

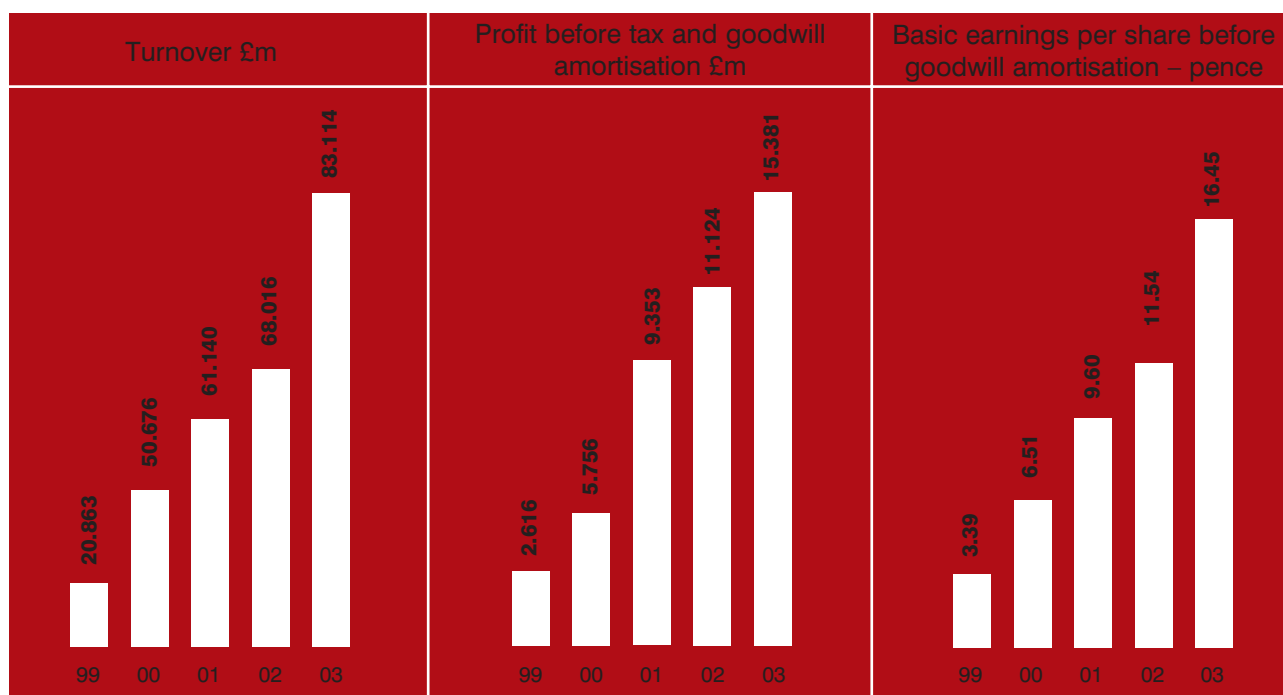
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## FIVE YEAR FINANCIAL SUMMARY

|   | 1999<br>£m | 2000<br>£m | 2001<br>£m | 2002<br>£m | 2003<br>£m |
|---|------------|------------|------------|------------|------------|
| Turnover  | 20.863     | 50.676     | 61.140     | 68.016     | 83.114     |
| Operating profit before goodwill amortisation                           | 2.926      | 5.679      | 8.476      | 10.142     | 14.606     |
| Profit on ordinary activities before taxation and goodwill amortisation | 2.616      | 5.756      | 9.353      | 11.124     | 15.381     |
| Basic earnings per share before goodwill amortisation (p)*              | 3.39       | 6.51       | 9.60       | 11.54      | 16.45      |

\* after 4 for 1 share split in June 2003



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## CHAIRMAN'S STATEMENT

### Highlights

- Turnover increased 22.2% to £83.11m (2002, £68.02m).
- Operating profit before goodwill amortisation increased 44.1% to £14.61m (2002, £10.14m).
- Pre-tax profit before goodwill amortisation increased 38.3% to £15.38m (2002, £11.12m).
- Basic earnings per share before goodwill amortisation up 42.5% to 16.45p (2002, 11.54p).
- Strong operating cash flows of £14.65m (2002, £12.01m) underpin 52.4% increase in net cash to £28.32m (2002, £18.58m).
- Final dividend increased 21.5% to 1.677p (2002, 1.380p). Full year dividend increased by 20% to 2.151p (2002, 1.793p).
- Investment in future titles at the year end up 41.5% at £16.61m (2002, £11.74m).
- Bloomsbury USA secured successes both with American-originated books and titles originated by Bloomsbury in London, while Berlin Verlag launched new children's imprint in Germany.
- Three acquisitions made in 2003 expanding markets and strengthening backlist.
- Board remains confident in outcome for 2004 and future prospects, reflecting successful development of publishing portfolio.

### Overview

The results and achievements of the last year were firmly based on the investment we had previously made in future titles which materialised into major bestselling books. The strong performance of titles across all three publishing divisions, Children's, Adult and Reference, was reflected in our results with pre-tax profit before goodwill amortisation increasing by 38.3% to £15.38m (2002, £11.12m) on turnover up 22.2% to £83.11m (2002, £68.02m).

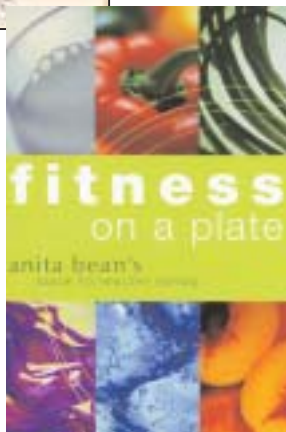
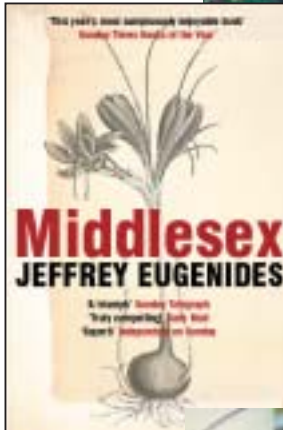
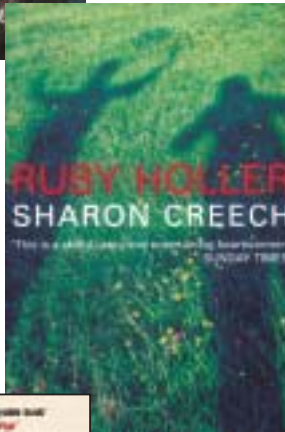
During the year, the Group continued to implement its well-defined growth strategy based on its three core areas. For 2003, the breakdown of turnover for these areas was as follows: Adult 22% (2002, 25%), Reference 15% (2002, 19%) and Children's 63% (2002, 56%). Sales of Adult titles increased 6.7% to £18.37m (2002, £17.21m), while, as projected, sales from Reference titles decreased slightly by 1.7% to £12.45m (2002, £12.66m). Children's sales increased by 37.1% to £52.29m (2002, £38.15m). Adult sales were buoyed by strong titles such as Donna Tartt's *The Little Friend*, Schott's *Original Miscellany*, Schott's *Food & Drink Miscellany*, Jeffrey Eugenides's *Middlesex*, and also the

first-time contribution from Berlin Verlag which was acquired last March. As predicted, Reference sales declined slightly by comparison to 2002 due to the launch in the previous year of *Business – The Ultimate Resource*. The Children's division performed well on the back of a full year's contribution from Bloomsbury USA, the success of the fiction list in the UK and the launch of *Harry Potter and the Order of the Phoenix*.

At 31 December 2003, the Group had under contract 888 titles (2002, 621) for future publication, with a gross investment of £16.61m (2002, £11.74m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £8.66m (2002, £6.83m).

During 2003 we made three strategic acquisitions: Andrew Brodie Publications, Berlin Verlag and Reeds Almanac. The total consideration for these was £2.07m (2002, £2.06m).

## Chairman's statement



### Financial Performance

Turnover increased by 22.2% to £83.11m (2002, £68.02m) of which £2.40m (2002, £0.98m) was generated from acquisitions made during the year. The remaining growth came from a strong frontlist publishing programme and in particular the hardback launch of *Harry Potter and the Order of the Phoenix*.

Profit before tax and goodwill amortisation for the Group increased 38.3% to £15.38m (2002, £11.12m), after charging a loss before tax and goodwill amortisation of £1.30m (2002, profit £0.24m) on our acquisitions made during the year. Basic earnings per share before goodwill amortisation increased by 42.5% to 16.45 pence (2002, 11.54 pence). Fully diluted earnings per share, before goodwill amortisation, increased by 46.1% to 15.82 pence (2002, 10.83 pence).

Net cash inflow from operating activities was £14.65m (2002, £12.01m), reflecting the strength of our publishing programme. At the end of the year the Group had increased net cash balances by 52.4% to £28.32m (2002, £18.58m). As can be seen from our investment in titles for future publication and our acquisition track record, the cash is being used to fund future organic growth through acquiring new authors and titles and through strategic acquisitions, which complement our three core activities of Adult, Reference and Children's publishing.

### Children's

2003 was a successful year for the Children's division. We generated excellent results across the list, proving yet again the importance of Children's publishing as a primary area of income for Bloomsbury. Internationally we continued to build the Bloomsbury Children's list in the USA and undertook the successful launch of Bloomsbury Kinderbücher in Germany. *Pirates!* by Celia Rees was our first children's launch across all three markets, and met with considerable success.

In the US, the Children's division, in its first full year of trading, has shown good growth. We have quickly become established as a quality publisher of young adult fantasy fiction, such as Herbie Brennan's *Faerie Wars*, and achieved several awards for our books in 2003. We expect to see growing value in our future backlist revenues in America.

The launch of *Harry Potter and the Order of the Phoenix* was our most challenging to date. Detailed international logistics and a major marketing campaign achieved record-breaking sales in the first weeks of publication, which will provide a strong platform for the future books in the series.

In 2004, we will be publishing 15 new editions of existing titles in the Harry Potter series. In addition to the launch of the paperback

of *Harry Potter and the Order of the Phoenix* in July, we will be publishing, for the first time, adult hardbacks of the first four books. The newly designed covers will be used on the re-launch of the adult paperbacks as well. The adult crossover market is largely untapped in the UK and the export markets. We will also be publishing new boxed sets aimed at the gift market. The film of *Harry Potter and the Prisoner of Azkaban* will be released on 4 June and we will be releasing a celebratory edition of the book prior to that. The new editions will be backed up by a strong marketing campaign, such investment ensuring the sustainability of the series for many years to come.

### Adult

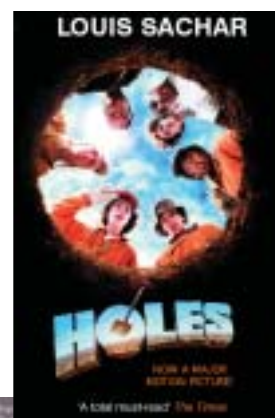
During 2003, the division has focused on building critical mass and is achieving this by:

- buying an increasing number of new books with world rights in order to publish with Bloomsbury USA and Berlin Verlag as well as generate income from other foreign rights sales;
- broadening and strengthening its paperback list;
- increasing the hit rate of bestsellers;
- developing books with film and television tie-ins and maximising our existing relationship with Creative Artists Agency in Hollywood.

2003 was the biggest year yet for the paperback list. Our biggest bestseller was Donna Tartt's *The Little Friend*, which went straight to number two in the bestseller list. Also successful were Jeffrey Eugenides's *Middlesex* and a prize-winning first novel, *If Nobody Speaks of Remarkable Things* by Jon McGregor. Our paperback list has been further strengthened by the reversion during the year from a third-party publisher of the paperback rights to the backlist of one of our major authors, Michael Ondaatje, including his bestselling Booker Prize-winning novel *The English Patient*.

*Schott's Original Miscellany* was in the UK top ten since publication in 2002, and *Schott's Food & Drink Miscellany* went straight into the top ten on publication in November. The series is now an established recognised brand and paves the way for future titles such as *Schott's Sporting, Gaming & Idling Miscellany* to be published in the current Olympic year.

One of the main achievements for 2003 was our success in acquiring books to which film rights have been subsequently sold. Anthony Minghella and Miramax have bought Liz Jensen's new novel, *The Ninth Life of Louis Drax*, which is due to be published in June 2004. Scheduled to go into production this year, *The Kite Runner* by Khaled Hosseini is to be directed by Sam Mendes, and Oliver Stone has bought the rights to Anchee Min's *Empress Orchid*. In the US the feature-length films of *Heart*



## Chairman's statement

is *Deceitful Above All Things* and *PS* have already been produced and are due for release in 2004. We have also bought books to tie-in with two television series from the comedians Dom Joly and Rob Brydon. Another major series, *Spy*, will have a tie-in book by our author Harry Ferguson to coincide with its ten-part BBC screening this year. We believe that this is a good formula to ensure that the Adult list continues to grow at a healthy rate year-on-year. Ultimately, the success of these books will add to our future backlist revenues.

The publishing programme for 2004 is also strong. Acquisitions during 2003 included the purchase of world rights in a first novel, *Jonathan Strange & Mr Norrell* by Susanna Clarke, which is due for publication by Bloomsbury in the UK, US and Germany simultaneously in the Autumn of 2004. The book has now been sold by us in translation in 15 territories and is set to be a major international publishing event. Another first novel, *The Icarus Girl* by Helen Oyeyemi, has been sold in ten countries so far and could be the sensation of 2005. Both titles have strong film potential. Finally, we bought world rights in Sheila Hancock's memoir of her marriage to John Thaw. There will be a major marketing campaign for this book this Autumn and we have high hopes for it.

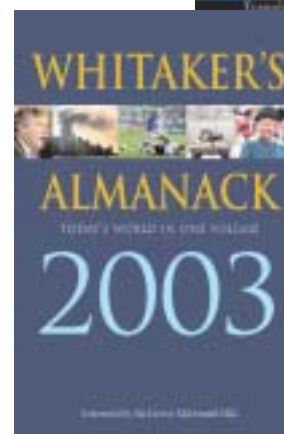
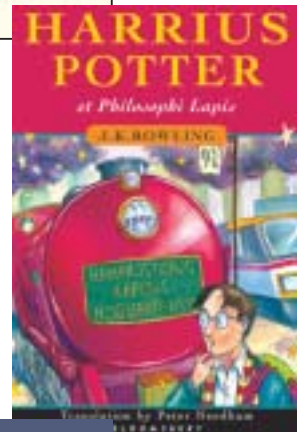
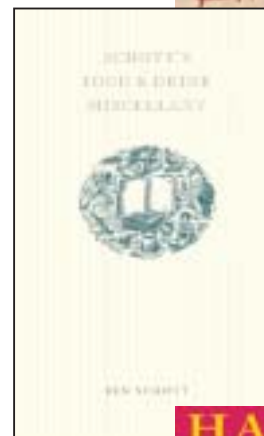
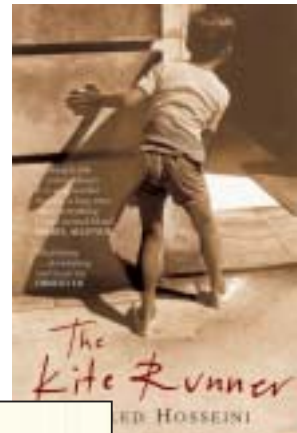
### Reference and Electronic Media

In 2003, the Reference Division continued to build on the success of our business database, *Business – The Ultimate Resource*, with the publication of a series of companion volumes. The German edition of the book, which we licensed to Campus Verlag, Germany's leading business book publisher, was published to great acclaim in the Autumn.

