



Bloomsbury Publishing Plc
31 March 2009

BLOOMSBURY PUBLISHING Plc
(“Bloomsbury” or “the Group”)

Preliminary Results for the Year Ended 31 December 2008

2008 saw a strong performance by the Group despite difficult trading conditions.

Financial highlights

The highlights for 2008 include:

- Revenue of £99.95m (2007, £150.21m – launch of HP7)
- Pre-tax profit of £11.63m (2007, £17.86m – launch of HP7)
- Basic earnings per share of 10.67p (2007, 16.06p – launch of HP7)
- Pre-tax profit from Bloomsbury USA of £0.38m (2007, loss £1.64m)
- Strong cash generation, particularly in the UK, resulting in net cash of £51.91m (2007, £47.56m)
- Final dividend per share increased 5.2% to 3.47p (2007, 3.30p). Full year dividend per share increased by 5.5% to 4.22p (2007, 4.00p)
- Bloomsbury had the two highest selling books of the year in the Times list of Top Bestsellers of 2008 and three of the top ten. *A Thousand Splendid Suns* was number one, *The Tales of Beedle the Bard*, published by the Children’s High Level Group charity was number two, and *The Kite Runner* was number eight.
- Strong pipeline of new releases for 2009 – New books by William Boyd, Margaret Atwood, John Irving, Hugh Fearnley-Whittingstall, Heston Blumenthal, Monty Don and Kamila Shamsie’s *Burnt Shadows* long-listed for the Orange Prize
- Acquisitions of John Wisden & Co, The Arden Shakespeare, Featherstone Education Limited and Berg Publishers



Operating highlights

Commenting on the results and prospects for Bloomsbury, Nigel Newton, Chief Executive, said:

“This is a strong set of results in the year following the launch of the seventh Harry Potter in 2007. Through the implementation of a robust strategy, good financial discipline and an excellent range of books at affordable prices, our business has continued to prosper even in the harshest economic conditions. Clearly no business is immune, but our focus on high-quality publishing across a broad portfolio has positioned us well for the future.

We have an excellent pipeline of new titles due for release over the coming months across all genres. However, there are also a number of risks and areas of caution which have been heightened by the recession. Visibility has been decreased by the uncertainty of the global market place, though books have fared better than most. Despite this, we are confident that we have the right strategy, as well as a great stable of authors, in place to weather these challenging market conditions.”

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Chairman's statement

The transformation of Bloomsbury continued in 2008 as it re-balances its business in the wake of the Harry Potter phenomenon and of the demands of a global recession. The Chief Executive's statement outlines the considerable work done by him and the Executive members of the Board in managing their business units as they exploit the growing potential of electronic and digital publishing, whilst ensuring stability and efficiency in the Group's traditional publishing business.

This process of change is not complete, indeed such change, especially at times of economic stress, tends to accelerate, but the performance of the Group reflects the drive behind development of the new, and the rigour in management of the old. In the teeth of the worst recession in living memory, the shape of Bloomsbury is being changed to ensure the long-term success of the Group.

Bloomsbury has a strong balance sheet. Cash is critical at a time like this; it allows the Group latitude for change, and for judicious and timely acquisitions to strengthen its traditional businesses and to build new technology-based publishing activities. It also takes away the damaging distraction of untoward debt management now preoccupying the Boards and managements of many of its competitors and peers. The Group's obligation to all its stakeholders at a time like this is to avoid the excesses of acquisition strategies which squander a valuable asset, and to use its resources wisely to position it to for the economic recovery. The Board therefore regularly reviews new acquisition prospects, judging the relative impacts of the return of the Group's cash asset against the returns of new business assets whose capital values are far from certain in current conditions and could rapidly undermine any perceived short- or long-term profit enhancement. Information on the acquisitions it has made and the organic growth initiatives of the Group are outlined in more detail in this report.

The Executive team is both experienced and committed to the long term future of Bloomsbury. These are proving to be invaluable human assets at a time when short term opportunism has damaged the values of companies across the commercial spectrum. Nigel Newton, Founder and Chief Executive of the company over its 22 years, has deployed his own talents and those of Richard Charkin and Colin Adams to maximise the strengths of each, and greater emphasis has been placed on the Board Committees to exploit the role of the Non Executive Directors through the key functions of the Audit, Nomination, and Remuneration Committees.

