by contributions from CRC Press. Adjusting for CRC Press, turnover from continuing business converted at actual exchange rates increased from £66.2 million to £66.9 million.

CRC products, whilst having strong positions in their domestic markets, have international potential as well



Books represented 51% of consolidated first half turnover (2002: 48%) and journals 49% (2002: 52%). Due to the seasonality of the academic books market, with higher sales typically occurring during the autumn academic adoption season and with acquisitions included, we expect to see proportionately more book sales in the second half year and consequently their percentage of total sales will increase by the year end.

Operating profit

Operating profit before exceptional items and goodwill amortisation increased by 21.6%, from £14.6 million to £17.8 million, benefiting from organic growth, good cost control and a maiden contribution of £1.4 million from CRC Press.

Under the Group's policy of selling forward anticipated surplus US dollar receipts, during 2002 $40 million of 2003 US dollar receipts were sold forward for sterling at an average exchange rate of $1.45: £1. This had a beneficial effect on Group operating profit in the first half of 2003, which otherwise reflects dollar based transactions at an average exchange rate of $1.61: £1. As a result of this $40 million forward sale, there is little net impact from exchange rate movements on the Group's operating profits for the first six months compared to 2002.

Operating profit after exceptional costs of £2.1 million (2002: £0.4 million) and goodwill amortisation of £4.3 million (2002: £3.6 million), was up by 7.4%, to £11.5 million (2002: £10.7 million). The operating margin before goodwill amortisation and exceptional items was 24%, compared to 22% in the first six months of 2002, reflecting continued benefits of synergies from previous reorganisations, integration of acquisitions and effective cost control. Also, as previously noted, adverse exchange rate movements reduced turnover when compared to 2002, by approximately £3.8 million, but had little net effect on profits and this further enhances the operating margin. At constant exchange rates the operating margin was 23%.

Exceptional items

Exceptional costs of £2.1 million relate primarily to costs associated with the Group's participation in the Bertelsmann-Springer auction process as well as reorganisation costs. We have begun the integration of CRC Press which will be completed during the first quarter of 2004. We anticipate the total costs of integrating CRC Press will be around £1 million.

Operating profit before exceptional items and goodwill amortisation increased by 21.6%, from £14.6 million to £17.8 million

Interest

Net interest expense was unchanged at £1.3 million due to lower interest rates which were offset by an increase in net debt to £90.8 million (2002: £45.4 million), primarily as a result of the acquisition of CRC Press. Net interest cover has increased to 13.4 times, based on operating profit before exceptional items and goodwill amortisation, compared to 11.2 times in 2002.

Diluted earnings per share before exceptional items and goodwill amortisation increased 25.9% to 13.80p per ordinary share, compared to 10.96p in 2002

Profit before taxation

Profit before tax, excluding exceptional items and goodwill amortisation, increased by 23.5%, to £16.5 million (2002: £13.3 million).

Taxation

Across the Group tax has been provided at 31.3% (2002: 29.5%) which reflects disallowable exceptional items and an additional tax deduction for goodwill amortisation arising on the acquisition of CRC Press. The effective tax rate of 44.5% (2002 40.9%) for the first half of the year is influenced by goodwill amortisation and exceptional items.

EPS

Diluted earnings per share before exceptional items and goodwill amortisation increased 25.9% to 13.80p per ordinary share, compared to 10.96p in 2002.

Dividend

The directors have declared an interim dividend of 1.60p (2002: 1.45p) per ordinary share, representing an increase of 10.3%. This dividend is payable on 31 October 2003 to ordinary shareholders registered as of the close of business on 26 September 2003.

Balance sheet

Intangible assets increased by £51.1 million, to £160.8 million compared to 31 December 2002. Of this increase, £56.7 million constitutes the provisional goodwill arising from the acquisitions of CRC Press and Bios, which was offset by ongoing amortisation and the effect of exchange rate movements.

Fixed assets have increased by £1.5 million since 31 December 2002, to £6.1 million, of which £1.2 million was acquired with CRC Press. The net underlying increase reflects additional expenditure on information technology (mainly back office and distribution systems) announced last year. The acquisition of CRC Press also included £4.6 million in stock, which rose from £31.1 million to £35.1 million.