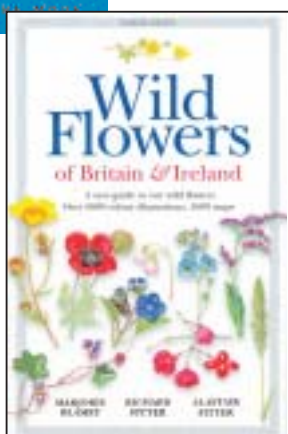
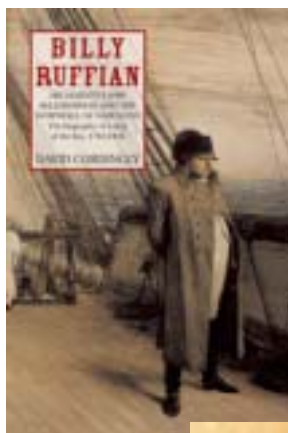
In the Autumn we re-launched the Peter Collin dictionaries list, acquired in 2002, under the Bloomsbury imprint. The texts have been databased, considerably updated and given a new jacket treatment. We have continued to license titles in this list in electronic and print form, including several deals with China.

China was also an important licence territory for the Encarta range of dictionaries with a major deal concluded for the whole series. Agreement was also reached for a Chinese edition of the *Macmillan English Dictionary*. This range continues to grow with the delivery and successful publication of the *Macmillan Essential Dictionary* in the Spring. This series is proving extremely successful in the competitive English Language Teaching dictionary market.

During the year we reached an agreement with the leading sporting brand, John Wisden, to sell the cricketers' bible, *Wisden Cricketers' Almanack*, from 2004. This deal also included agreement that Bloomsbury will publish from 2004 a range of new Wisden brand titles.



## Chairman's statement



The strategy for the Division remains to grow the copyrights to which Bloomsbury controls the rights and to exploit these internationally in all formats. Since the acquisition of Peter Collin and with the continuing evolution of the Encarta, Macmillan and *Business* databases, the number of words in our databases has increased to over 40,000,000.

In 2003, A&C Black continued to build its core publishing areas, strengthened its substantial backlist and added new annual publications to a list which already includes *Whitaker's Almanack* and *Who's Who*.

In December, we acquired a major new annual publication, *Reeds Nautical Almanac*. This unique compendium of navigational data is required by yachtsmen who sail the coastal waters of Northern Europe. Updated each year, the *Almanac* and its related titles will provide steady income streams in future periods. The addition of the *Almanac* to our list confirms A&C Black as the pre-eminent nautical publisher in Europe, and has enabled us to negotiate better terms with wholesalers across our nautical list. The business also brings with it a valuable marketing database of customers with an interest in nautical books. We will publish the 2005 edition in September 2004.

In 2004, we will continue to build our list of annual publications by adding new titles to the *Whitaker's Almanack* series, by publishing two new yearbooks, *Whitaker's Almanack Little Book of Everything* and *Whitaker's Almanack Quiz Book*.

2004 will also see a change in A&C Black's distribution arrangements. Due to the increase in volume of business, the distribution centre at Eaton Socon has had to deal with warehousing requirements beyond its current capacity. After looking at a number of options, it was decided to outsource the operation to Bloomsbury's existing distributor, Macmillan Distribution Limited. Macmillan Distribution Limited will acquire the freehold warehouse for £1.355m cash and will take on the warehouse staff only. The new distribution arrangements will take effect from 1 May 2004 and will allow A&C Black to take advantage of the sophisticated technology and fast, flexible customer service provided by a larger distributor such as MDL. I would like to take this opportunity to thank enormously the staff at the A&C Black distribution centre at Eaton Socon for their hard work and commitment over many years.

### International Activities

#### *Berlin Verlag*

2003 was a difficult year for German book publishing which made it an opportunistic moment for a well-priced acquisition in one of the largest book markets in the world. We have restructured

## Chairman's statement

Berlin Verlag by reducing its operating overheads, implementing new management information systems and injecting funds to invest in an expanded publishing programme.

We have re-established Berlin Verlag as an independent publisher, rather than a small part of a large German conglomerate, and the company is now perceived again as one of the most respected German publishing houses.

In the Autumn of 2003 Berlin Verlag started a new Children's list, Bloomsbury Kinderbücher, which is off to a very good start, harnessing Bloomsbury's worldwide reputation in this area. The list sold very well and has prepared the ground for increasing the number of titles to be published in 2004.

In September 2004 Berlin Verlag will launch a new commercial imprint to be called Bloomsbury Berlin, with a number of strong titles. Susanna Clarke's *Jonathan Strange & Mr Norrell* and Schott's *Original Miscellany* are of Bloomsbury UK provenance, and there is also a promising German title on the list, Mirjam Pressler's psychological thriller *Rosengift*.

The economic situation in Germany is gradually improving which may provide a positive stimulus in book sales in general. Berlin Verlag and its imprints are well positioned to benefit from the momentum of an improving German economy. Book sales are recovering and the sales of recognised authors and good backlist of Berlin Verlag should increase too.

### **Bloomsbury USA**

Bloomsbury USA made progress on a number of fronts as we increased our staff to meet our expansion plans. The Children's list is now firmly established in America and had a number of successes ranging from Herbie Brennan's *Faerie Wars* to the Latin edition of *Harry Potter and the Philosopher's Stone*.

The Adult list had many high-selling titles from Sloane Tanen's *Bitter with Baggage* to Schott's *Original Miscellany* which appeared in the New York Times bestseller list for a number of weeks following its publication in August.

### **Board and Management Changes**

The Company announces that John Dare will retire from the Board at the end of his current term in June 2004. I would like to thank John for the immense contribution he has made to the

growth of Bloomsbury in the 10 years he has been on the Board. Paul Scherer has been appointed Senior Non-Executive Director.

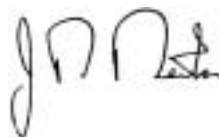
### **Dividend**

The directors recommend a final dividend of 1.677 pence per share (2002, 1.380 pence per share) making a total of 2.151 pence per share (2002, 1.793 pence per share) for the year. This represents a 20% increase in the full year dividend in line with our progressive dividend policy, underpinned by the company's increasing profitability. However, the dividend policy will continue to reflect the need to invest in new and established authors, the acquisition of international rights, the development of new databases and acquisitions, to ensure continued growth in earnings in the years ahead. The final dividend will be payable on 7 July 2004 to Ordinary Shareholders on the register at the close of business on 28 May 2004.

### **Prospects**

These strong results reflect the benefits of earlier investment. Our operations in the UK, US and Germany are working well together to build an increasingly international portfolio for the Group, with more rights retained in-house. The communication between all three operations has been a key factor in the Group's success. Sharing information and experiences on the performance of titles, and above all the vision of our editors to acquire new books that would be equally successful when published by their colleagues in other parts of the Group, has ensured that we maximise the chances of identifying the global bestselling books of the future.

The Group is currently performing to the Board's expectations, and 2004 is expected to show further progress, supported by continued strong cash generation. We will continue to invest heavily in our portfolio to ensure further growth and we look forward to the future with confidence.



**Nigel Newton**  
Chairman  
22 March 2004

## FINANCIAL REVIEW

A key element of Bloomsbury's growth strategy is to retain and exploit in-house an increasing number of the rights it acquires. This has contributed significantly to organic growth over the years. With the acquisition of Berlin Verlag last year, the Group has now started publishing, for the first time, books in a foreign language. Rather than sub-license foreign-language rights to third-party German publishing houses who then publish under their own imprint and pay us a six-monthly royalty, we now channel the German rights we acquire via Bloomsbury UK and Bloomsbury USA through Berlin Verlag and receive a full trading margin on all copies sold. This gives a greatly increased income stream in comparison to the smaller royalty income stream received under previous sub-licensing arrangements. In addition to Berlin Verlag, we acquired two other operations, namely Andrew Brodie Publications in January 2003 and Reeds Almanac in December. All three acquisitions are complementary to the Group's core business areas.

Turnover for the year for the Group increased 22.2% to £83.11m (2002, £68.02m), of which £2.40m was generated from the three acquisitions made during the year (2002, £0.98m). The Group's operations are split into three main operating areas: Adult, Reference and Children's publishing. For 2003, the breakdown of turnover for the three areas was as follows: Adult 22% (2002, 25%), Reference 15% (2002, 19%) and Children's 63% (2002, 56%). Turnover by sales channel in 2003 was as follows: Home £53.20m (2002, £47.24m), International £22.62m (2002, £13.48m), USA £4.64m (2002, £3.81m) and Rights £2.65m (2002, £3.49m). Home and International sales increased significantly with strongly performing titles such as *Harry Potter and the Order of the Phoenix* and *The Little Friend* by Donna Tartt. *Schott's Original Miscellany* and *Schott's Food & Drink Miscellany* sold particularly well in the UK. USA sales increased with a full year's contribution from the Children's list, strong backlist sales and

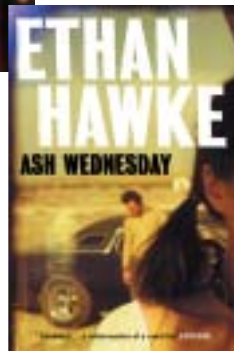
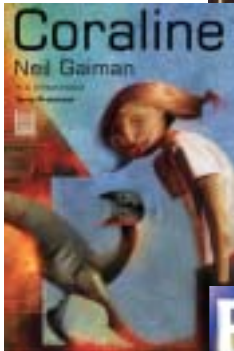
major new titles such as *Schott's Original Miscellany* and *Pirates!* by Celia Rees. Rights sales were 24% down on 2002 for two reasons. Firstly, we are now retaining German publishing rights acquired by Bloomsbury UK and Bloomsbury USA in order to publish them through Berlin Verlag and, secondly, we generated a number of one-off electronic rights deals on the launch of *Business – The Ultimate Resource* in 2002 which were not repeated in 2003.

Gross profit increased 53.9% to £43.48m (2002, £28.25m). Gross profit margin increased to 52.3% (2002, 41.5%). The change in the gross profit margin was due to a combination of the economies of scale achieved on the printing of *Harry Potter and the Order of the Phoenix* and the accelerated amortisation of the *Encarta World English Dictionary* development costs in 2002 as work commenced on a fully revised second edition due for publication in 2004.

Marketing and distribution costs increased 69.2% to £13.15m (2002, £7.77m). The increase was primarily as a result of the increase in turnover, costs associated with the launch of *Harry Potter and the Order of the Phoenix* and incremental marketing and distribution costs from the acquisitions made during the year. Amortisation of goodwill increased 28.7% to £1.75m (2002, £1.36m). Administrative expenses excluding amortisation of goodwill increased 52.1% to £15.73m (2002, £10.34m) due to increased staff costs and the incremental overheads from the acquisitions made during the year. Operating profit before the deduction of goodwill amortisation increased 44.1% to £14.61m (2002, £10.14m).

Net interest receivable was 20.4% down on 2002 at £0.78m (2002, £0.98m) due to a combination of lower average cash balances during the year and prevailing lower interest rates.

## Financial review



The effective corporation tax rate for the year of 28.7% (2002, 31.4%) takes account of disallowable costs such as goodwill amortisation of £1.32m (2002, £0.61m), relating to A&C Black, Berlin Verlag, Peter Collin Publishing and Reeds Almanac, and losses in Berlin Verlag not utilised during the year, but offset by tax relief on share options exercised during the year. Profit after tax and goodwill amortisation increased by 45.1% to £9.72m (2002, £6.70m).

Basic earnings per share before goodwill amortisation increased by 42.5% to 16.45 pence (2002, 11.54 pence). Fully diluted earnings per share before goodwill amortisation increased by 46.1% to 15.82 pence (2002, 10.83 pence).

### Balance Sheet

Stocks increased 10.3% to £12.48m (2002, £11.31m). Work in progress was down 13.4% to £5.15m (2002, £5.95m) due to timing of titles at the work in progress stage and the ongoing amortisation of the electronic databases. Stocks of finished goods increased 38.3% to £7.19m (2002, £5.20m) due to the stock holding of an increased number of titles published by Bloomsbury and A&C Black during the year.

Group debtors falling due within one year and after one year increased 22.2% to £30.41m (2002, £24.88m). Trade debtors increased 4.7% to £13.90m (2002, £13.27m). Prepayments and accrued income increased 39.7% to £15.99m (2002, £11.45m) reflecting the increase in investment in future titles.

Group creditors falling due within one year and after one year increased 36.3% to £26.06m (2002, 19.12m). £0.68m of guaranteed loan notes were issued during the year as part of the consideration for the acquisition of Reeds Almanac. £0.12m of the guaranteed loan notes 2005, relating to the A&C Black acquisition in 2000, were redeemed during the year. The net effect has increased the loan notes outstanding to £1.15m (2002, £0.59m). Trade creditors decreased by 21.3% to £4.94m (2002, £6.28m), reflecting the lower amounts payable to printers at the end of the year. Accruals and deferred income increased by 83.3% to £14.96m (2001, £8.16m). Accruals and deferred income includes royalty payments to authors. These vary from year to year depending on turnover and the authors' royalty terms.

### Cash Flow

£14.65m cash was generated from operating activities during the year (2002, £12.01m). The timing of the publication of *Harry Potter and the Order of the Phoenix* meant that the bulk of cash from sales in the UK was collected before the end of the year. The bulk of cash relating to export sales will be collected in the first half of 2004. Corporation tax paid during the year was £4.28m (2002, £5.08m) and £2.07m was spent on acquisitions (2002, £2.06m).

### Shareholders' Funds

At 31 December 2003, shareholders' funds stood at £58.82m (2002, £48.28m). The increase was due to retained earnings of £8.20m (2002, £5.49m) and share options exercised during the year.

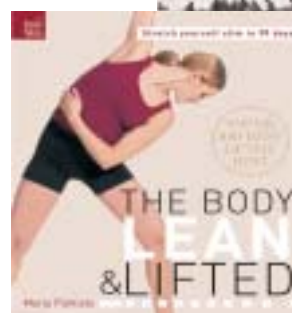
### Future Investment and Strategy

The Group continues to generate strong positive cash flow. We will continue to invest in the publishing programme of Berlin Verlag to build critical mass within the German market. Using Berlin as a channel for German rights acquired in titles in the UK and the US gives us more control over the way in which these rights are exploited, improved trading margin and better earnings visibility. This investment in Berlin Verlag will ensure that as the German economy grows we will be in a strong position to take advantage of the upswing. Bloomsbury now has a publishing operation in the three major publishing markets in the world. This, combined with our extensive export agency network, enables us to co-ordinate an effective global marketing campaign for our major titles and gives us more leverage to acquire world rights in future titles.

Organic growth and strategic acquisitions will enhance our position in these three territories and pave the way for further expansion in other foreign-language markets.



**Colin Adams ACA**  
Group Finance Director  
22 March 2004



## DIRECTORS

**Executive Nigel Newton** (48) is Chairman and Chief Executive. After two years as assistant to the sales director at Macmillan London, he joined Sidgwick & Jackson in 1977 where, during the next nine years, he became sales director and deputy managing director, before leaving to found Bloomsbury in 1986.

**Liz Calder** (66) is a Publishing Director of Bloomsbury, with responsibility for fiction, and a co-founder of Bloomsbury. She started her publishing career at Victor Gollancz in 1970 where she was publicity manager then editorial director. In 1978 she moved to Jonathan Cape as editorial director where she was responsible for the publishing of two Booker Prize Winners. She was a founding director of the Groucho Club and has served on the Literature Panel of the Arts Council.

**Colin Adams ACA** (43) is Group Finance Director and Company Secretary. He qualified as a chartered accountant with KPMG before joining CAM Galaxy Holdings Ltd as financial controller in 1989. In 1991 he joined Larousse PLC, the UK subsidiary of Groupe de la Cite SA, a large French publisher, as financial controller, before joining Bloomsbury in April 1994. He is also Finance Director of A&C Black (Publishers) Ltd and Berlin Verlag.