This Group has an enviable reputation and brand value in and outside publishing. Those owe a great deal to the professionalism and dedication of its staff, including some of the most respected professionals in the industry. Whether recruited to support the growing new businesses of the Group, or forming part of that long-standing and committed community behind the long history of Bloomsbury's component parts, they have worked tirelessly and loyally through conditions more challenging than any can remember. Those conditions are not over yet and the Board and all the Group's stakeholders owe them a strong vote of thanks for the role they play in the future of Bloomsbury.



Chief Executive's statement

Overview

I am pleased to report an excellent set of results for the year. In making comparison to 2007, it is important to remember that the 2007 results included the launch of *Harry Potter and the Deathly Hallows*, the last volume of JK Rowling's series, one of the highest selling books in publishing history. During 2008 the Group was restructured into two overarching divisions: Specialist and Trade. This was done to provide greater focus on the two key strands of our business and to ensure that the intellectual property within each division is exploited to its maximum potential across all territories in which those divisions operate. At the same time, and as part of this change in operating structure, we identified and implemented significant annualised cost savings net of expansion activities of approximately £2m. Managing the Group's cost base continues to be a high priority.

Bloomsbury had the two highest selling books of the year in the Times list of Top Bestsellers of 2008 and three of the top ten. *A Thousand Splendid Suns* was number one, *The Tales of Beedle the Bard*, published by the Children's High Level Group charity was number two, and *The Kite Runner* was number eight.

In 2008 overall sales by value in the UK publishing industry, through UK retail outlets as tracked by Nielsen BookScan, showed a year-on-year decline of 1.5%, but a slight increase if Harry Potter is excluded from the 2007 figures. Other geographical markets have shown similar trends, although the relative value for money represented by books has mitigated the impact of overall consumer spending restraint.

Of greater concern than sales value is the threat to retailers and the potential reduction of outlets for book sales. To date, the only significant casualties in the UK have been Zavvi and the Woolworths Group, but a number of other customers in overseas territories have also failed. We have so far avoided material damage from these insolvencies and have benefited from our credit insurance where appropriate.

It has also been pleasing that both Bloomsbury USA and Berlin Verlag recorded profits in difficult markets.

Technology for the marketing and delivery of books is having an impact on the industry and opening up medium-term opportunities for new income streams and more effective customer contact. We are embracing these changes on many fronts and in particular now have a comprehensive digital archive for exploitation.

Financial performance

Revenue for the Group was £99.95m (2007, £150.21m). In 2007 we published *Harry Potter and the Deathly Hallows* which made a significant contribution during that financial year. Revenues from Continental Europe, which were generated by Berlin



Verlag, increased 35.6% to £11.57m (2007, £8.53m). Revenues from the US operations increased by 29.4% to £17.32m (2007, £13.39m).

Profit before tax for the Group was £11.63m (2007, £17.86m). Basic earnings per share was 10.67 pence (2007, 16.06 pence). Diluted earnings per share was 10.67 pence (2007, 15.63 pence).

At the year end the Group had increased its net cash balances to £51.91m (2007, £47.56m) after the net cash consideration of £7.43m (2007, £0.08m) paid for the four acquisitions made during the reporting period. We continue to invest in future growth through acquiring new authors, new titles and specialist publishing companies. Our strong balance sheet puts us in an excellent position to take advantage of these opportunities as they arise. As at 31 December 2008, the Group had under contract 1,139 titles (2007, 1,240) for future publication, with a gross investment of £26.44m (2007, £27.58m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £15.60m (2007, £16.32m).