Net debt increased £45.4 million, to £90.8 million compared to 30 June 2002 (£45.4 million). With £62.2 million spent on acquisitions during the period this reflects the Group's strong cash generation. In connection with the acquisition of CRC Press the Group obtained a three year, £165 million, multi-currency revolving credit facility. This facility provides the Group with considerable flexibility both in terms of minimising interest expenditure as well as managing the effects of exchange rate movements on cash flows.

Deferred income, which represents cash received in advance of the publication of journal issues, was up 4.4% to £31.7 million compared to 30 June 2002. The Group receives a substantial proportion of its deferred income in US dollars and as such this balance is subject to exchange rate conversion. At constant exchange rates and after taking account of CRC Press, the underlying growth in deferred income compared to 30 June 2002 was 2.5%. Deferred income is recognised as turnover as journal issues are published.

Exchange rate management

Like most international publishing operations the Group has an exchange translation exposure in its profit and loss account. The Group, as enlarged by acquisitions, is in future expected to generate over 65% of its revenues and incur around 50% of its costs in US dollars. The impact of exchange rates can increase or reduce turnover or costs and can therefore affect the reported sterling value of profits. The Group's policy is to protect its cashflow primarily by entering into forward exchange contracts up to 12 months in advance of an expected currency exposure. In respect of 2004's anticipated receipts the Group has arranged forward contracts to convert $40 million into sterling at average exchange rates of $1.576: £1, which together with the multi-currency revolving credit facility cover a significant portion of any US dollar cash flow exposure in 2004.

Rowecom

As reported in March 2003, Rowecom, a large journals subscription agent, filed for US Chapter 11 bankruptcy protection in December 2002 and we now estimate that the associated journal revenue lost by the Group for 2003 will be around £1.2 million. During 2003 the Group has continued to supply journal issues to customers affected by the Rowecom situation in the expectation that those customers will renew again for 2004. An amount of £0.6 million has been treated as a bad debt in these financial statements within operating profits, reflecting the recognised sales value of 2003 journal issues supplied to those former Rowecom customers up to 30 June 2003.

Strategic and operating review

Following the completion of the strategic review in the latter half of 2002, we have identified a number of opportunities to develop and grow the business and these centre around the following:

- strengthening and extending our product portfolio;
- extending our customer base; and
- balancing the geographical focus of the portfolio so that product origination matches customer destination and specifically generating more of our products from the US.

The acquisitions of CRC Press and Bios have strengthened our portfolio in the Scientific, Technical and Medical areas and extended our customer base to include more professionals in these and related segments, an important rationale for both acquisitions. Importantly, the CRC Press acquisition has given the Group greater economies of scale in our biggest single market, the USA, and helped to increase the proportion of product originating from this market. We now have a better balance between our Scientific, Technical and Medical and Humanities and Social Science portfolios. These acquired products, whilst having strong positions in their domestic markets, have international potential as well.

To facilitate a more global approach to our publishing activities we have reorganised the Group reporting structure into global books and journals divisions. As a result, CRC Press, which is based in Florida, will become the hub of our global scientific book publishing and our New York office will become the US centre for humanities, social and behavioural science book publishing. All back office activities for the USA will also be centralised in Florida. US journal publishing will all be based at the Group's existing offices in Philadelphia. It is anticipated that the US reorganisation will be complete by the end of the first quarter 2004 and lead to a more efficient and customer focused global business.

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Increasing the pace of our digital content development is also a priority

As announced at this time last year, we continue to invest in the technology infrastructure of the Group to support existing initiatives and facilitate future growth. The level of capital investment remains on track at around £3 million per annum and projects currently underway include installing new management information systems, improving networks and upgrading our order processing and distribution functions. Increasing the pace of our digital content development is also a priority and during the coming year we shall be investing further in the electronic delivery of our products to meet the changing needs of our customers.

On 28 July 2003 the Group announced the acquisition, for an initial consideration of £9.5 million, of Frank Cass & Co. Limited, a London based humanities and social science publisher. The Cass publications will strengthen the Group's portfolio in these important subject areas. The publications will be integrated into Taylor & Francis' UK operations and will benefit from its larger customer base and economies of scale.