**Kathy Rooney** (53) is a Publishing Director with responsibility for the Reference and Electronic Media Division. After receiving a First Class Honours degree from the University of Kent, she gained an MA and PhD at the University of Warwick. She worked for five years on the Collins German Dictionary, one of the innovative range of Collins bilingual dictionaries. After a period in illustrated book publishing, she was responsible for the Longman native-speaking dictionary list, including *Roget's Thesaurus* and a range of dictionary databases. She joined Bloomsbury in 1987 to set up the company's Reference Division, which has since published over 200 reference titles. She is Editor-in-Chief of the *Encarta World English Dictionary* which was published worldwide in 1999. It was the first dictionary to be written for print and electronic form and to reflect the status of English as the language of the world.

**Alexandra Pringle** (51) is Editor-in-Chief of the Adult Division. She has worked in publishing for twenty four years. In 1978 she joined Virago Press where she edited the famous Virago Modern Classics series. In 1984 she was made Editorial Director, later becoming part of the management team to steer Virago through their management buyout from Cape, Chatto & Bodley Head. In 1990 she joined Hamish Hamilton as Editorial Director and four years later became a literary agent with Toby Eady Associates before joining Bloomsbury in 1999. Her stable of authors included Barbara Trapido, Esther Freud and the prize-winning biographer Amanda Foreman. She joined the Board of Bloomsbury in February 2000.

**Minna Fry** (38) is Marketing Director with responsibility for the sales, marketing and publicity departments. She began her publishing career in 1990 at Secker & Warburg where she was Publicity Director, working with authors such as Irvine Welsh and Roddy Doyle. In 1993 she moved to Pan Macmillan where she was Publicity Director and then Marketing Director responsible for the Macmillan, Picador, Pan, Sidgwick & Jackson, Boxtree, and Channel 4 imprints. She joined the Board of Bloomsbury in June 2000.

## Directors

**Jill Coleman** (47) is Managing Director of A&C Black. She joined the firm as an editor in 1980, and was appointed to the publishing board as Director for Children's Books in 1986. She joined the board of A&C Black in 1990 and became Joint Managing Director in 1995 and Managing Director in 2000. She is a council member of the Publishers' Association and is on the board of The Publishing Training Centre. She joined the Board of Bloomsbury on its acquisition of A&C Black in July 2000.

**Sarah Odedina** (43) is Publishing Director of the Bloomsbury Children's list. She joined Bloomsbury in January 1997. She began her publishing career in 1988 in the rights department of Penguin Books. In 1992 she moved to the Watts Publishing Group where she was Rights Director of Watts non-fiction and Orchard fiction. This position was invaluable in providing the commercial training upon which she has built an exciting new role in editorial. She was appointed to the Board in January 2002.

**David Ward** (44) is Sales Director of Bloomsbury. He has worked in publishing for over twenty years, the last seventeen with Bloomsbury. He started his career as a sales representative for Alan Sutton Publishing, moving to Penguin Books in 1985. In 1987 he was approached to join the founding team at Bloomsbury as Sales Representative for the North of England and Scotland. He became the company's Key Accounts Manager in 1993 and was promoted to National Accounts Manager two years later. In March 1998 David Ward was appointed as Sales Director, overseeing a team of twelve people. He is responsible for sales across Bloomsbury's growing portfolio, including adult children's and reference. He was appointed to the Board in June 2002.

**Non-executive** **John Dare** (65) has been a director since 1993. His background is investment banking and private equity primarily with the Barings Group until his retirement in 2000 after 30 years of service. Most recently he was the Managing Partner of Baring Private Equity Partners where he continues to serve as an advisor and non-executive Chairman. He is also a director of The Korea-Europe Fund Limited.

**Paul Scherer** (70), who joined the Board of Bloomsbury in 1993, was chief executive, and latterly chairman, of a major UK publisher from 1982 to his retirement at the end of 1995. He has a wealth of publishing knowledge gained from working in the industry for over forty years.

**Michael Mayer** (52) joined the Bloomsbury Board in January 2002. He is a San Francisco-based venture capitalist, active in a variety of companies and industries in the U.S. Mr Mayer was actively involved in the early development of AOL and has also been involved with many venture capital companies. He also has a long history of involvement in strategic acquisition transactions, which should prove helpful as the company seeks to grow through acquisition.

# CORPORATE GOVERNANCE

## Application of the Principles of Good Governance

The Board has reviewed the requirements of the Combined Code, as annexed to the Listing Rules of the Financial Services Authority. The ways in which the Company applies and complies with the principles of the Code are described below and, in respect of remuneration, on pages 16 to 23.

The names of the directors and their respective responsibilities are shown on pages 12 and 13. The Board meets regularly and receives appropriate information from the management in advance of its meetings. Proposals to re-elect directors are set out in the Directors' Report on page 24 and in the Notice of the Annual General Meeting on page 61.

The Board formally approves the appointment of all new directors. All directors are required to submit themselves for re-election at the first Annual General Meeting following their appointment and subsequent to this at the Annual General Meeting on a rotational basis, which ensures that each director is submitted for re-election approximately every three years.

The composition of the Remuneration Committee is shown on page 16 and the statement of the remuneration policy developed by the Committee and details of each director's remuneration are given on pages 16 to 17 and 18 to 19 respectively.

The Board's assessment of the Company's position and prospects are set out in the Chairman's Statement on pages 3 to 8 and the Financial Review on pages 9 to 11. The composition of the Audit Committee is shown on page 15. The Audit Committee operates under terms of reference agreed by the whole Board and meets with the auditors to consider the Company's financial reporting in advance of its publication.

The directors meet regularly with institutional shareholders to discuss the Company's performance and future prospects. The Annual General Meeting is used as a forum for communication with private shareholders.

The Board considers that the Company has complied throughout the year ending 31 December 2003 with the Combined Code except in relation to the following matters:

- The Chairman is also the Chief Executive of the Group but the presence of non-executive directors and each director having equal voting rights ensures a balance of power and authority on the Board.
- One of the non-executive directors, Paul Scherer, is non-executive chairman of a literary agency with which the Group has an ongoing trading relationship. For the reasons stated on page 22, in the opinion of the Board his independence is not impaired.
- There were three non-executive directors during the year. The Board believes that they are of sufficient calibre and number for their views to carry significant weight in the Board's decisions and that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- The Company does not have a Nominations Committee at present but it is in the process of setting one up. Potential new appointments to the Board are made after due consideration by the full Board.

# CORPORATE GOVERNANCE INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness.

On behalf of the Board, the Audit Committee has examined the effectiveness of the system for the period covered by the accounts. The examination comprised a detailed review of internal controls with any significant findings or identified risks being closely examined so that appropriate action can be taken.

The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Group and the publishing sector as a whole along with associated financial risks.

The Board maintains full control and direction over appropriate strategic financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and delegation of authority.

The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. The key procedures include:

- detailed budgeting programme with an annual budget approved by the Board;
- monthly review by the Board of actual results compared with budget and forecasts;
- regular reviews by the Board of year end forecasts;
- established procedures for acquisition of books for future publication, capital expenditure and expenditure incurred in the ordinary course of business;
- detailed budgeting and monitoring of costs incurred on the development of reference databases;
- established procedures for credit evaluation of new and existing customers with credit insurance on material customer accounts;
- reporting to, and review by, the Board of changes in legislation and practices within the publishing sector and accounting and legal developments pertinent to the Group.

Acquisitions of books are approved at Board level.

## **Audit Committee**

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, for meeting the auditors and for reviewing reports from the auditors relating to accounts and internal control systems. The Audit Committee comprises the three non-executive directors, John Dare (its Chairman), Paul Scherer and Michael Mayer.

## **Auditor Independence**

The Audit Committee also undertakes a formal assessment of auditors' independence each year which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 2 to the accounts.

## **Risk Management**

The Board has established a committee to deal with the recommendations of the Turnbull Committee on Risk Management. The committee meets to assess the risks facing the business. As a result of this exercise, the existing controls are reviewed and new controls implemented where appropriate in those areas where risks are judged to have the greatest likelihood and impact. Consequently the directors believe that the Group was compliant with the Turnbull Guidelines throughout the year.

# DIRECTORS' REMUNERATION REPORT

The Remuneration Committee comprised at 31 December 2003 the three non-executive directors, Paul Scherer (its Chairman), John Dare and Michael Mayer.

## Compliance

The constitution and operation of the Committee is in compliance with the principles which are now incorporated in Section A of the best practice provisions derived from the Code of Best Practice, as annexed to the Listing Rules of the Financial Services Authority. The Committee also confirms that full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules, in determining the remuneration packages for the executive directors for 2003 and 2004.

The Remuneration Committee also took into account the advice received during the previous year from New Bridge Street Consultants on the comparability of the remuneration packages of the executive directors with those in similar organisations.

## Policy on remuneration of executive directors

The Remuneration Committee reviews the performance of executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining that remuneration the Remuneration Committee seeks to offer a competitive remuneration structure to maintain the high calibre of its executive board. The Committee believes that maintaining the Group's business growth and profit record requires an overall compensation policy with a strong performance-related element.

The main components of the executive directors' remuneration are:

### 1) Basic salary

Basic salary for each director is determined by the Remuneration Committee taking into account the performance of the individual and external market data.

### 2) Annual bonus

The Group operates a profit-related bonus scheme for its executive directors. The amount payable to directors is determined by a combination of performance criteria and the increase in the basic earnings per share before goodwill amortisation over the basic earnings per share before goodwill amortisation achieved in the preceding year. The bonus, which is not pensionable, is limited to 100% of basic salary at the end of the financial year for Nigel Newton and Colin Adams and 75% of the basic salary at the end of the financial year for the rest of the executives on the board.

### 3) Pension contributions

The Group does not operate a pension scheme, but the directors receive a contribution of 10% of their basic salary to their private pension scheme. Liz Calder receives a contribution of 18% of her basic salary to her private pension scheme.

#### 4) Share options

The Group believes that share ownership by executive directors strengthens the link between their personal interests and those of the shareholders in respect of shareholder value. The Remuneration Committee considers that the performance measure chosen for the share incentive scheme, namely growth in earnings per share (EPS), is the key long-term indicator of the Group's financial success. Approved options are only exercisable on the condition that the growth in the Company's earnings per share shall equal or exceed the increase in the Index of Retail Prices (All Items) from the Date of Grant of the Option to the Date of Exercise of the Option. Unapproved Options are only exercisable on the condition that the growth in the Company's earnings per share shall exceed the increase in the Index of Retail Prices (All Items) by 15.7625 percent (representing 5 per cent compound annually) for the three consecutive financial years immediately preceding the Date of Exercise of the Option.

#### Contracts of service

All the executive directors, with the exception of Nigel Newton, have service contracts which are terminable by either party giving to the other not less than twelve months' written notice. Nigel Newton has a service contract which is terminable by either party giving to the other not less than twelve months' written notice, such notice to expire on or after the date falling three years after the commencement date of 24 June 2003. In recognition of the pivotal role played by Mr Newton in the continuing development of the business, which he founded, the Remuneration Committee considered that the Group's interests would be best served if Mr Newton's service contract had an initial fixed term of three years upon its renewal in 2003. The non-executive directors, John Dare, Paul Scherer and Michael Mayer, do not have service contracts.

Mr Adams's contract is dated 24 September 2003, Mr Ward's contract is dated 27 June 2003, Ms Coleman's contract is dated 1 June 2003, Ms Rooney's contract is dated 1 May 2003, Ms Pringle's contract is dated 26 April 2003, Ms Calder's contract is dated 1 July 2003, Ms Odedina's contract is dated 23 January 2004 and Ms Fry's contract is dated 22 June 2003.

There are no specific provisions for compensation on early termination of service contracts. Compensation on early termination may be payable by the Company by agreement between the Company and the director and with the approval of the Remuneration Committee.

#### Policy on remuneration of non-executive directors

The remuneration of the non-executive directors is set by the Board as a whole.

## Directors' Remuneration Report

### Directors' emoluments

|                                      | 2003<br>£'000 | 2002<br>£'000 |
|--------------------------------------|---------------|---------------|
| Salaries                             | 1,081         | 1,041         |
| Pension contributions                | 112           | 109           |
| Fees                                 | 81            | 75            |
| Profit related bonus                 | 915           | 311           |
| Benefit on exercise of share options | 1,909         | 484           |
| Other emoluments                     | 85            | 98            |
|                                      | <b>4,183</b>  | <b>2,118</b>  |

Directors' emoluments including benefits in kind and pension contributions paid by the Group during the financial year are as follows:

|                                    |               | Basic salary<br>or fees<br>2003<br>£'000 | Profit related<br>bonus<br>2003<br>£'000 | Share options<br>exercised<br>2003<br>£'000 | Other<br>benefits <sup>(1)</sup><br>2003<br>£'000 | Total<br>(excluding pension<br>contributions)<br>2003<br>£'000 | Pension<br>contributions<br>2003<br>£'000 |
|------------------------------------|---------------|--|--|---|---|--|---|
| <b>Chairman</b>                    | J N Newton    | 214                                      | 220                                      | 333   | 16  | 783  | 21  |
| <b>Executive<br/>Directors</b>     | E N Calder    | 92                                       | 65                                       | 198   | 10  | 365  | 17  |
|                                    | C R Adams     | 142                                      | 146                                      | 769   | 11  | 1,068  | 12  |
|                                    | K M Rooney    | 111                                      | 84                                       | 184   | 9   | 388  | 11  |
|                                    | A J R Pringle | 107                                      | 83                                       | 106   | 8   | 304  | 11  |
|                                    | M N Fry       | 100                                      | 79                                       | 102   | 6   | 287  | 10  |
|                                    | S E Odedina   | 103                                      | 79                                       | –   | 8   | 190  | 10  |
|                                    | D H Ward      | 88                                       | 67                                       | 138   | 4   | 297  | 9   |
|                                    | D J Coleman   | 124                                      | 92                                       | 79  | 13  | 308  | 11  |
| <b>Non-executive<br/>Directors</b> | J A Dare      | 27                                       | –  | –   | –   | 27   | –   |
|                                    | P J Scherer   | 27                                       | –  | –   | –   | 27   | –   |
|                                    | M J Mayer     | 27                                       | –  | –   | –   | 27   | –   |
|                                    |               | <b>1,162</b>                             | <b>915</b>                               | <b>1,909</b>                                | <b>85</b>   | <b>4,071</b>   | <b>112</b>                                |

## Directors' Remuneration Report

### Directors' emoluments (continued)

The comparative directors' emoluments including benefits in kind and pension contributions for the previous financial year are shown below:

|                                    |               | Basic salary<br>or fees | Profit related<br>bonus | Share options<br>exercised | Other<br>benefits <sup>(1)</sup> | Total<br>(excluding pension<br>contributions) | Pension<br>contributions |
|------------------------------------|---------------|-------------------------|-------------------------|----------------------------|----------------------------------|---|--------------------------|
|                                    |               | 2002<br>£'000           | 2002<br>£'000           | 2002<br>£'000              | 2002<br>£'000                    | 2002<br>£'000                                 | 2002<br>£'000            |
| <b>Chairman</b>                    | J N Newton    | 188                     | 98                      | –                          | 15                               | 301   | 19                       |
| <b>Executive<br/>Directors</b>     | A V Wherry    | 98                      | –                       | 225                        | 19                               | 342   | 9                        |
|                                    | E N Calder    | 103                     | 26                      | 210                        | 7                                | 346   | 19                       |
|                                    | C R Adams     | 124                     | 65                      | –                          | 8                                | 197   | 11                       |
|                                    | K M Rooney    | 103                     | 18                      | –                          | 7                                | 128   | 10                       |
|                                    | A J R Pringle | 95                      | 25                      | –                          | 7                                | 127   | 9                        |
|                                    | M N Fry       | 85                      | 24                      | –                          | 7                                | 116   | 8                        |
|                                    | S E Odedina   | 91                      | 24                      | 49                         | 6                                | 170   | 9                        |
|                                    | D H Ward      | 40                      | 2                       | –                          | 12                               | 54  | 4                        |
|                                    | D J Coleman   | 114                     | 29                      | –                          | 10                               | 153   | 11                       |
| <b>Non-executive<br/>Directors</b> | J A Dare      | 25                      | –                       | –                          | –                                | 25  | –                        |
|                                    | P J Scherer   | 25                      | –                       | –                          | –                                | 25  | –                        |
|                                    | M J Mayer     | 25                      | –                       | –                          | –                                | 25  | –                        |
|                                    |               | 1,116                   | 311                     | 484                        | 98                               | 2,009   | 109                      |

(1)Benefits - the company provides a motor vehicle and medical insurance cover for all executive directors.