Specialist Publishing Division

Expansion of the Specialist Division in 2008 has been underpinned by solid organic growth from **A&C Black** throughout the world and by a number of strategic acquisitions and partnerships. Acquisitions included:

- **Featherstone**, acquired in March 2008, a specialist educational publisher aimed at teachers and professionals who work with 0-7 year olds. The list is complementary to A&C Black's leading lists in primary education and teacher resources and is now successfully integrated into our schools sales and marketing organisation.
- **Berg Publishers**, acquired in September 2008, a specialist Oxford-based academic publisher of books and journals aimed at students and professionals in the subjects of design, fashion, anthropology, history and craft.
- **John Wisden & Co**, acquired in November 2008, is the UK's and the world's best-known sports yearbook, with its annual Almanack approaching its 150th anniversary. *Wisden Cricketers' Almanack* will join our other famous reference titles including *Who's Who*, *Whitaker's Almanack*, *Writers' & Artists' Yearbook* and best-selling sports books such as the *Know the Game* series. The great names in cricket have been contributors to Wisden, from Sir Neville Cardus to Mike Atherton,. New books for 2009 include *Wisden on the Ashes*.
- **The Arden Shakespeare**, purchased in December 2008, publishes the premier scholarly editions of Shakespeare worldwide. It is being integrated into Methuen Drama, a list which has shown strong organic growth since its acquisition in 2006, with a number of important new estates signed, including Arthur Miller and George



Bernard Shaw. We expect similar growth from Arden which will benefit from the global sales and marketing operation already in place for Methuen and in particular sales being handled through Bloomsbury USA's operation.

In September 2008, Bloomsbury launched its own scholarly imprint, **Bloomsbury Academic**, specialising initially in the humanities and social sciences. Publications will be available on the internet free of charge and will carry Creative Commons licences. Simultaneously, physical books will be produced and sold on normal business terms around the world. For the first time a major publishing company is opening up an entirely new imprint to be accessed easily and freely on the internet. By supporting scholarly communication in this way, our authors will be better served in the digital age.

In 2008 Bloomsbury's activities in database development and the Middle East were brought together within the Specialist Division under the umbrella of a new subsidiary, Bloomsbury Information Ltd. Excellent progress continues on *QFINANCE*, the finance information resource being developed as part of the strategic partnership with the Qatar Financial Centre Authority. This is due to launch as a book and an online portal in Autumn 2009.

In October 2008 Bloomsbury's new partnership with the Qatar Foundation (www.qf.org.qa), the Doha-based educational foundation, was announced at the Frankfurt Book Fair. This second significant agreement with Qatar is for the development of a three-fold business plan: firstly to publish books in Arabic and English, secondly to encourage reading and writing development initiatives, and thirdly to transfer publishing skills and knowledge to Qatar.

We appointed a new Business Development Director during the year to develop further database and IP projects, as these remain an area of focus for the Group.

Trade Publishing Division

Richard Charkin's appointment has had a hugely positive impact on the success and leadership of the Trade Publishing Division since he joined in the final quarter of 2007. 2008 has been a year of consolidating our strategy for acquiring rights across as many territories as possible, using digital infrastructure for the marketing, selling and delivery of titles, and ensuring our cost base is appropriate for the business.

In spite of the global downturn, we have been able to record good sales across all our publishing genres in our three key markets of USA, UK and Germany thanks to carefully targeted marketing, high-quality sales and distribution and excellent books. Clearly a number of retailers have suffered cash flow problems, but we have managed our exposure very carefully in order to protect our profits.

We have seen the benefits from actions taken in 2007 and early 2008 to reduce overhead and office costs and the renegotiation of key print, sales and distribution contracts.



On the digital front we have signed a significant deal for the distribution of our books on the Sony e-reader and other devices.

Children's

JK Rowling's *The Tales of Beedle the Bard*, published by the charity, The Children's High Level Group using Bloomsbury's editorial, design, production, sales and marketing, was the best-selling title of the year in many countries of the world. With this venture, we have raised a significant amount of money for the charity.

Wherever possible, we publish titles in English and in German for sale throughout the world so that we can keep prices as low as possible, a vital ingredient for the success of children's books in particular.

2009 will see a very strong roster of titles including new books from Sue Limb, Sally Grindley, Angie Sage, Debi Gliori, Shannon Hale and Children's Laureate, Michael Rosen.

Adult

2008 was an excellent year for the novels of Khaled Hosseini, even surpassing 2007's excellent sales. *The Kite Runner* and *A Thousand Splendid Suns* dominated best-seller lists in the UK, Germany, Australia, South Africa, India and many other territories. Other international successes included Kate Summerscale's *The Suspicions of Mr Whicher*, Elizabeth Gilbert's *Eat, Pray, Love*, Heston Blumenthal's *The Big Fat Duck Cookbook*, Alice Schroeder's biography of Warren Buffett, *The Snowball* and Jonathan Littell's controversial novel, *Die Wohlgesinnten*.