Current trading and prospects

The strong journals portfolio continues to generate good growth, with 59 new and acquired journal titles to be published in 2003 and 80 net new journal titles planned for 2004, which will bring the total number of journal titles expected to be published in 2004 to 880. The books business continues to perform well, despite difficult market conditions and with over 2,300 new book titles scheduled for publication in 2003, is well positioned for the traditional autumn sales upturn.

The Scientific, Technical and Medical/Academic markets remain challenging. The Group however continues to perform to our expectations and the combination of the high quality nature of our portfolio, the reduced US cost base and the tight control of costs across the business makes the Board confident of another successful year.

With a stronger position in the USA and an increasingly diverse portfolio, we have a broader base from which to develop the Group and enhance its prospects

We continue to look at ways to grow the business by strengthening the portfolio, widening our customer base and internationalising our business through a combination of well planned organic development and selected earnings enhancing acquisitions. With a stronger position in the USA and an increasingly diverse portfolio, we have a broader base from which to develop the Group and enhance its prospects.

David J Smith
Chief Executive

17 September 2003

Independent Review Report to Taylor & Francis Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2003 which comprises the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Deloitte & Touche LLP
Chartered Accountants

Reading

17 September 2003

Consolidated Profit & Loss Account

For the six months ended 30 June 2003

	Note	Unaudited 2003 Before goodwill amortisation and exceptional items £'000	Unaudited 2003 Goodwill amortisation and exceptional items £'000	Unaudited 2003 6 months Total £'000	Unaudited 2002 6 months Total £'000	Audited 2002 12 months Total £'000
Turnover	2					
Continuing operations		66,874	–	66,874	66,185	147,365
Acquisitions		7,048	–	7,048	–	–
		73,922	–	73,922	66,185	147,365
Operating costs before goodwill amortisation	3	(56,130)	(2,083)	(58,213)	(51,905)	(114,203)
Goodwill amortisation		–	(4,256)	(4,256)	(3,619)	(7,251)
Total net operating costs		(56,130)	(6,339)	(62,469)	(55,524)	(121,454)
Operating profit						
Continuing operations		16,391	(5,698)	10,693	10,661	25,911
Acquisitions		1,401	(641)	760	–	–
		17,792	(6,339)	11,453	10,661	25,911
Net interest payable				(1,331)	(1,303)	(2,814)
Profit on ordinary activities before taxation				10,122	9,358	23,097
Tax on profit on ordinary activities				(4,504)	(3,824)	(9,420)
Profit on ordinary activities after taxation				5,618	5,534	13,677
Dividends	4			(1,359)	(1,242)	(3,761)
Profit for the financial period transferred to reserves				4,259	4,292	9,916
Earnings per ordinary share	5					
Diluted (normalised) (p)				13.80	10.96	26.97
Diluted (p)				6.56	6.45	15.96
Basic (p)				6.60	6.55	16.12

The Board of Directors has approved this interim report.

Consolidated Balance Sheet

As at 30 June 2003

	Unaudited 30 June 2003 £'000	Unaudited 30 June 2002 £'000	Audited 31 December 2002 £'000
Fixed assets			
Intangible assets	160,718	114,135	109,658
Tangible assets	6,103	4,253	4,565
	166,821	118,388	114,223
Current assets			
Stocks	35,108	29,100	31,098
Debtors due within one year	38,181	28,748	34,754
Debtors due outside one year	657	1,422	1,028
Investments	–	524	11,988
Cash at bank and in hand	2,525	345	6,070
	76,471	60,139	84,938
Creditors: amounts falling due within one year			
Loans and overdrafts	2,204	30,250	43,005
Creditors	9,594	7,693	8,376
Proposed dividend	1,359	1,242	2,519
Corporation tax	9,787	9,354	9,288
	22,944	48,539	63,188
Net current assets	53,527	11,600	21,750
Total assets less current liabilities	220,348	129,988	135,973
Creditors: amounts falling due after more than one year			
Bank loans	91,118	16,062	–
Accruals and deferred income	47,690	38,311	58,089
	81,540	75,615	77,884
Capital and reserves			
Called up share capital	4,288	4,282	4,284
Share premium account	44,446	44,151	44,283
Reserve for own shares	1,267	2,111	1,267
Profit and loss account	31,539	25,071	28,050
Equity shareholders' funds	81,540	75,615	77,884