C R Adams, K M Rooney and D J Coleman serve as executive directors of A&C Black (Publishers) Limited. Included above are the following emoluments paid during the year:

- salaries to C R Adams and K M Rooney of £23,000 and £6,000 respectively paid by A&C Black (Publishers) Limited (2002, £20,000 and £6,000 respectively); and
- salary to D J Coleman of £7,000 paid by Bloomsbury Publishing Plc (2002, £6,000).

Prior to his resignation as a director on 30 November 2002, A V Wherry entered into a consultancy agreement with the Company advising on acquisitions, management, administrative and corporate issues. Under the terms of the agreement the Company has paid him a fee of £15,000 per month for a period of one year from 9 December 2002 and settled the amount of £20,000 owed to the leasing company on his car.

## Directors' Remuneration Report

### Directors' interests in share options

The following options have been granted to the directors over Ordinary Shares in the Company:

|               | At<br>1 January<br>2003 | Granted<br>during<br>the year | Exercised<br>during<br>the year | At<br>31 December<br>2003 | Exercise<br>price | Date<br>from which<br>exercisable | Expiry Date    |
|---------------|-------------------------|-------------------------------|---------------------------------|---------------------------|-------------------|-----------------------------------|----------------|
| J N Newton    | 800,000                 | –                             | (280,000)                       | 520,000                   | 66.25p            | 6 July 2002                       | 5 July 2006    |
| J N Newton    | 400,000                 | –                             | –                               | 400,000                   | 220.25p           | 4 October 2003                    | 3 October 2007 |
| J N Newton    | 120,000                 | –                             | –                               | 120,000                   | 175.50p           | 5 April 2004                      | 4 April 2008   |
| J N Newton    | 80,000                  | –                             | –                               | 80,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009   |
| J N Newton    | –                       | 47,000                        | –                               | 47,000                    | 178.75p           | 7 April 2006                      | 6 April 2010   |
| E N Calder    | 400,000                 | –                             | (120,000)                       | 280,000                   | 66.25p            | 6 July 2002                       | 5 July 2006    |
| E N Calder    | 200,000                 | –                             | –                               | 200,000                   | 220.25p           | 4 October 2003                    | 3 October 2007 |
| E N Calder    | 17,092                  | –                             | –                               | 17,092                    | 175.50p           | 5 April 2004                      | 4 April 2011   |
| E N Calder    | 58,908                  | –                             | –                               | 58,908                    | 175.50p           | 5 April 2004                      | 4 April 2008   |
| E N Calder    | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009   |
| E N Calder    | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010   |
| E N Calder    | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010   |
| C R Adams     | 1,616                   | –                             | –                               | 1,616                     | 20.75p            | 7 May 2001                        | 6 May 2008     |
| C R Adams     | 77,296                  | –                             | (77,296)                        | –                         | 20.75p            | 7 May 2001                        | 6 May 2005     |
| C R Adams     | 400,000                 | –                             | (400,000)                       | –                         | 66.25p            | 6 July 2002                       | 5 July 2006    |
| C R Adams     | 200,000                 | –                             | –                               | 200,000                   | 220.25p           | 4 October 2003                    | 3 October 2007 |
| C R Adams     | 16,900                  | –                             | –                               | 16,900                    | 175.50p           | 5 April 2004                      | 4 April 2011   |
| C R Adams     | 59,100                  | –                             | –                               | 59,100                    | 175.50p           | 5 April 2004                      | 4 April 2008   |
| C R Adams     | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009   |
| C R Adams     | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010   |
| C R Adams     | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010   |
| K M Rooney    | 28,916                  | –                             | (28,916)                        | –                         | 25.95p            | 24 June 1997                      | 23 June 2004   |
| K M Rooney    | 40,468                  | –                             | (40,468)                        | –                         | 25.50p            | 13 May 1999                       | 12 May 2006    |
| K M Rooney    | 56,960                  | –                             | (56,960)                        | –                         | 20.75p            | 7 May 2001                        | 6 May 2008     |
| K M Rooney    | 26,000                  | –                             | –                               | 26,000                    | 20.75p            | 7 May 2001                        | 6 May 2005     |
| K M Rooney    | 400,000                 | –                             | –                               | 400,000                   | 66.25p            | 6 July 2002                       | 5 July 2006    |
| K M Rooney    | 200,000                 | –                             | –                               | 200,000                   | 220.25p           | 4 October 2003                    | 3 October 2007 |
| K M Rooney    | 76,000                  | –                             | –                               | 76,000                    | 175.50p           | 5 April 2004                      | 4 April 2008   |
| K M Rooney    | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009   |
| K M Rooney    | –                       | 4,195                         | –                               | 4,195                     | 178.75p           | 7 April 2006                      | 6 April 2013   |
| K M Rooney    | –                       | 26,805                        | –                               | 26,805                    | 178.75p           | 7 April 2006                      | 6 April 2010   |
| K M Rooney    | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010   |
| A J R Pringle | 51,060                  | –                             | (51,060)                        | –                         | 58.75p            | 4 May 2002                        | 3 May 2009     |
| A J R Pringle | 28,940                  | –                             | (28,940)                        | –                         | 58.75p            | 4 May 2002                        | 3 May 2006     |
| A J R Pringle | 70,000                  | –                             | –                               | 70,000                    | 173.75p           | 2 June 2003                       | 1 June 2007    |
| A J R Pringle | 60,000                  | –                             | –                               | 60,000                    | 175.50p           | 5 April 2004                      | 4 April 2008   |
| A J R Pringle | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009   |
| A J R Pringle | –                       | 4,195                         | –                               | 4,195                     | 178.75p           | 7 April 2006                      | 6 April 2013   |
| A J R Pringle | –                       | 26,805                        | –                               | 26,805                    | 178.75p           | 7 April 2006                      | 6 April 2010   |
| A J R Pringle | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010   |

## Directors' Remuneration Report

### Directors' interests in share options (continued)

|             | At<br>1 January<br>2003 | Granted<br>during<br>the year | Exercised<br>during<br>the year | At<br>31 December<br>2003 | Exercise<br>price | Date<br>from which<br>exercisable | Expiry Date     |
|-------------|-------------------------|-------------------------------|---------------------------------|---------------------------|-------------------|-----------------------------------|-----------------|
| M N Fry     | 51,224                  | –                             | (51,224)                        | –                         | 104.25p           | 11 October 2002                   | 10 October 2009 |
| M N Fry     | 28,776                  | –                             | (28,776)                        | –                         | 104.25p           | 11 October 2002                   | 10 October 2006 |
| M N Fry     | 70,000                  | –                             | –                               | 70,000                    | 173.75p           | 2 June 2003                       | 1 June 2007     |
| M N Fry     | 60,000                  | –                             | –                               | 60,000                    | 175.50p           | 5 April 2004                      | 4 April 2008    |
| M N Fry     | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009    |
| M N Fry     | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010    |
| M N Fry     | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010    |
| S E Odedina | 36,768                  | –                             | –                               | 36,768                    | 58.75p            | 4 May 2002                        | 3 May 2006      |
| S E Odedina | 60,000                  | –                             | –                               | 60,000                    | 173.75p           | 2 June 2003                       | 1 June 2007     |
| S E Odedina | 40,000                  | –                             | –                               | 40,000                    | 175.50p           | 5 April 2004                      | 4 April 2008    |
| S E Odedina | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009    |
| S E Odedina | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010    |
| S E Odedina | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010    |
| D H Ward    | 20,232                  | –                             | (20,232)                        | –                         | 20.75p            | 7 May 2001                        | 6 May 2008      |
| D H Ward    | 35,188                  | –                             | (35,188)                        | –                         | 58.75p            | 4 May 2002                        | 3 May 2009      |
| D H Ward    | 44,812                  | –                             | (44,812)                        | –                         | 58.75p            | 4 May 2002                        | 3 May 2006      |
| D H Ward    | 2,952                   | –                             | –                               | 2,952                     | 173.75p           | 2 June 2003                       | 1 June 2010     |
| D H Ward    | 37,048                  | –                             | –                               | 37,048                    | 173.75p           | 2 June 2003                       | 1 June 2007     |
| D H Ward    | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009    |
| D H Ward    | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010    |
| D H Ward    | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010    |
| D J Coleman | 13,620                  | –                             | (13,620)                        | –                         | 220.25p           | 4 October 2003                    | 3 October 2010  |
| D J Coleman | 186,380                 | –                             | (186,380)                       | –                         | 220.25p           | 4 October 2003                    | 3 October 2007  |
| D J Coleman | 60,000                  | –                             | –                               | 60,000                    | 175.50p           | 5 April 2004                      | 4 April 2008    |
| D J Coleman | 44,000                  | –                             | –                               | 44,000                    | 143.50p           | 23 Sept 2005                      | 22 Sept 2009    |
| D J Coleman | –                       | 31,000                        | –                               | 31,000                    | 178.75p           | 7 April 2006                      | 6 April 2010    |
| D J Coleman | –                       | 142,000                       | –                               | 142,000                   | 246.00p           | 24 Sept 2006                      | 23 Sept 2010    |

## Directors' Remuneration Report

### Directors' interests

#### a) Interests in shares

The directors who held office at the year end had the following interests in the share capital of the Company. All shareholdings are beneficial.

\* On 26 June 2003 each Ordinary Share of 5p was subdivided into four Ordinary Shares of 1.25p.

|               | Ordinary Shares<br>of 1.25p each * | Ordinary Shares<br>of 5 pence each * |
|---------------|------------------------------------|--------------------------------------|
|               | 31 December 2003<br>Number         | 31 December 2002<br>Number           |
| J N Newton    | 2,959,488                          | 780,646                              |
| C R Adams     | 102,196                            | 35,549                               |
| M J Mayer     | 76,760                             | 19,170                               |
| K M Rooney    | 174,944                            | 12,150                               |
| E N Calder    | 34,488                             | 8,622                                |
| P J Scherer   | 29,120                             | 7,333                                |
| D J Coleman   | 27,232                             | 6,477                                |
| D H Ward      | 30,264                             | 2,508                                |
| J A Dare      | 5,864                              | 1,466                                |
| S E Odedina   | 468                                | 117                                  |
| A J R Pringle | –                                  | –                                    |
| M N Fry       | –                                  | –                                    |

The market price of an Ordinary Share in the Company at 31 December 2003 was 260.50p (2002, 652.5p before the share split) and the range from 1 January 2003 to the end of the year was 163.12p to 267.50p (2002, 550.0p to 842.5p before the share split). Between 31 December 2003 and 22 March 2004, K M Rooney exercised 426,000 and sold 408,000 shares under option. Her holding following these transactions was 192,944 shares. There have been no changes to the interests of the other directors between 31 December 2003 and 22 March 2004.

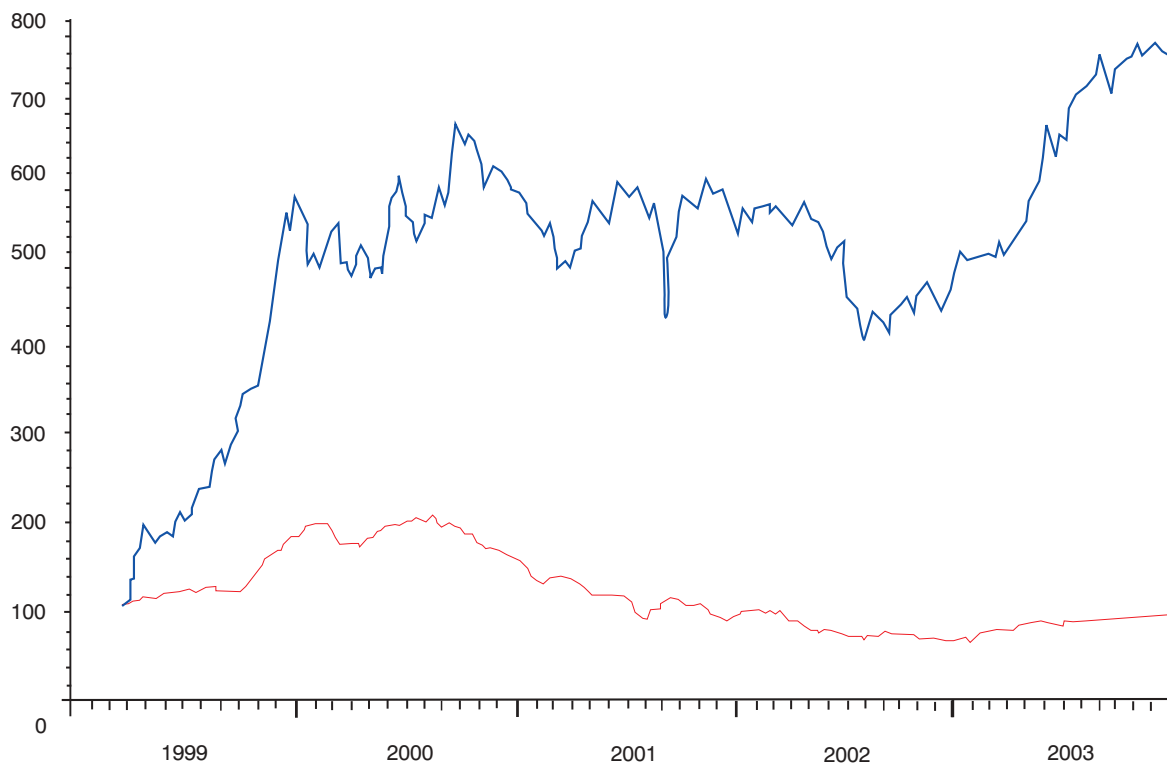
#### b) Other interests

Paul Scherer is non-executive chairman of Curtis Brown Group Limited, a literary agency with which the Group has an ongoing trading relationship. He has no influence over acquisition of books. At the end of the year the Group had 888 titles in its forward publishing programme with a combined contract value of £16.613m, of which £7.956m has already been paid. During the year 5 books were bought from Curtis Brown Group Limited for £0.460m, of which £0.228m has already been paid.

Save for the aforesaid, no director has or has had any interest, direct or indirect, in any transaction, contract or arrangement (excluding service agreements), which is or was unusual in its nature or conditions or significant to the business of the Group during the current or immediately preceding financial year.

## Directors' Remuneration Report

Total shareholder return – performance graph



Year

Source: DATASTREAM

- Bloomsbury Publishing – Total Return Index
- FTSE Small Cap Media and Entertainment – Total Return Index

The graph above shows the Group's total shareholder return from April 1999 to 31 December 2003 together with the FTSE small cap media and entertainment sector index. The index, which was re-based in April 1999 and for which figures are not available before then, is considered to be the most appropriate comparative index for the Company.

Approved by the Board of Directors and signed on behalf of the Board  
Paul Scherer  
Chairman of the Remuneration Committee, 22 March 2004

# DIRECTORS' REPORT

## Principal activities

The principal activities of the Group are the publication of books and the development of electronic reference databases.

