

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
	<u>173,679</u>	<u>147,365</u>

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
	<u>173,679</u>	<u>147,365</u>

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

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	<u>£ million</u>
United Kingdom	2.6
North America	15.4
Europe	3.0
Rest of the world	2.4
	<u>23.4</u>

3 Operating Profit

	Continuing operations 2003	Acquisitions 2003	Total 2003	Total 2002
	£'000	£'000	£'000	£'000
Net operating costs				
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)
	<u>119,514</u>	<u>24,117</u>	<u>143,631</u>	<u>121,454</u>

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	2002
	£'000	£'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
	<u>2003</u>	<u>2002</u>
After crediting:	£'000	£'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
	<u>1,042</u>	<u>831</u>

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
	<u>31,356</u>	<u>24,711</u>

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
	<u>3,286</u>	<u>2,581</u>

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
	<u>3,620</u>	<u>2,980</u>

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	<u>9,398</u>	<u>8,865</u>
Deferred tax		
Origination and reversal of timing differences	252	635
Adjustment in respect of prior years	100	(80)
Total deferred tax (note 18)	<u>352</u>	<u>555</u>
Total tax on profit on ordinary activities	<u>9,750</u>	<u>9,420</u>

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	<u>(35)</u>	<u>(38)</u>

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
	<u>4,114</u>	<u>3,761</u>

* 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	<u>29,324</u>	<u>23,110</u>

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

	2003	2002
	No. '000	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	<u>85,770</u>	<u>85,697</u>

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	<u>5,886</u>	<u>203,737</u>	<u>209,623</u>
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	<u>816</u>	<u>31,753</u>	<u>32,569</u>
Net book value			
At 31 December 2003	<u>5,070</u>	<u>171,984</u>	<u>177,054</u>
At 31 December 2002	<u>2,081</u>	<u>107,577</u>	<u>109,658</u>

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
	<u>34,995</u>	<u>31,098</u>

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
	<u>38,194</u>	<u>34,754</u>	<u>4,357</u>	<u>9,496</u>

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
	<u>19,173</u>	<u>63,188</u>	<u>3,165</u>	<u>44,573</u>

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:		
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:		
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.

Currency	Fixed rate financial liabilities				
	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		Floating rate financial assets	Fixed rate financial assets	Non- interest bearing assets
Currency	Total £'000	£'000	£'000	£'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	<u>13,132</u>	<u>10,790</u>	<u>–</u>	<u>2,342</u>
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	<u>18,058</u>	<u>3,541</u>	<u>11,988</u>	<u>2,529</u>

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
	<u>72,835</u>	<u>58,089</u>	<u>665</u>	<u>991</u>

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)

	2003 £'000	2002 £'000
	4,293	4,284
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	<u>44,842</u>

23 Reserve for Own Shares

	Group and Company £'000
At 1 January 2003 and 31 December 2003	<u>1,267</u>

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	<u>39,265</u>	<u>28,050</u>	<u>21,742</u>	<u>21,416</u>

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	<u>36,322</u>	<u>25,759</u>

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)
	<u>11,783</u>	<u>4,302</u>
Opening shareholders' funds	77,884	73,582
Closing shareholders' funds	<u>89,667</u>	<u>77,884</u>

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	<u>44,891</u>	<u>31,008</u>

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)	<u>(82,996)</u>	<u>(24,947)</u>

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:

Group	2003		2002	
	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
		<u>4,693</u>		<u>4,438</u>		<u>5,374</u>

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	<u>(2,943)</u>	<u>(2,291)</u>	<u>(386)</u>

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	<u>349</u>	<u>296</u>

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 is 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 de minimus 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	Fair value adjustments			Fair value £'000
	Book value £'000	Revaluations £'000	Accounting policy changes £'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.