Consolidated Cash Flow Statement

For the six months ended 30 June 2003

	Note	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Net cash inflow/(outflow) from operating activities	8	2,532	(461)	31,008
Returns on investments and servicing of finance				
Interest received		34	35	166
Interest paid		(1,523)	(1,489)	(3,112)
Net cash outflow from returns on investments and servicing of finance		(1,489)	(1,454)	(2,946)
Taxation				
Corporation tax paid		(3,015)	(1,572)	(5,088)
Overseas taxes paid		(888)	(411)	(1,008)
Tax paid		(3,903)	(1,983)	(6,096)
Capital expenditure and financial investment				
Purchase of publishing goodwill		(841)	(305)	(571)
Tangible fixed assets acquired		(1,102)	(1,627)	(2,820)
Tangible fixed assets sold		–	–	113
Net cash outflow from investing activities		(1,943)	(1,932)	(3,278)
Acquisitions				
Purchase of business/subsidiary undertakings (net of cash and overdrafts acquired)		(62,194)	–	(2,946)
Net cash outflow from acquisitions		(62,194)	–	(2,946)
Equity dividends paid		(2,519)	(2,242)	(3,484)
Net cash (outflow)/inflow before use of liquid resources and financing		(69,516)	(8,072)	12,258
Management of liquid resources	10	11,988	4,977	(6,487)
Financing				
Net loans advanced/(repaid)		52,982	(5,377)	(4,790)
Payment of deferred consideration		–	–	(844)
Proceeds (net) from share issues		167	217	351
Net cash inflow/(outflow) from financing		53,149	(5,160)	(5,283)
(Decrease)/increase in cash	9	(4,379)	(8,255)	488

Notes to the Unaudited Interim Statements

For the six months ended 30 June 2003

1 Basis of preparation

The interim statements have been prepared on the basis of the accounting policies set out in the Taylor & Francis Group plc statements for the 12 months ended 31 December 2002.

The financial information for the year ended 31 December 2002 is abridged from the statutory accounts which have been reported on by the Company's auditors, Deloitte & Touche LLP and which have been filed at Companies House. The report of the auditors thereon was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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

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

2 Analysis of turnover

Geographical analysis of turnover by destination

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
United Kingdom	15,942	12,924	32,171
North America	31,009	27,502	62,196
Western Europe	11,545	10,918	24,854
Rest of the World	15,426	14,841	28,144
	73,922	66,185	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

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
United Kingdom	51,170	47,875	106,677
United States of America	19,193	15,182	34,324
Western Europe	3,559	3,128	6,364
	73,922	66,185	147,365

Analysis of turnover by class of business

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Journals	35,994	34,156	70,998
Books	37,928	32,029	76,367
	73,922	66,185	147,365

Notes to the Unaudited Interim Statements (continued)

3 Net operating costs

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Decrease/(Increase) in stock of finished goods and work in progress	249	(265)	(807)
Raw materials and consumables	18,483	17,675	39,446
Depreciation of tangible and intangible fixed assets	5,214	4,372	8,743
Staff costs in total	14,888	12,736	24,711
Other operating charges (including exceptional items)	23,635	21,009	49,367
Other operating income	–	(3)	(6)
	62,469	55,524	121,454

The 2003 exceptional item relates mainly to the attempted acquisition of BertelsmannSpringer.

4 Dividends

An interim dividend of 1.60p per share will be paid on 31 October 2003 to ordinary shareholders registered at the close of business on 26 September 2003.

5 Earnings per share

Basic
The basic earnings per share calculation is based on profit on ordinary activities after taxation of £5,618,000 (2002: £5,534,000 six months and £13,677,000 twelve months). This profit on ordinary activities after taxation is then divided by the weighted average number of shares in issue less those non-vested shares held by an employee share ownership trust, which is 85,116,000 (2002: 84,519,000 six months and 84,823,000 twelve months).