The strong programme continues in 2009 with exciting new titles from William Boyd, Margaret Atwood, David Kynaston, William Dalrymple, Hugh Fearnley-Whittingstall, Monty Don, Anne Michaels, Marc Fitten, Roger Boyes and Kamila Shamsie's; *Burnt Shadows* which has been long-listed for the Orange Prize.

Dividend

The Directors are recommending a final dividend of 3.47 pence per share (2007, 3.30 pence) making a total of 4.22 pence per share (2007, 4.00 pence) for the year. This represents a 5.5% increase in the full-year dividend. The final dividend will be payable on 1 July 2009 to Ordinary Shareholders on the register at the close of business on 20 May 2009.



Management and staff

I would like to thank our staff for their tremendous contribution to a very busy year where we have seen major strategic as well as operational achievements.

Current trading, developments and prospects

The Group has a number of strengths and opportunities in 2009 also a number of risks and areas of caution which have been heightened by the recession. Visibility of future revenue has been decreased due to the current uncertainty in the global market place, though books have fared better than many other consumer products.

In terms of potential bestsellers in 2009 our year started well with the paperback of *The Suspicions of Mr Whicher* reaching the number one position, and our list for the second half is as strong as it has ever been with new works by some of the world's greatest and most successful writers, including John Irving, Margaret Atwood and William Boyd. Having said this however, both unit sales of our bestsellers and our backlist bestsellers might be lower in the later part of 2009 than in 2008 due to caution in the world-wide booktrade and the possibility of losing whole distribution channels in the event that more key customers have liquidity problems or go out of business entirely.

In terms of rights and database deals and management contracts, the company had a strong 2008 with a number of long-term contracts having been signed. We also have very strong new projects on offer in 2009 which compare favourably to the same stage in 2008. Such deals depend on the strength and appetite of large third-party partners and it can not be ruled out that either the number of deals or the size of them will be affected by the impact of the global economy on those third parties later in the year. There is a risk, for instance, of decreased government spending on books in schools, universities and libraries.

We have a strong balance sheet with in excess of £50 million on deposit, and, though investment income will be less than in 2008 due to the reduction in interest rates, we are in a good position to expand our academic division, as we make new acquisitions, and to pursue organic growth for our existing divisions.

Nigel Newton
Chief Executive
31 March 2009



Financial Review

Results

Revenue for the Group was £99.95m (2007, £150.21m). The Group was working against an exceptionally strong comparative year as the final book in the Harry Potter series, *Harry Potter and the Deathly Hallows* had been launched in 2007. During 2008 Bloomsbury benefited from a number of publishing successes across the group, in particular *A Thousand Splendid Suns*, *The Kite Runner*, *The Tales of Beedle the Bard* and *Eat, Pray, Love*. The Group has also shown significant growth in long-term revenues generated from rights, database and management contracts.

Bloomsbury's primary segmental analysis is by geographic breakdown, which follows the Group's international publishing strategy. Revenue in the UK was £71.06m (2007, £128.29m). *Harry Potter and the Deathly Hallows* was launched in 2007. Profit before investment income was £8.15m (2007, £18.16m). US revenue increased by 29.4% to £17.32m (2007, £13.39m) which was primarily due to the success of titles such as *The Suspicions of Mr Whicher*, the sale of *The Tales of Beedle the Bard* into the Canadian territory, and increased rights and database income sales. Profit before investment income was £0.38m (2007, loss £1.64m). The impact on the US 2008 operating profit applying the average US Dollar exchange rate from 2007 is immaterial. For Continental Europe, revenue, which was generated by Berlin Verlag, increased 35.6% to £11.57m (2007, £8.53m) on the back of strong performances from authors including Khaled Hosseini and Jonathan Littell. Additional advance and stock provisions were taken during the year which resulted in a profit before investment income of £0.19m (2007, £0.28m). The impact on Berlin's 2008 operating profit applying the average Euro exchange rate from 2007 is immaterial.