## Review of developments

The Chairman's Statement and Financial Review contain a review of the Group's business and activities during the year, its financial position at the end of the year and the likely future developments.

## Results and dividends

The results of the Group for the year are set out on pages 29 to 57. On 20 November 2003, an interim dividend of 0.474 pence (net) per Ordinary Share was paid. The directors recommend the payment of a final dividend of 1.677 pence (net) per Ordinary Share payable on 7 July 2004 to Ordinary Shareholders on the register at the close of business on 28 May 2004. After accounting for this proposed dividend, retained profits of £8,199,000 (2002, £5,490,000) have been transferred to reserves.

## Directors

The directors who served during the year were:

|               |   |
|---------------|---|
| J N Newton    | Executive Chairman and Chief Executive              |
| E N Calder    | Publishing Director                                 |
| C R Adams ACA | Group Finance Director                              |
| K M Rooney    | Publishing Director, Reference and Electronic Media |
| M N Fry       | Marketing Director                                  |
| A J R Pringle | Editor-in-Chief and Publishing Director, Adult      |
| S E Odedina   | Publishing Director, Children's Books               |
| D H Ward      | Sales Director                                      |
| D J Coleman   | Managing Director, A&C Black (Publishers) Limited   |
| J A Dare      | Non-executive Director                              |
| P J Scherer   | Senior Non-executive Director                       |
| M J Mayer     | Non-executive Director                              |

The directors' interests are set out in the Directors' Remuneration Report on pages 16 to 23.

At the Annual General Meeting, Kathy Rooney, Jill Coleman, Minna Fry and Michael Mayer will retire by rotation in accordance with the articles of association of the Company, and being eligible, offer themselves for re-election. John Dare will retire and will not offer himself for re-election. As referred to on page 17, each of the executive directors who will retire by rotation has a service contract with the Group terminable by either party on not less than twelve months' notice. Michael Mayer, John Dare and Paul Scherer, who are non-executive directors, do not have service contracts.

## Directors' remuneration

The Directors' Remuneration Report is set out on pages 16 to 23.

## Substantial shareholdings

The directors have been notified of the following holdings of Ordinary Shares in excess of 3% of the issued share capital at 22 March 2004:

|   | Number    | Percentage |
|---|-----------|------------|
| The Capital Group Companies, Inc.               | 5,612,600 | 7.96%      |
| Threadneedle Asset Management Limited           | 4,461,276 | 6.33%      |
| Standard Life Investments                       | 4,033,667 | 5.72%      |
| Legal and General Investment Management Limited | 2,822,710 | 4.00%      |

### Share Capital

On 26 June 2003, resolutions were passed by the Company's shareholders whereby the directors were given authority, under Section 80 of the Companies Act 1985, until the conclusion of the 2004 Annual General Meeting, to allot shares up to a maximum of the authorised but unissued share capital of the Company. The directors recommend by Resolution 9 to be proposed at the forthcoming Annual General Meeting that this authority should be extended so that it applies until the conclusion of the next Annual General Meeting of the Company. If Resolution 9 is approved by shareholders the directors will have authority to allot up to 21,497,228 Ordinary Shares, representing 30.5% of the Ordinary Shares currently in issue, of which 7,915,484 (11.2% of the Ordinary Shares currently in issue) are reserved for issue under the Company's share option schemes. The balance available for allotment is therefore 13,581,744 Ordinary Shares, representing 19.3% of the Ordinary Shares currently in issue. The Company does not currently have any treasury shares in issue. The directors have no present intention of exercising the authority except in connection with the issue of shares under the Company's share option schemes. The authority, if granted, will expire on the conclusion of the next Annual General Meeting of the Company after the passing of the proposed Resolution 9, unless previously varied, revoked or renewed by the Company in general meeting.

In addition, the directors were given authority under Section 95 of the Companies Act 1985, until the conclusion of the 2004 Annual General Meeting, to allot equity securities for cash, other than to existing shareholders in proportion to their holding, in connection with a rights issue, pursuant to the terms of employees' share schemes approved by the members in general meeting and, in addition, up to an aggregate nominal amount of £44,064 being equal to 5% of the issued Ordinary Share capital. The directors recommend by Resolution 10, to be proposed at the forthcoming Annual General Meeting, that this authority should be renewed until the conclusion of the next Annual General Meeting or fifteen months from the date of passing of the proposed Resolution 9, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting.

Since December 2003 the Companies Act 1985 allows shares purchased by the Company to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its share option schemes. The requirements to allot equity securities for cash to existing shareholders will also apply to the sale by the Company of any shares it holds as treasury shares. These requirements may be similarly disapplied by shareholders. The authority sought, and limits set, by Resolution 10 will then apply also to a sale of treasury shares. However, the directors have no present intention of holding shares in treasury pursuant to the Companies Act 1985.

Resolution 11 will be proposed as a special resolution to renew the existing authority for the Company to make purchases of its own shares. The maximum number of Ordinary Shares, which may be purchased pursuant to the authority, is 3,525,139 being equal to 5% of the issued share capital of the Company as at the date of the passing of the resolution. The total number of options to subscribe for equity shares that are outstanding as at 22 March 2004 is 7,915,484 being 11.2% of the share capital at that date; and if the full authority to buy back shares is used, the options will represent 11.8% of the equity share capital. The minimum price which may be paid for an Ordinary Share is 1.25 pence (exclusive of expenses). The maximum price which may be paid for an Ordinary Share (exclusive of expenses) shall be an amount equal to 105% of the average of the middle market quotations for the Company's ordinary shares for the 5 business days immediately preceding the date of purchase.

The authority sought to make market purchases of its own shares is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Companies Act. However, as mentioned above, the directors have no present intention of holding shares in treasury pursuant to the Companies Act 1985.

The directors consider that the authority proposed to be granted by Resolution 11 is necessary in order to increase the earnings per share of the Group. They have no intention of exercising the authority at the present time but, if they do, the directors will neither be encouraging nor recommending shareholders to buy or sell shares in the Company nor in any way suggesting that it is an appropriate time to deal in such shares. This authority, if conferred, will only be exercised if to do so would result in an increase in the earnings per share and is in the best interests of shareholders generally.

The directors recommend that shareholders vote in favour of Resolutions 9, 10 and 11, which are, in the opinion of the directors, in the best interests of the shareholders as a whole.

## Directors' report

### Insurance of company officers

The Group has maintained insurance throughout the year for its directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

### Charitable and political donations

Charitable donations of £72,555 were made during the year (2002, £85,350). No political donations were made during the year or in the previous financial year.

### Policy on supplier payments

The Group aims to pay all its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 December 2003, the number of days' credit taken for purchases by the Group was 34 days (2002, 65 days).

### Employment of disabled persons

It is the Group's policy to offer equal opportunities to disabled persons in matters of recruitment, training, career development and promotion. Where people become disabled during the course of their employment, the Group seeks to retain their services and to provide retraining where necessary.

### Employee involvement and communication

Employees are encouraged to own shares in the Company and approximately 74% of employees are shareholders and/or hold options under the Company's share option schemes.

Information about the Group's affairs is communicated to employees through regular management meetings, electronic notice boards and social events.

### Social and Environmental Responsibility and Health and Safety

The Company continues to operate in pursuit of good environmental and health standards. The Board takes regular account of the significance of social, environmental and ethical issues and has identified and assessed significant risks to the Company's short and long-term value arising from these matters. The Board received adequate information to make such an assessment and has in place systems for managing any significant risks.

### Post balance sheet events

On 1 March 2004 the Group exchanged contracts for the sale of its freehold property with Macmillan Distribution Limited for total sale proceeds of £1.355m. It is expected that no corporation tax will be payable on the gain.

### Going Concern

Having made enquiries, the directors have a reasonable expectation that the Company and the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### Auditors

A resolution to reappoint Baker Tilly as auditors will be proposed at the forthcoming Annual General Meeting.



On behalf of the Board

C R Adams ACA, Secretary, 22 March 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 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.

The directors consider that in preparing the financial statements on pages 29 to 57 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Accounting Standards which they consider to be applicable have been followed.

The directors are responsible for ensuring that the Directors' Report, the Directors' Remuneration Report and other information included in the Annual Report are prepared in accordance with Company Law in the United Kingdom.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group as a whole will continue in business.



On behalf of the Board  
C R Adams ACA, Secretary, 22 March 2004

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLOOMSBURY PUBLISHING Plc

We have audited the financial statements on pages 29 to 57. We have also audited the information set out on pages 18 to 21 in the Directors' Remuneration Report.

This report is made solely to the Company'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 Company's members those matters we are required to state to them in an auditor's 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 and the Company'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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

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 to be 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 Group 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 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 of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Five Year Financial Summary, the Chairman's Statement, the Financial Review, the Directors' Biographies, the Corporate Governance and Internal Control Statements, the unaudited part of the Directors' Remuneration Report, the Directors' Report, the Statement of Directors' Responsibilities, the Statement of Directors, Secretary and Advisers, the Financial Calendar, the Shareholder Information and the Notice of the Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## 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 to be 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 Group's circumstances, 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 to be 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 to be audited.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2003 and of the Group's profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



Baker Tilly, Registered Auditor and Chartered Accountants  
London, 22 March 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

|   | Notes | 2003<br>Continuing operations<br>£'000 | 2003<br>Aquisitions<br>£'000 | 2003<br>Total<br>£'000 | 2002<br>Total<br>£'000 |
|---|-------|--|------------------------------|------------------------|------------------------|
| Turnover  | 1     | 80,714                                 | 2,400                        | 83,114                 | 68,016                 |
| Cost of sales   |       | (38,623)                               | (1,009)                      | (39,632)               | (39,764)               |
| Gross profit  |       | 42,091                                 | 1,391                        | 43,482                 | 28,252                 |
| Marketing and distribution costs                        |       | (12,174)                               | (973)                        | (13,147)               | (7,771)                |
| Administrative expenses: - goodwill amortisation        |       | (1,313)                                | (438)                        | (1,751)                | (1,362)                |
| - other   |       | (14,014)                               | (1,715)                      | (15,729)               | (10,339)               |
| Operating profit  | 2     | 14,590                                 | (1,735)                      | 12,855                 | 8,780                  |
| Net interest receivable                                 | 3     |  |                              | 775                    | 982                    |
| Profit on ordinary activities before taxation           |       |  |                              | 13,630                 | 9,762                  |
| Taxation on profit on ordinary activities               | 5     |  |                              | (3,915)                | (3,061)                |
| Profit on ordinary activities after taxation            |       |  |                              | 9,715                  | 6,701                  |
| Dividends   | 6     |  |                              | (1,516)                | (1,211)                |
| Profit for the financial year transferred to reserves   | 17    |  |                              | 8,199                  | 5,490                  |
| Basic earnings per share                                | 7     |  |                              | 14.10p                 | 9.87p                  |
| Diluted earnings per share                              | 7     |  |                              | 13.56p                 | 9.26p                  |
| Basic earnings per share before goodwill amortisation   | 7     |  |                              | 16.45p                 | 11.54p                 |
| Diluted earnings per share before goodwill amortisation | 7     |  |                              | 15.82p                 | 10.83p                 |

### Notes

All turnover and results arose from continuing operations.

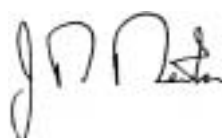
There were no recognised gains or losses in either year other than the profit for the year and on this basis a statement of total recognised gains and losses has not been prepared.

# CONSOLIDATED BALANCE SHEET

**at 31 December 2003**

|  | Notes | 2003<br>£'000 | 2002<br>£'000 |
|--|-------|---------------|---------------|
| <b>Fixed assets:</b>   |       |               |               |
| Intangible assets  | 8     | 11,359        | 11,162        |
| Tangible assets  | 9     | 1,218         | 1,176         |
|  |       | <b>12,577</b> | <b>12,338</b> |
| <b>Current assets:</b>   |       |               |               |
| Stocks   | 11    | 12,484        | 11,311        |
| Debtors due within one year                                    | 12    | 26,706        | 20,822        |
| Debtors due after more than one year                           | 12    | 3,707         | 4,058         |
| Cash at bank and in hand                                       |       | 29,472        | 19,174        |
|  |       | <b>72,369</b> | <b>55,365</b> |
| <b>Creditors: amounts falling due within one year</b>          | 13    | <b>25,173</b> | <b>18,683</b> |
| <b>Net current assets</b>                                      |       | <b>47,196</b> | <b>36,682</b> |
| Total assets less current liabilities                          |       | <b>59,773</b> | <b>49,020</b> |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | <b>883</b>    | <b>438</b>    |
| <b>Provisions for liabilities and charges</b>                  | 15    | <b>69</b>     | <b>302</b>    |
|  |       | <b>58,821</b> | <b>48,280</b> |
| <b>Equity capital and reserves:</b>                            |       |               |               |
| Called up share capital  | 16    | 876           | 845           |
| Share premium account  | 17    | 33,967        | 31,656        |
| Capital redemption reserve                                     | 17    | 20            | 20            |
| Profit and loss account  | 17    | 23,958        | 15,759        |
| Total shareholders' funds                                      |       | <b>58,821</b> | <b>48,280</b> |

The financial statements were approved by the Board of Directors on 22 March 2004.



J N Newton Director



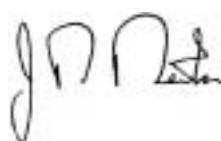
C R Adams Director

## COMPANY BALANCE SHEET

at 31 December 2003

|  | Notes | 2003<br>£'000 | 2002<br>£'000 |
|--|-------|---------------|---------------|
| <b>Fixed assets:</b>   |       |               |               |
| Intangible assets  | 8     | –             | 695           |
| Tangible assets  | 9     | 543           | 550           |
| Investments  | 10    | 19,606        | 16,435        |
|  |       | 20,149        | 17,680        |
| <b>Current assets:</b>   |       |               |               |
| Stocks   | 11    | 6,895         | 7,350         |
| Debtors due within one year                                    | 12    | 21,748        | 16,685        |
| Debtors due after more than one year                           | 12    | 3,707         | 4,058         |
| Cash at bank and in hand                                       |       | 29,162        | 18,358        |
|  |       | 61,512        | 46,451        |
| <b>Creditors: amounts falling due within one year</b>          | 13    | 20,616        | 15,127        |
| <b>Net current assets</b>                                      |       | 40,896        | 31,324        |
| <b>Total assets less current liabilities</b>                   |       | 61,045        | 49,004        |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | 883           | 438           |
| <b>Provisions for liabilities and charges</b>                  | 15    | 16            | 250           |
|  |       | 60,146        | 48,316        |
| <b>Equity capital and reserves:</b>                            |       |               |               |
| Called up share capital  | 16    | 876           | 845           |
| Share premium account  | 17    | 33,967        | 31,656        |
| Capital redemption reserve                                     | 17    | 20            | 20            |
| Profit and loss account  | 17    | 25,283        | 15,795        |
| <b>Total shareholders' funds</b>                               |       | 60,146        | 48,316        |

The financial statements were approved by the Board of Directors on 22 March 2004.