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 85,641,000 (2002: 85,801,000 six months and 85,697,000 twelve months). In accordance with FRS14 the weighted average number of shares includes the estimated maximum number of shares payable to the vendors of Routledge Publishing Holdings Limited assuming that there are no claims for compensation by the Group that will reduce this deferred consideration and assuming that the Company does not exercise its option to pay the balance of deferred consideration in cash. The deferred consideration shares are also assumed for the purposes of this calculation to have been issued on 1 January 2003 at the closing mid-market share price on 28 June 2003 of £4.75, making 267,000 (2002: 374,000 six months and 280,000 twelve months) 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:

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Profit on ordinary activities after taxation	5,618	5,534	13,677
Goodwill amortisation	4,256	3,619	7,251
Exceptional items after tax	1,945	248	2,182
Normalised profit on ordinary activities after taxation	11,819	9,401	23,110

Notes to the Unaudited Interim Statements (continued)

5 Earnings per share (continued)

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

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Weighted average number of shares used in basic earnings per share calculation	85,116	84,519	84,823
Share options	258	908	594
Shares potentially to be issued or allotted	267	374	280
Weighted average number of shares used in diluted earnings per share calculation	85,641	85,801	85,697

6 Reconciliation of movement in consolidated shareholders' funds

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Profit for the period	5,618	5,534	13,677
Dividends	(1,359)	(1,242)	(3,761)
Retained profit for the period	4,259	4,292	9,916
Currency translation difference on foreign currency net investments	(770)	(2,476)	(5,121)
Proceeds of new share issues	167	217	351
Decrease in reserve for own shares	–	–	(844)
Opening shareholders' funds	77,884	73,582	73,582
Closing shareholders' funds	81,540	75,615	77,884

7 Consolidated statement of total recognised gains and losses

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Profit attributable to shareholders	5,618	5,534	13,677
Currency translation difference on foreign currency net investments	(770)	(2,476)	(5,121)
Total recognised gains and losses in the period	4,848	3,058	8,556
Total recognised gains and losses since last annual report	4,848	3,058	8,556

Notes to the Unaudited Interim Statements (continued)

8 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Operating profit	11,453	10,661	25,911
Depreciation and amortisation	5,214	4,372	8,743
Decrease/(increase) in stocks	249	(265)	(807)
Decrease/(increase) in debtors	4,045	5,775	(29)
Decrease in creditors	(18,429)	(21,004)	(2,810)
	2,532	(461)	31,008

9 Reconciliation of net cash flow to movement in net debt

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
(Decrease)/increase in cash net of overdrafts in the period	(4,379)	(8,255)	488
(Increase)/decrease in bank loans and loan notes	(52,982)	5,377	4,790
Cash flow from (decrease)/increase in liquid resources	(11,988)	(4,977)	6,487
Change in net debt resulting from cash flows	(69,349)	(7,855)	11,765
Foreign exchange translation difference	3,499	1,134	2,010
Movement in net debt during the period	(65,850)	(6,721)	13,775
Opening net debt	(24,947)	(38,722)	(38,722)
Closing net debt	(90,797)	(45,443)	(24,947)

10 Management of liquid resources

	Unaudited 6 months 2003 £'000	Unaudited 6 months 2002 £'000	Audited 12 months 2002 £'000
Cash withdrawn from/(invested in) deposit accounts	11,988	4,977	(6,487)
Cash flow from decrease/(increase) in liquid resources	11,988	4,977	(6,487)

Directors and Advisers

Directors	Robert Kiernan (Non-executive Chairman) David Smith (Chief Executive) Anthony Foye BA, ACA Roger Horton Jon Conibear David Banister BA, PhD, MCIT, MIL, FRSA (Non-executive) Derek Mapp (Non-executive) David Wallace CBE, FRS, FREng, FRSE, FInstP (Non-executive) Nicholas Berwin MA (Hons) (Non-executive)	
Secretary	Jeffrey Thomasson BSc, CPA	
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Public Relations Advisers	**Financial Dynamics** Holborn Gate 26 Southampton Buildings London WC2A 1PB	**Financial Adviser and Broker** ABN AMRO Bank NV 250 Bishopsgate London EC2M 4AA
Auditors	**Deloitte & Touche LLP** Chartered Accountants Abbots House Abbey Street Reading Berkshire RG1 3BD	**Registrars** Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Principal Bankers	**The Royal Bank of Scotland** 9th Floor 280 Bishopsgate London EC2M 4RB	**Principal Solicitors** Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA
Registration	Registered in England and Wales Number 2280993	

Designed & Produced by Jerome-Ball Limited
Photography by Mark Wragg
Printed in the UK by The Midas Press

Paper: Revive Silk. 75% of the furnish is made from 100% de-inked post-consumer waste. The remaining 25% is mill broke and virgin fibre.

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