The Group's secondary segmental disclosure is split into three main operating areas: Children's, Adult and Reference publishing. Under the current Group structure Children's and Adult form the Trade Publishing Division, and Reference the Specialist Publishing Division. All three segments operate in the UK, US and Germany. For 2008 the breakdown of revenue between the three areas was: Children's 38% (2007, 66%), Adult 42% (2007, 24%) and Reference 20% (2007, 10%).

Revenue in Children's was £38.33m (2007, £98.92m). *Harry Potter and the Deathly Hallows* was launched in July 2007 and was the main reason for the revenue decrease. However, there were strong performances during 2008 from *The Graveyard Book* by Neil Gaiman, *The Tales of Beedle the Bard* and the Harry Potter series of titles including the paperback of *Harry Potter and the Deathly Hallows*. Gross profit for Children's for 2008 was £17.10m (2007, £39.60m), with the contribution before administrative expenses of £13.65m (2007, £30.01m).

Adult revenue was £42.03m (2007, £35.85m). The revenue increase was driven by a number of strong selling titles including *The Kite Runner* (UK and Germany), *A*



Thousand Splendid Suns (UK and Germany), *Eat, Pray, Love* (UK and Germany), *The Big Fat Duck Cookbook* (UK and USA), *Just Me* (UK), *The Suspicions of Mr Whicher* (UK and US), *The Snowball* (UK) and *Die Wohlgesinnten* (Germany). Gross profit for Adult for 2008 increased 15.5% to £15.32m (2007, £13.26m), with the contribution before administrative expenses up 32.6% to £7.97m (2007, £6.01m).

Reference revenue increased 26.8% to £19.59m (2007, £15.45m). The revenue growth was primarily due to the increase in value of income recognised on rights and database income deals during the year and the revenues from the acquisition of Featherstone, Berg and Wisden. Arden Shakespeare was acquired on 31 December 2008 with no contribution to the Income Statement in 2008. The gross profit for 2008 was up 71.6% to £10.83m (2007, £6.31m), with the contribution before administrative expenses up 161.4% to £6.90m (2007, £2.64m).

Rights revenue, which includes subsidiary rights, electronic database income, management contracts and income derived from third-party agencies, increased 77.5% to £9.30m (2007, £5.24m). The profit attributable to this revenue was £5.84m (2007, £2.95m). £4.50m (2007, £1.92m) of the profit was generated in the Specialist Publishing Division and £1.34m (2007, £1.03m) was generated in the Trade Publishing Division. The growth in rights and database income includes income from paperback renewals in US, the Macmillan English Dictionary Database, income from the digital edition of Who's Who, *QFINANCE* and the strategic partnership with the Qatar Foundation.

Gross profit for the Group for the year was £43.25m (2007, £59.17m). Gross profit margin increased to 43.3% (2007, 39.4%). The increase in the gross profit margin was primarily due to lower royalty costs charged to the Income Statement than in 2007 and the increased contribution from higher margin rights revenues. Royalty costs decreased to £13.96m (2007, £44.00m) and represented 14.0% of revenues (2007, 29.3% of revenues). Royalty rates vary according to the type of books published in any particular year. Provisions against unearned advances charged to the Income Statement were £9.13m (2007, £9.23m) and represented 9.1% of revenues (2007, 6.1% of revenues). Within the provision for unearned advances of £9.13m made during the year is an additional amount provided on the basis that in light of the current economic climate management does not consider those amounts to be recoverable. The value of the additional write-off of author advances to the Income Statement is £5.4m. Books returned by customers are credited to the returns provision. In addition there was a write-back in the returns provision relating to the provision brought forward from 2007 which, as a result of the level of returns actually received during 2008, is no longer required. The value of the write-back to the Income Statement is £5.1m. Stock provisions charged to the Income Statement decreased to £2.83m (2007, £4.30m) and represented 2.8% of revenues (2007, 2.9% of revenues).

Marketing and distribution costs decreased by 28.1% to £14.74m (2007, £20.51m). The variable element of these costs decreased in line with revenue. Administrative expenses decreased 9.3% to £20.11m (2007, £22.18m), due in part to cost reductions made during 2007 and 2008, and a reduction in the IFRS2 options charge to £0.19m (2007, £1.01m) as a result of the performance conditions not being met.



Profit before investment income was £8.40m (2007, £16.48m).