J N Newton Director



C R Adams Director

## **RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS**

**for the year ended 31 December 2003**

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities after taxation | 9,715         | 6,701         |
| Dividends                                    | (1,516)       | (1,211)       |
| Purchase of own shares                       | –             | (1,230)       |
| Share options exercised                      | 2,342         | 391           |
| Net addition to shareholders' funds          | 10,541        | 4,651         |
| Opening shareholders' funds                  | 48,280        | 43,629        |
| Closing shareholders' funds                  | 58,821        | 48,280        |

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

|  | Notes  | 2003<br>£'000 | 2002<br>£'000 |
|--|--------|---------------|---------------|
| Net cash inflow from operating activities                            | 19 (a) | 14,650        | 12,011        |
| Returns on investments and servicing of finance                      |        |               |               |
| Interest paid  |        | (64)          | (53)          |
| Interest received  |        | 839           | 1,035         |
| Net cash inflow from returns on investments and servicing of finance |        | 775           | 982           |
| Taxation   |        |               |               |
| Tax paid   |        | (4,283)       | (5,083)       |
| Capital expenditure  |        |               |               |
| Purchase of tangible fixed assets                                    |        | (389)         | (372)         |
| Sale of tangible fixed assets  |        | 18            | 22            |
|  |        | (371)         | (350)         |
| Acquisitions   |        |               |               |
| Purchase of subsidiary undertakings                                  |        | (859)         | (703)         |
| Purchase of publishing assets  |        | (537)         | (1,359)       |
|  |        | (1,396)       | (2,062)       |
| Equity dividends paid  |        | (1,274)       | (1,092)       |
| Financing  |        |               |               |
| Repayment of loans   |        | (122)         | (1,185)       |
| Purchase of own shares   |        | –             | (1,230)       |
| Share options exercised (net of expenses)                            |        | 2,319         | 391           |
| Net cash inflow / (outflow) from financing                           |        | 2,197         | (2,024)       |
| Increase in cash   | 19 (b) | 10,298        | 2,382         |

# ACCOUNTING POLICIES

## (a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

## (b) Goodwill

Goodwill, being the excess of the cost of acquisition over the fair value of assets acquired, is capitalised and written off over a period not exceeding 20 years.

## (c) Turnover

Turnover represents the amount derived from the provision of goods, services and rights falling within the Group's ordinary activities, after deduction of trade discounts, value added tax and anticipated returns. Income from book publishing is recognised from the date of invoice. Income from the sale of publishing and distribution rights, including film, paperback, electronic, overseas publishing rights and sponsorship, is recognised net of associated costs at the time such sales are achieved.

## (d) Stock and work in progress

Stock includes paper, sheets and bound stock. Cost of work in progress and finished stock represents the amounts invoiced to the Group for paper, origination, printing and binding. Unsold stock is written down in order to reduce stock to the lower of cost and net realisable value.

## (e) Depreciation

Tangible fixed assets are depreciated in order to write down their cost by equal annual instalments over their expected useful lives at the following rates:

|                              |                   |
|------------------------------|-------------------|
| Freehold buildings           | 2% per annum      |
| Short leasehold improvements | 7 - 17% per annum |
| Furniture and fittings       | 10% per annum     |
| Computer equipment           | 20% per annum     |
| Other office equipment       | 20% per annum     |
| Motor vehicles               | 25% per annum     |

Freehold land is not depreciated.

Depreciation is pro-rated in the years of acquisition and disposal of assets.

## Accounting policies

### (f) Royalty advances to authors

Advances to authors are written off to the extent that, in the directors' view, they are not covered by anticipated future sales or firm contracts for subsidiary rights receivable.

### (g) Deferred taxation

Provision is made for deferred taxation on all timing differences between profit as disclosed in the financial statements and as computed for taxation purposes. The provision is made at the rate of corporation tax expected to apply when the timing differences are expected to reverse. Deferred tax assets are only included in the accounts where recovery is more likely than not. Deferred taxation is measured on a non-discounted basis.

### (h) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the actual rate applicable at the transaction date. Exchange differences on such transactions are dealt with through the profit and loss account.

Assets, liabilities and trading results of overseas subsidiary companies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences on the opening share capital and reserves are taken to reserves.

### (i) Operating leases

Operating lease rentals are charged to the profit and loss account as they fall due.

### (j) Pension costs

Pension costs relate to defined contribution pension schemes and are charged to the profit and loss account in the period for which contributions are payable. Until 1997 a subsidiary company operated a defined benefits scheme, details of which are shown in note 4.

### (k) Group accounts

The consolidated accounts comprise the accounts of the Company and its subsidiaries at the year end. The results of the subsidiaries are accounted for in the profit and loss account from the date of acquisition. 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.

# NOTES TO THE ACCOUNTS

## 1. Geographical analysis of turnover

The directors regard the Group's business as a single segment. Its profit and turnover arise principally in the United Kingdom where its assets are mainly located. The table below analyses turnover by destination:

|                    | 2003<br>£'000 | 2002<br>£'000 |
|--------------------|---------------|---------------|
| United Kingdom     | 54,581        | 49,300        |
| North America      | 9,060*        | 8,962*        |
| Continental Europe | 11,316        | 3,402         |
| Australasia        | 4,222         | 3,521         |
| Others             | 3,935         | 2,831         |
|                    | <b>83,114</b> | <b>68,016</b> |

\* Sales in North America include the turnover from Bloomsbury USA, co-edition sales and the sale of rights and licences to third parties.

In the directors' opinion, disclosure of the analysis of the profit before tax by geographical segment would be seriously prejudicial to the Group.

## 2. Operating profit

Operating profit is stated after charging / (crediting) the following amounts:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Auditors' remuneration:                          |               |               |
| Statutory audit                                  | 83            | 68            |
| Other services                                   | 64            | 33            |
| Depreciation                                     | 344           | 316           |
| Goodwill amortisation                            | 1,751         | 1,503         |
| Adjustment to goodwill arising in previous years | –             | (141)         |
| Profit on disposal of tangible fixed assets      | (5)           | (3)           |
| Operating lease costs:                           |               |               |
| Hire of plant and machinery                      | 54            | 41            |
| Other operating leases                           | 900           | 797           |
| Exchange loss                                    | 239           | 166           |

## Notes to the accounts

### 2. Operating profit (continued)

Fees paid to the auditors for non audit services are in respect of the following services:

|                           | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------|---------------|---------------|
| Tax compliance            | 35            | 15            |
| Tax advisory              | 15            | 7             |
| Review of interim report  | 13            | 11            |
| Other compliance services | 1             | –             |
|                           | 64            | 33            |

In addition, the Group paid the auditors £15,000 (2002, £32,000) for due diligence services in respect of acquisitions during the year. These fees have been included in the cost of the acquisitions.

### 3. Net interest receivable

|                        | 2003<br>£'000 | 2002<br>£'000 |
|------------------------|---------------|---------------|
| Loan notes             | 13            | 31            |
| Other interest payable | 10            | 22            |
|                        | 23            | 53            |
| Interest receivable    | (798)         | (1,035)       |
|                        | (775)         | (982)         |

### 4. Directors and employees

Staff costs during the year were:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Salaries   | 9,420         | 6,394         |
| Social security costs                                  | 1,824         | 476           |
| Other pension costs                                    | 404           | 359           |
|  | 11,648        | 7,229         |
| The average number of employees<br>during the year was | 274           | 228           |

Full details concerning directors' emoluments, shareholdings, options and other interests are shown in the directors' remuneration report on pages 16 to 23.

## Notes to the accounts

### 4. Directors and employees (continued)

#### Pension costs

The pension costs summarised above relate to the Group's defined contribution pension arrangements.

Additional disclosures regarding defined benefit pension schemes are required under the transitional provisions of Financial Reporting Standard (FRS) 17 'Retirement Benefits', and these are set out below. The disclosures relate to the second year of the transitional provisions. Disclosures relating to the defined benefit scheme set out below have not been incorporated into the accounts.

A subsidiary company operates a defined benefit scheme for some staff. Accrual of benefits ceased in 1997, with the scheme now being operated as a closed fund. A full actuarial valuation was carried out as at 1 January 2001 and updated to 31 December 2003 by a qualified independent actuary.

At the date of the last completed independent actuarial valuation, which was 1 January 2001, the market value of the assets of the scheme was £287,000. The actuary advised that at that date the actuarial valuation of the assets of the scheme was sufficient to cover 87% of the benefits that had accrued to members, after allowing for expected increases in earnings. The scheme is actuarially valued every three years. The next valuation of the scheme will be as at 1 January 2004.

No contributions are currently being paid to the scheme, other than to cover expenses. Contributions are paid by the employer as and when required to cover any expenses of the scheme.

The major assumptions used by the actuary for the update were as follows:

|   | 31 December 2003 | 31 December 2002 | 31 December 2001 |
|---|------------------|------------------|------------------|
| Rate of increase in salaries                  | not applicable   | not applicable   | not applicable   |
| Rate of increase in pensions in payment (LPI) | 0.00%            | 0.00%            | 0.00%            |
| Discount rate                                 | 5.40%            | 5.40%            | 5.75%            |
| Inflation assumption                          | 2.90%            | 2.40%            | 2.70%            |

## Notes to the accounts

### 4. Directors and employees (continued)

The assets of the scheme and the expected long-term rate of return per annum were:

|  | Value at<br>31/12/03<br>£'000 | Long-term<br>rate of<br>return | Value at<br>31/12/02<br>£'000 | Long-term<br>rate of<br>return | Value at<br>31/12/01<br>£'000 | Long-term<br>rate of<br>return |
|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Total value of assets (with profit policy) | 359                           | 3.8%                           | 352                           | 6.5%                           | 381                           | 7.0%                           |
| Present value of scheme liabilities        | (451)                         |                                | (404)                         |                                | (418)                         |                                |
| Deficit before taxation                    | (92)                          |                                | (52)                          |                                | (37)                          |                                |
| Deferred taxation                          |                               | 27                             |                               | 16                             |                               | 11                             |
| Deficit after taxation                     | (65)                          |                                | (36)                          |                                | (26)                          |                                |

The net assets of the Group and the analysis of the Group's distributable reserves including the defined benefit pension scheme deficit would be as follows:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Net assets excluding pension liability              | 58,821        | 48,280        |
| Pension liability                                   | (65)          | (36)          |
|   | 58,756        | 48,244        |
| Profit and loss reserve excluding pension liability | 23,958        | 15,759        |
| Pension reserve                                     | (65)          | (36)          |
| Profit and loss reserve including pension liability | 23,893        | 15,723        |

## Notes to the accounts

### 4. Directors and employees (continued)

Analysis of the amount that would be charged to operating profit:

|                                 | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------------|---------------|---------------|
| Current service cost            | 9             | 9             |
| Past service cost               | –             | –             |
| Curtailment and settlement cost | –             | –             |
| Total operating charge          | 9             | 9             |

As the scheme is closed, the current service cost is likely to rise in future years as members approach retirement.

Analysis of the amount that would be credited to other finance income:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Expected return on pension scheme assets | 23            | 25            |
| Interest on pension scheme liabilities   | (22)          | (23)          |
| Net return                               | 1             | 2             |

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL):

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Actual return less expected return on pension scheme assets                     | (16)          | (5)           |
| Experience gains and losses arising on the scheme's liabilities                 | (3)           | 3             |
| Changes in assumptions underlying the present value of the scheme's liabilities | (22)          | (15)          |
| Actuarial loss recognised in STRGL  | (41)          | (17)          |

## Notes to the accounts

### 4. Directors and employees (continued)

Movement in surplus during the year was as follows:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Deficit in scheme at beginning of the year before taxation | (52)          | (37)          |
| Movement in year:  |               |               |
| Current service cost                                       | (9)           | (9)           |
| Contributions  | 9             | 9             |
| Past service cost  | –             | –             |
| Curtailments and settlements cost                          | –             | –             |
| Other finance income                                       | 1             | 2             |
| Actuarial loss   | (41)          | (17)          |
| Deficit in scheme at end of the year before taxation       | (92)          | (52)          |

The disclosures required by paragraph 86 of FRS 17 are as follows:

|  | 2003 | 2002 |
|--|------|------|
| Difference between the expected and actual return on scheme assets:        |      |      |
| Amount (£'000)   | (16) | (5)  |
| Percentage of scheme assets  | (4%) | (1%) |
| Experience gains and losses on scheme liabilities:                         |      |      |
| Amount (£'000)   | (3)  | 3    |
| Percentage of the present value of the scheme liabilities                  | (1%) | 1%   |
| Total amount recognised in statement of total recognised gains and losses: |      |      |
| Amount (£'000)   | (41) | (17) |
| Percentage of the present value of the scheme liabilities                  | (9%) | (4%) |

## Notes to the accounts

### 5. Taxation

#### (a) Tax charge for the year

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Based on the profit for the year:       |               |               |
| Corporation tax at 30%                  | 4,243         | 3,933         |
| Less double tax relief                  | (31)          | (30)          |
|   | 4,212         | 3,903         |
| Over provision in respect of prior year | (95)          | (8)           |
| Overseas taxation – current year        | 31            | 30            |
|   | 4,148         | 3,925         |
| Deferred tax (note 15)                  | (233)         | (864)         |
|   | 3,915         | 3,061         |

#### (b) Factors affecting tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax  | 13,630        | 9,762         |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 4,089         | 2,929         |
| Effects of:   |               |               |
| Expenses not deductible for tax purposes (primarily goodwill amortisation)                        | 504           | 223           |
| Difference between depreciation and capital allowances  | 13            | 1             |
| Utilisation of tax losses   | (57)          | (74)          |
| Losses for the year in subsidiary company not utilised  | 409           | –             |
| Corporation tax relief on share options exercised   | (919)         | –             |
| Reversal of authors' advances deducted against corporation tax in prior years                     | –             | 134           |
| Reversal of database development costs deducted against corporation tax in prior years            | 216           | 727           |
| Marginal small companies' rate relief in subsidiary companies                                     | (12)          | (7)           |
| Adjustment to tax charge in respect of previous periods   | (95)          | (8)           |
| Corporation tax charge for the year   | 4,148         | 3,925         |

## Notes to the accounts

### 6. Dividends

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Interim, paid 0.474p per share (2002: 0.413p)  | 341           | 278           |
| Final proposed 1.677p per share (2002: 1.380p) | 1,175         | 933           |
|  | <b>1,516</b>  | <b>1,211</b>  |

### 7. Earnings per share

Basic earnings per share has been calculated by reference to earnings of £9,715,000 (2002, £6,701,000) and a weighted average number of Ordinary Shares in issue of 68,901,851 (2002, 67,899,576). The diluted earnings per share has been calculated by reference to a weighted average number of Ordinary Shares in issue of 71,654,541 (2002, 72,363,788) which takes account of share options. Basic and diluted earnings per share excluding goodwill and the tax effect thereof have been calculated by reference to earnings of £11,337,000 (2002, £7,837,000).

The reconciliation between the weighted average number of shares for the basic earnings per share and the diluted earnings per share is as follows:

|  | 2003<br>Number    | 2002<br>Number    |
|--|-------------------|-------------------|
| Weighted average number of shares for basic earnings per share   | 68,901,851        | 67,899,576        |
| Dilutive effect of share options                                 | 2,752,690         | 4,464,212         |
| Weighted average number of shares for diluted earnings per share | <b>71,654,541</b> | <b>72,363,788</b> |

The reconciliation between earnings before and after goodwill amortisation is as follows:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Earnings after goodwill amortisation             | 9,715         | 6,701         |
| Goodwill amortisation                            | 1,751         | 1,503         |
| Adjustment to goodwill arising in previous years | –             | (141)         |
| Tax relief on goodwill amortisation              | (129)         | (226)         |
| Earnings before goodwill amortisation            | <b>11,337</b> | <b>7,837</b>  |

## Notes to the accounts

### 8. Intangible fixed assets

| Goodwill                   | The group<br>£'000 | The company<br>£'000 |
|----------------------------|--------------------|----------------------|
| <b>Cost:</b>               |                    |                      |
| At 1 January 2003          | 13,564             | 703                  |
| Additions in the year      | 1,948              | 18                   |
| <b>At 31 December 2003</b> | <b>15,512</b>      | <b>721</b>           |
| <b>Amortisation:</b>       |                    |                      |
| At 1 January 2003          | 2,402              | 8                    |
| Charge for the year        | 1,751              | 713                  |
| <b>At 31 December 2003</b> | <b>4,153</b>       | <b>721</b>           |
| <b>Net book value:</b>     |                    |                      |
| <b>At 31 December 2003</b> | <b>11,359</b>      | <b>–</b>             |
| At 1 January 2003          | 11,162             | 695                  |

The goodwill in the Company arose as a result of the transfer of the assets, liabilities and trade of Peter Collin Publishing Limited to Bloomsbury Publishing Plc at market value on 14 September 2002. Since the acquisition the business acquired has been fully integrated into the operations of the Company, making it difficult to identify the ongoing value of the associated goodwill. Therefore the Group has taken the view that it is appropriate to write off the goodwill to the profit and loss account during the year. This has increased the charge to the profit and loss account for the year by £678,000.

The Company acquired the whole of the issued share capital of Berlin Verlag on 14 March 2003 for a cash consideration of £142,000. The acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of this acquisition was £125,000. This has been capitalised on the group balance sheet and is being amortised over its expected useful life of 20 years.

### 8. Intangible fixed assets (continued)

During the year A&C Black acquired the publishing assets and goodwill of Andrew Brodie Publications and the whole of the issued share capital of Reed's Almanac Limited for cash consideration as shown below:

|                            | Date acquired    | Consideration<br>£'000 |
|----------------------------|------------------|------------------------|
| Andrew Brodie Publications | 5 January 2003   | 537                    |
| Reed's Almanac Limited     | 19 December 2003 | 1,374                  |
|                            |                  | 1,911                  |

The goodwill arising on A&C Black's acquisition of Andrew Brodie Publications of £431,000 was written off to the profit and loss account during the year. The assets acquired have been fully integrated into the operations of A&C Black, which makes it difficult to identify the ongoing value of the associated goodwill. The Group has therefore taken the view that it is appropriate to eliminate the goodwill in the year of acquisition of these assets. The goodwill of £1,374,000 arising on the acquisition of Reed's Almanac Limited has been capitalised on the group balance sheet and is being amortised over its expected useful life of 20 years.

The following table summarises the book values of Berlin Verlag's major categories of assets and liabilities at the date of acquisition by the Company and their fair values included in the consolidated financial statements at that date.

|                                 | Book value<br>£'000 | Provisions to<br>reduce to net<br>realisable value<br>£'000 | Total fair value<br>to the group<br>£'000 |
|---------------------------------|---------------------|---|---|
| Net assets acquired:            |                     |   |   |
| Fixed assets                    | 37                  | (27)  | 10  |
| Current assets                  | 3,306               | (2,959)   | 347                                       |
| Creditors and provisions        | (340)               | –   | (340)                                     |
|                                 | 3,003               | (2,986)   | 17  |
| Consideration                   |                     |   | 142                                       |
| Goodwill arising on acquisition |                     |   | 125                                       |

## Notes to the accounts

### 8. Intangible fixed assets (continued)

The table below summarises the fair values of the major categories of assets and liabilities of Andrew Brodie Publications and Reed's Almanac Limited at the dates of their acquisition by the Group. There were no differences between the book and fair values included in the financial statements at the date of acquisition.

|                                  | Andrew Brodie Publications<br>£'000 | Reed's Almanac Limited<br>£'000 | Total fair value to the group<br>£'000 |
|----------------------------------|-------------------------------------|---------------------------------|--|
| Net assets acquired:             |                                     |                                 |  |
| Current assets                   | 106                                 | –                               | 106                                    |
| Consideration                    | 537                                 | 1,374                           | 1,911                                  |
| Goodwill arising on acquisitions | 431                                 | 1,374                           | 1,805                                  |

Prior to its acquisition by the Company, the business now in Berlin Verlag was a trading division within the Bertelsmann group and did not produce audited accounts. It is therefore not possible to provide details of the results of Berlin Verlag for the period prior to acquisition.

The profit after taxation of Reed's Almanac Limited for the year ended 31 December 2002 was £227,000. Under the terms of the agreement whereby the Group acquired the whole of the issued share capital of Reed's Almanac Limited, the vendors retained the benefit of the profits deriving from the 2004 editions of its publications, which were published in the autumn of 2003, and the results for the period 1 January to 18 December 2003 are not known by the Company at the date of approval of these accounts.

## Notes to the accounts

### 9. Tangible fixed assets

| The group                  | Freehold land<br>and buildings<br>£'000 | Short leasehold<br>improvements<br>£'000 | Furniture<br>and fittings<br>£'000 | Computers and<br>other office<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|----------------------------|---|--|------------------------------------|---|----------------------------|----------------|
| <b>Cost:</b>               |   |  |                                    |   |                            |                |
| At 1 January 2003          | 560                                     | 59                                       | 310                                | 1,763   | 227                        | 2,919          |
| Subsidiaries acquired      | –                                       | –  | –                                  | 10  | –                          | 10             |
| Additions                  | –                                       | 13                                       | 3                                  | 281   | 92                         | 389            |
| Disposals                  | –                                       | –  | –                                  | (25)  | (67)                       | (92)           |
| <b>At 31 December 2003</b> | <b>560</b>                              | <b>72</b>                                | <b>313</b>                         | <b>2,029</b>  | <b>252</b>                 | <b>3,226</b>   |
| <b>Depreciation:</b>       |   |  |                                    |   |                            |                |
| At 1 January 2003          | 248                                     | 22                                       | 120                                | 1,214   | 139                        | 1,743          |
| Charge for the year        | 10                                      | 5  | 30                                 | 247   | 52                         | 344            |
| Disposals                  | –                                       | –  | –                                  | (25)  | (54)                       | (79)           |
| <b>At 31 December 2003</b> | <b>258</b>                              | <b>27</b>                                | <b>150</b>                         | <b>1,436</b>  | <b>137</b>                 | <b>2,008</b>   |
| <b>Net book value:</b>     |   |  |                                    |   |                            |                |
| <b>At 31 December 2003</b> | <b>302</b>                              | <b>45</b>                                | <b>163</b>                         | <b>593</b>  | <b>115</b>                 | <b>1,218</b>   |
| At 1 January 2003          | 312                                     | 37                                       | 190                                | 549   | 88                         | 1,176          |
| <b>The company</b>         |   |  |                                    |   |                            |                |
|                            |   | Short leasehold<br>improvements<br>£'000 | Furniture<br>and fittings<br>£'000 | Computers and other<br>office equipment<br>£'000    |                            | Total<br>£'000 |
| <b>Cost:</b>               |   |  |                                    |   |                            |                |
| At 1 January 2003          |   | 49                                       | 310                                | 706   |                            | 1,065          |
| Additions                  |   | 13                                       | 3                                  | 159   |                            | 175            |
| <b>At 31 December 2003</b> |   | <b>62</b>                                | <b>313</b>                         | <b>865</b>  |                            | <b>1,240</b>   |
| <b>Depreciation:</b>       |   |  |                                    |   |                            |                |
| At 1 January 2003          |   | 12                                       | 120                                | 383   |                            | 515            |
| Charge for the year        |   | 5  | 30                                 | 147   |                            | 182            |
| <b>At 31 December 2003</b> |   | <b>17</b>                                | <b>150</b>                         | <b>530</b>  |                            | <b>697</b>     |
| <b>Net book value:</b>     |   |  |                                    |   |                            |                |
| <b>At 31 December 2003</b> |   | <b>45</b>                                | <b>163</b>                         | <b>335</b>  |                            | <b>543</b>     |
| At 1 January 2003          |   | 37                                       | 190                                | 323   |                            | 550            |

## Notes to the accounts

### 10. Investments

|  |               |
|--|---------------|
| The company  | £'000         |
| <hr/>  |               |
| Investments in share capital of wholly owned subsidiaries: |               |
| At 1 January 2003  | 16,435        |
| Additions  | 3,171         |
| <hr/>  |               |
| <b>At 31 December 2003</b>                                 | <b>19,606</b> |

The Company acquired the whole of the issued share capital of Berlin Verlag on 14 March 2003 for a cash consideration of £142,000. Loans made to Berlin Verlag by the Company since the acquisition amounting to £3,029,000 were subsequently capitalised.

The subsidiary companies at 31 December 2003 are as follows:

|  | Country of<br>incorporation | Proportion of<br>equity capital held | Nature of<br>business           |
|--|-----------------------------|--------------------------------------|---------------------------------|
| <hr/>  |                             |                                      |                                 |
| Subsidiary undertakings held directly:                     |                             |                                      |                                 |
| A&C Black Plc  | England                     | 100%                                 | Intermediate holding<br>company |
| BV Berlin Verlag GmbH                                      | Germany                     | 100%                                 | Publishing                      |
| Peter Collin Publishing Limited                            | England                     | 100%                                 | Non-trading                     |
| Bloomsbury.com Limited                                     | England                     | 100%                                 | Non-trading                     |
| <hr/>  |                             |                                      |                                 |
| Subsidiary undertakings held through a subsidiary company: |                             |                                      |                                 |
| BvT Berliner Taschenbuch Verlag GmbH                       | Germany                     | 100%                                 | Non-trading                     |
| A&C Black (Publishers) Limited                             | England                     | 100%                                 | Publishing                      |
| A&C Black (Storage) Limited                                | England                     | 100%                                 | Storage facilities              |
| A&C Black (Distribution) Limited                           | England                     | 100%                                 | Book distribution               |
| Christopher Helm (Publishers) Limited                      | England                     | 100%                                 | Publishing                      |
| Reed's Almanac Limited                                     | England                     | 100%                                 | Publishing                      |
| Herbert Press Limited                                      | England                     | 100%                                 | Non-trading                     |
| Alphabooks Limited   | England                     | 100%                                 | Non-trading                     |
| Nautical Publishing Company Limited                        | England                     | 100%                                 | Non-trading                     |
| F Lewis (Publishers) Limited                               | England                     | 100%                                 | Non-trading                     |
| Adlard Coles Limited                                       | England                     | 100%                                 | Non-trading                     |

BV Berlin Verlag GmbH, BvT Berliner Taschenbuch Verlag GmbH and Reed's Almanac Limited were acquired during the year.

## Notes to the accounts

### 11. Stocks

|                           | The group     |               | The company   |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Raw materials             | 141           | 170           | 76            | 103           |
| Work in progress          | 5,149         | 5,946         | 3,182         | 4,616         |
| Finished goods for resale | 7,194         | 5,195         | 3,637         | 2,631         |
|                           | <b>12,484</b> | <b>11,311</b> | <b>6,895</b>  | <b>7,350</b>  |

### 12. Debtors

|   | The group     |               | The company   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Amounts falling due within one year:          |               |               |               |               |
| Trade debtors                                 | 13,902        | 13,265        | 9,326         | 9,700         |
| Amounts owed by group undertakings            | –             | –             | 2,311         | 818           |
| Corporation tax recoverable                   | 122           | –             | –             | –             |
| Other debtors                                 | 394           | 167           | 196           | 92            |
| Prepayments and accrued income                | 12,288        | 7,390         | 9,915         | 6,075         |
|   | <b>26,706</b> | <b>20,822</b> | <b>21,748</b> | <b>16,685</b> |
| Amounts falling due after more than one year: |               |               |               |               |
| Prepayments and accrued income                | 3,707         | 4,058         | 3,707         | 4,058         |

## Notes to the accounts

### 13. Creditors: amounts falling due within one year

|                                    | The group     |               | The company   |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Guaranteed loan notes 2005         | 1,147         | 594           | 472           | 594           |
| Trade creditors                    | 4,935         | 6,279         | 3,098         | 4,932         |
| Amounts owed to group undertakings | –             | –             | 318           | 346           |
| Other creditors                    | 737           | 675           | 619           | 641           |
| Corporation tax                    | 1,717         | 1,852         | 1,669         | 1,840         |
| Other taxation and social security | 502           | 189           | 395           | 147           |
| Accruals and deferred income       | 14,960        | 8,161         | 12,870        | 5,694         |
| Proposed dividend                  | 1,175         | 933           | 1,175         | 933           |
|                                    | <b>25,173</b> | <b>18,683</b> | <b>20,616</b> | <b>15,127</b> |

During the year A&C Black (Publishers) Limited issued loan notes of £675,000 to the vendors of Reed's Almanac Limited. The loan notes are guaranteed by the Royal Bank of Scotland Plc. They are redeemable in full at 31 December 2005 but may be redeemed at the option of the loan note holders on any date between 1 August 2004 and 31 December 2005. Interest is payable at the base rate.

Included within the guaranteed loan notes 2005 are £472,000 existing notes issued to shareholders in A&C Black who elected for loan notes to be issued instead of cash or shares in Bloomsbury Publishing Plc. The loan notes are guaranteed by the Royal Bank of Scotland Plc against cash raised at the date of acquisition of A&C Black. They are redeemable in full at 31 December 2005 but may be redeemed at the option of the loan note holders on any interest payment date between 2001 and 2005. Interest is payable at 1% below the base rate. £122,000 of these loan notes were redeemed during the year.

### 14. Creditors: amounts falling due after more than one year

|                 | The group     |               | The company   |               |
|-----------------|---------------|---------------|---------------|---------------|
|                 | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Other creditors | 883           | 438           | 883           | 438           |

## Notes to the accounts

### 15. Provisions for liabilities and charges

Movement in the deferred tax provision during the year is as follows:

|  | The group<br>£'000 | The company<br>£'000 |
|--|--------------------|----------------------|
| At 1 January 2003                      | 302                | 250                  |
| Profit and loss account – Current year | (233)              | (234)                |
| <b>At 31 December 2003</b>             | <b>69</b>          | <b>16</b>            |

The provision is made at a corporation tax rate of 30%.

The amount provided for deferred tax is as follows:

|                                | The group     |               | The company   |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Accelerated capital allowances | 69            | 81            | 16            | 25            |
| Short-term timing differences  | –             | 221           | –             | 225           |
|                                | <b>69</b>     | <b>302</b>    | <b>16</b>     | <b>250</b>    |

There is no unprovided liability for deferred taxation as at 31 December 2003 (2002, £nil). At 31 December 2003 the Group and the Company had deferred tax assets not included in the accounts of £530,000 (2002, £104,000) and £12,000 (2002, £47,000) respectively at current tax rates in respect of tax losses carried forward.

### 16. Equity share capital

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Authorised:   |               |               |
| 92,000,000 Ordinary Shares of 1.25p each<br>(2002, 23,000,000 Ordinary Shares of 5p each) | 1,150         | 1,150         |
| Allotted, called up and fully paid:   |               |               |
| 70,076,772 Ordinary Shares of 1.25p each<br>(2002, 16,909,406 Ordinary Shares of 5p each) | 876           | 845           |

## Notes to the accounts

### 16. Equity share capital (continued)

On 26 June 2003 each Ordinary Share of 5p was subdivided into four Ordinary Shares of 1.25p.

Movements in the allotted share capital during the year are:

|  | Number            | £'000      |
|--|-------------------|------------|
| At 1 January 2003 – Ordinary Shares of 5p each             | 16,909,406        | 845        |
| Share options exercised                                    | 228,925           | 12         |
| At 26 June 2003  | 17,138,331        | 857        |
| Subdivision into Ordinary Shares of 1.25p each             | 51,414,993        | –          |
| Share options exercised                                    | 1,523,448         | 19         |
| <b>At 31 December 2003 – Ordinary Shares of 1.25p each</b> | <b>70,076,772</b> | <b>876</b> |

The consideration receivable by the Company for the share options exercised during the year was £2,342,000.

As at 31 December 2003, 8,341,484 options had been granted and were still outstanding in respect of Ordinary Shares under the following Approved and Unapproved Share Option Schemes:

|   | No. of Shares | Subscription price | Exercisable |
|---|---------------|--------------------|-------------|
| 1994 Approved Executive Share Option Scheme   | 1,616         | 20.75p             | 2001 – 2008 |
| 1994 Approved Executive Share Option Scheme   | 96,868        | 58.75p             | 2002 – 2009 |
| 1994 Approved Executive Share Option Scheme   | 25,444        | 173.75p            | 2003 – 2010 |
| 1994 Approved Executive Share Option Scheme   | 267,204       | 220.25p            | 2003 – 2010 |
| 1994 Approved Executive Share Option Scheme   | 361,596       | 175.50p            | 2004 – 2011 |
| 1994 Approved Executive Share Option Scheme   | 132,948       | 179.75p            | 2004 – 2011 |
| 1994 Approved Executive Share Option Scheme   | 170,072       | 143.50p            | 2005 – 2012 |
| 1994 Approved Executive Share Option Scheme   | 172,396       | 178.75p            | 2006 – 2013 |
| 1994 Approved Executive Share Option Scheme   | 40,000        | 246.00p            | 2006 – 2013 |
| 1994 Unapproved Executive Share Option Scheme | 26,000        | 20.75p             | 2001 – 2005 |
| 1994 Unapproved Executive Share Option Scheme | 1,200,000     | 66.25p             | 2002 – 2006 |
| 1994 Unapproved Executive Share Option Scheme | 414,556       | 173.75p            | 2003 – 2007 |
| 1994 Unapproved Executive Share Option Scheme | 1,198,796     | 220.25p            | 2003 – 2007 |
| 1994 Unapproved Executive Share Option Scheme | 805,404       | 175.50p            | 2004 – 2008 |
| 1994 Unapproved Executive Share Option Scheme | 63,052        | 179.75p            | 2004 – 2008 |
| 1994 Unapproved Executive Share Option Scheme | 511,928       | 143.50p            | 2005 – 2009 |
| 1994 Unapproved Executive Share Option Scheme | 1,362,604     | 178.75p            | 2006 – 2010 |
| 1994 Unapproved Executive Share Option Scheme | 1,491,000     | 246.00p            | 2006 – 2010 |

## Notes to the accounts

### 17. Reserves

| The group                                | Share premium<br>account<br>£'000 | Capital redemption<br>reserve<br>£'000 | Profit & loss<br>account<br>£'000 |
|--|-----------------------------------|--|-----------------------------------|
| At 1 January 2003                        | 31,656                            | 20                                     | 15,759                            |
| Retained profit for the year             | –                                 | –                                      | 8,199                             |
| Issue of share capital (net of expenses) | 2,311                             | –                                      | –                                 |
| At 31 December 2003                      | <b>33,967</b>                     | <b>20</b>                              | <b>23,958</b>                     |

| The company                              | Share premium<br>account<br>£'000 | Capital redemption<br>reserve<br>£'000 | Profit & loss<br>account<br>£'000 |
|--|-----------------------------------|--|-----------------------------------|
| At 1 January 2003                        | 31,656                            | 20                                     | 15,795                            |
| Retained profit for the year             | –                                 | –                                      | 9,488                             |
| Issue of share capital (net of expenses) | 2,311                             | –                                      | –                                 |
| At 31 December 2003                      | <b>33,967</b>                     | <b>20</b>                              | <b>25,283</b>                     |

## Notes to the accounts

### 18. Lease obligations

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

| The group                  | Land and buildings |               | 2003<br>£'000 | Other | 2002<br>£'000 |
|----------------------------|--------------------|---------------|---------------|-------|---------------|
|                            | 2003<br>£'000      | 2002<br>£'000 |               |       |               |
| Operating leases expiring: |                    |               |               |       |               |
| Within one year            | –                  | –             | 47            |       | 39            |
| Between two to five years  | –                  | 42            | 74            |       | 79            |
| After five years           | 898                | 571           | –             |       | –             |
|                            | 898                | 613           | 121           |       | 118           |

| The company                | Land and buildings |               | 2003<br>£'000 | Other | 2002<br>£'000 |
|----------------------------|--------------------|---------------|---------------|-------|---------------|
|                            | 2003<br>£'000      | 2002<br>£'000 |               |       |               |
| Operating leases expiring: |                    |               |               |       |               |
| Within one year            | –                  | –             | 47            |       | 39            |
| Between two to five years  | –                  | 42            | 74            |       | 79            |
| After five years           | 660                | 455           | –             |       | –             |
|                            | 660                | 497           | 121           |       | 118           |

19. Cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Operating profit                            | 12,855        | 8,780         |
| Depreciation of tangible fixed assets       | 344           | 316           |
| Goodwill amortisation                       | 1,751         | 1,362         |
| Profit on disposal of tangible fixed assets | (5)           | (3)           |
| (Increase) / decrease in stocks             | (836)         | 1,683         |
| (Increase) / decrease in debtors            | (5,382)       | 5,514         |
| Increase / (decrease) in creditors          | 5,923         | (5,641)       |
| Net cash inflow from operating activities   | 14,650        | 12,011        |

(b) Reconciliation to net funds

|                                   | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------------------|---------------|---------------|
| Increase in net cash in the year  | 10,298        | 2,382         |
| (Increase) / decrease in debt     | (553)         | 1,185         |
| Movement in net funds in the year | 9,745         | 3,567         |
| Net funds at 1 January            | 18,580        | 15,013        |
| Net funds at 31 December          | 28,325        | 18,580        |

## Notes to the accounts

### 19. Cash flow statement (continued)

#### (c) Analysis of net funds

|                          | 1 January<br>2003<br>£'000 | Cash<br>flow<br>£'000 | Other<br>movements<br>£'000 | 31 December<br>2003<br>£'000 |
|--------------------------|----------------------------|-----------------------|-----------------------------|------------------------------|
| Cash at bank and in hand | 19,174                     | 10,298                | –                           | 29,472                       |
| Debt due within one year | (594)                      | 122                   | (675)                       | (1,147)                      |
| Total                    | 18,580                     | 10,420                | (675)                       | 28,325                       |

Debt due within one year comprises the loan notes in connection with the acquisitions of A&C Black and Reed's Almanac Limited (see note 13).

#### (d) Substantial non-cash transactions

£675,000 guaranteed loan notes were issued as part of the cost of acquisition of Reed's Almanac Limited.

### 20. Commitments and contingent liabilities

The Group is committed to paying significant royalty advances to authors under signed publishing contracts during subsequent financial years.

### 21. Financial instruments and risk summary

The Group's financial instruments comprise, for the purposes of Financial Reporting Standard 13, cash and short-term deposits, trade debtors and creditors arising from operations, and loan notes.

The Group has financed its operations from equity share issues and reinvestment of trading profits. The Group has net cash funds.

The main risk arising from the Group's financial instruments is interest rate risk. The Board reviews and agrees policies for managing risks, which are summarised below:

#### (i) Interest rate risk

As noted above, the Group has financed its operations through equity share issues and reinvestment of trading profits. Surplus cash funds are invested on short-term deposit. The directors continually review the Group's portfolio of short-term deposits to ensure that best rates of return are being achieved, based on the amount of deposited funds and the period for which they are invested, whilst minimising the risks involved by placing funds with reputable third-party banking organisations. The terms under which the Group invests surplus cash funds permit immediate access to these funds if required.

#### (ii) Liquidity risk

The directors do not consider that the Group currently has a liquidity risk.

#### (iii) Currency risk

The Company believes, in its current circumstances, that hedging for exchange rate risk is not appropriate, as a significant proportion of revenues can be matched against expenditure in local currency.

Of the total monetary net assets of £33,829,000 (2002, £24,933,000), £503,000 is denominated in US dollars (2002, £1,257,000) and £1,262,000 is denominated in euro (2002, £151,000). No material monetary net assets are denominated in currencies other than sterling, US dollars and euro.

#### Fair value of financial instruments

There is no material difference between the fair value and book value of financial assets and liabilities.

### 22. Post balance sheet events

On 1 March 2004 the Group exchanged contracts for the sale of its freehold property with Macmillan Distribution Limited for total sale proceeds of £1.355m. It is expected that no corporation tax will be payable on the gain.

## DIRECTORS, SECRETARY AND ADVISERS

|                           |  |   |  |
|---------------------------|--|---|--|
| <b>Directors:</b>         | J N Newton (Chairman)<br>E N Calder<br>C R Adams ACA<br>K M Rooney<br>A J R Pringle<br>M N Fry<br>D J Coleman<br>S E Odedina<br>D H Ward<br>J A Dare (Non-executive)<br>P J Scherer (Non-executive)<br>M J Mayer (Non-executive) | <b>Auditors:</b>                                      | Baker Tilly<br>2 Bloomsbury Street<br>London WC1B 3ST  |
|                           |  | <b>Bankers:</b>                                       | The Royal Bank of Scotland plc<br>280 Bishopsgate,<br>London EC2M 4RB                              |
|                           |  | <b>Joint Stockbrokers and<br/>Financial Advisers:</b> | Investec Henderson Crosthwaite<br>2 Gresham Street<br>London EC2V 7QP                              |
| <b>Secretary:</b>         | C R Adams ACA  |   | Dresdner Kleinwort Wasserstein Limited<br>PO Box 560, 20 Fenchurch Street<br>London EC3O 3DB       |
| <b>Registered Office:</b> | 38 Soho Square<br>London W1D 3HB<br>020 7494 2111  | <b>Merchant bankers:</b>                              | Investec Henderson Crosthwaite<br>2 Gresham Street<br>London EC2V 7QP                              |
| <b>Registered number:</b> | 1984336  |   | Dresdner Kleinwort Wasserstein Limited<br>PO Box 560, 20 Fenchurch Street<br>London EC3O 3DB       |
|                           |  | <b>Solicitors:</b>                                    | Dechert LLP<br>2 Serjeants' Inn<br>London EC4Y 1LT   |
|                           |  | <b>Registrars:</b>                                    | Capita Registrars Limited<br>Northern House, Woodsome Park<br>Fenay Bridge<br>Huddersfield HD8 0LA |

# FINANCIAL CALENDAR

Annual General Meeting ..... 24 June 2004

## Results

Announcement of half year results to 30 June 2004 ..... September 2004

Announcement of annual results to 31 December 2004 ..... March 2005

## Dividend

Final dividend – 2003 ..... 7 July 2004

Interim dividend – 2004 ..... November 2004

Final dividend – 2004 ..... July 2005

## Share Price

Bloomsbury's share price is quoted in the Financial Times, the Daily Telegraph, the Evening Standard, and is also available on the Financial Times Cityline telephone service (0906 843444) charged at premium call rates.

# SHAREHOLDER INFORMATION

## Analysis of shareholdings at 22 March 2004

| Size of shareholding  | Number of shareholders | Percentage of total number of shareholders | Number of Ordinary Shares | Percentage of Ordinary Shares |
|-----------------------|------------------------|--|---------------------------|-------------------------------|
| 2,000,001 +           | 11                     | 0.88                                       | 40,843,107                | 57.93                         |
| 1,000,001 – 2,000,000 | 7                      | 0.56                                       | 10,604,129                | 15.04                         |
| 500,001 – 1,000,000   | 11                     | 0.88                                       | 8,095,962                 | 11.48                         |
| 200,001 – 500,000     | 10                     | 0.80                                       | 3,085,995                 | 4.38                          |
| 100,001 – 200,000     | 18                     | 1.44                                       | 2,528,201                 | 3.59                          |
| 50,001 – 100,000      | 20                     | 1.59                                       | 1,403,789                 | 1.99                          |
| 10,001 – 50,000       | 98                     | 7.81                                       | 2,138,659                 | 3.03                          |
| 1 – 10,000            | 1,079                  | 86.04                                      | 1,802,930                 | 2.56                          |
|                       | 1,254                  | 100.00                                     | 70,502,772                | 100.00                        |

## Analysis by number of shareholders at 22 March 2004

| Shareholder                | Number of shareholders | Percentage of total number of shareholders | Number of Ordinary Shares | Percentage of Ordinary Shares |
|----------------------------|------------------------|--|---------------------------|-------------------------------|
| Institutional shareholders | 95                     | 7.58                                       | 61,296,476                | 86.94                         |
| Directors                  | 10                     | 0.80                                       | 3,458,824                 | 4.91                          |
| Employees                  | 23                     | 1.83                                       | 324,658                   | 0.46                          |
| Private shareholders       | 1,126                  | 89.79                                      | 5,422,814                 | 7.69                          |
|                            | 1,254                  | 100.00                                     | 70,502,772                | 100.00                        |

# NOTICE OF ANNUAL GENERAL MEETING BLOOMSBURY PUBLISHING Plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 38 Soho Square, London, W1D 3HB on 24 June 2004 at 12.00 noon for the following purposes:-

## Routine Business

- 1 To receive the report of the directors and the audited accounts for the year ended 31 December 2003.
- 2 To approve the Directors' Remuneration Report for the year ended 31 December 2003.
- 3 To declare a final dividend for the financial year ended 31 December 2003.
- 4 To re-elect K M Rooney as a director of the Company.
- 5 To re-elect D J Coleman as a director of the Company.
- 6 To re-elect M N Fry as a director of the Company.
- 7 To re-elect M J Mayer as a director of the Company.
- 8 To reappoint Baker Tilly as auditors and to authorise the directors to fix their remuneration.

## Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions.

### 9. THAT:-

- (a) (a) the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to allot, to such persons and on such terms as they think proper, any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £268,715, provided that:
  - (i) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting; and
  - (ii) the Company shall be entitled to make, before the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
- (b) all prior authorities to allot relevant securities given to the directors by resolution of the Company be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

### 10. THAT, subject to the passing of resolution 9 above:-

- (a) the directors be granted power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 9 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:-
  - (i) the allotment of equity securities, in connection with a rights issue, open offer or otherwise, in favour of holders of Ordinary Shares in the Company ("Ordinary Shares") where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of and/or rights attaching to Ordinary Shares held by them, subject to such exceptions, exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange or otherwise in any territory;
  - (ii) the allotment of equity securities pursuant to the terms of the Company's existing employees' share scheme or any other employees' share scheme approved by the members of the Company in general meeting;
  - (iii) the allotment (otherwise than pursuant to paragraphs (i) or (ii) above) of equity securities having a nominal value not exceeding in aggregate £44,064;

## Notice of Annual General Meeting Bloomsbury Publishing Plc

and shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months from the date of passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting, and provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and

- (b) all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.
11. **THAT** the Company is authorised, pursuant to section 166 of the Act, to make market purchases (as defined in section 163 of the Act) of any of its Ordinary Shares of 1.25p each ("Ordinary Shares") in such manner and on such terms as the directors may from time to time determine provided that:-
- (a) the maximum number of Ordinary Shares authorised to be purchased is 3,525,139;
- (b) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased and the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 1.25 pence;
- (c) the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the next Annual General Meeting of the Company to be held in 2005 or 15 months from the date of passing of this resolution, whichever shall be the earlier; and
- (d) the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or might be concluded wholly or partly after the expiry or termination of such authority and may purchase its own shares pursuant to such contract.

Dated 22 March 2004

Registered Office:  
38 Soho Square  
London  
W1D 3HB

BY ORDER OF THE BOARD



C R Adams ACA  
Secretary

Notes:

1. THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.
2. If you have sold or transferred all your ordinary shares in Bloomsbury Publishing Plc, please send this document and the enclosed form of proxy to the stockbroker, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.
3. Explanatory statements relating to the special business of the Annual General Meeting are contained in the directors' report under the heading "Share capital".
4. Only the holders of ordinary shares are entitled to attend the meeting and vote. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
5. To be effective, a form of proxy must be completed, signed and (together with the original or a notarially certified copy of any power of attorney or other authority under which it is executed) lodged at the office of the Company's registrars not later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 12.00 noon on 22 June 2004.
7. Copies of the following documents will be available for inspection at the Company's registered office, 38 Soho Square, W1D 3HB, between 9.30 am and 4.30 pm on any weekday, Saturdays and public holidays excepted, from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
  - (a) - the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985; and
  - (b) - copies of all service agreements under which directors of the Company are employed by the Company or any subsidiaries.

## NOTES