Investment income increased by 122.3% to £3.29m (2007, £1.48m) primarily as a result of higher average cash balances during the year and higher rates of interest earned on those balances.

The effective corporation tax rate for the year was 32.6% (2007, 33.9%). The decrease in the rate from 2007 mainly reflects profits generated in the US offset against brought-forward tax losses, the partial write-down of the deferred tax asset of Bloomsbury USA, the lower share-based payment charge for which tax relief will not be given until the relevant options are exercised, and certain expenses that are permanently disallowable for tax purposes. The Group continues to recognise deferred tax assets in respect of tax losses of Bloomsbury USA and Berlin Verlag which we expect will be utilised in the foreseeable future.

Basic earnings per share was 10.67 pence (2007, 16.06 pence). Diluted earnings per share was 10.67 pence (2007, 15.63 pence).

Balance sheet

Non-current assets

Intangible assets increased to £27.54m (2007, £17.72m) primarily due to the acquisition of four companies during the year, namely Featherstone, Berg, Wisden and Arden Shakespeare. In addition there was an exchange gain of £1.4m (2007, £0.02m) which was taken to the translation reserve on the goodwill of the overseas subsidiaries.

Current assets

Inventories increased 15.1% to £16.59m (2007, £14.41m). The main factors leading to the increase was the movement on the USD / sterling exchange rate for our US operation, the Euro / sterling exchange rate for our German operation, an increase in the number of series titles published in the Specialist Division and the stock acquired on the four acquisitions made during the year.

Trade and other receivables decreased 35.7% to £48.98m (2007, £76.21m). Trade receivables decreased 51.7% to £22.94m (2007, £47.53m). At the end of 2007, there were outstanding receivables relating to the sale of *Harry Potter and the Deathly Hallows*, which was published during that year and cash was received during 2008. Since books sold are generally returnable by customers, the Group makes a provision against books sold in the accounting period. The unused provision at the year-end is then carried forward as an offset to trade receivables in the balance sheet, in anticipation of further book returns subsequent to the year end. A provision for the Group of £7.78m (2007,



£13.03m) for future returns relating to 2008 and prior year sales has been carried forward in trade receivables in the balance sheet at 31 December 2008. This provision at margin represents 7.8% (2007, 8.7%) of revenues. Within trade and other receivables, prepayments and accrued income decreased 7.9% to £25.71m (2007, £27.91m) due to provisions of £9.13m (2007, £9.23m) against advances to authors on titles published ('advance provisions'). There is also a reduction in the amount invested in future unpublished titles.

Equity and liabilities

As at 31 December 2008 total equity stood at £113.67m (2007, £100.07m). The increase was due to retained earnings of £4.76m (2007, £9.11m), shares issued as part consideration for the acquisition of Berg, the translation gain of consolidation of the assets and liabilities of overseas subsidiaries, and the increase in the share-based payment reserve due to the share-based payment charge for the year of £0.19m (2007, £1.01m).

Current liabilities decreased 44.2% to £32.92m (2007, £58.95m). Accruals and deferred income, which is included in trade and other payables, decreased to £24.01m (2007, £47.04m). Accruals and deferred income includes royalty payments to authors, which vary from year to year depending on turnover and the authors' royalty rates which typically escalate on triggered thresholds as volume sales increase.

Cash flow

The Group had a net cash inflow from operating activities before tax of £16.34m for the year (2007, £26.60m). Cash generation was particularly strong for the UK operation as a result of the continued success of titles, such as *A Thousand Splendid Suns*, *The Kite Runner* and *Eat, Pray, Love*, and cash received from long-term rights and database contracts. Corporation tax paid during the year was £6.18m (2007, £1.93m). The amount paid in 2007 included the impact of a claw-back of corporation tax over-paid on account for the 2006 financial year. During the year £3.03m (2007, £1.35m) of interest was received from deposits, and £2.98m (2007, £2.72m) of dividends were paid. £7.43m, net of cash acquired, was spent on the four companies acquired during the year (2007, £0.08m). The Group's net cash on the balance sheet as at 31 December 2008 was £51.91m (2007, £47.56m).

Colin Adams ACA
Group Finance Director
31 March 2009



CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2008

	Notes	2008	2007
		Total £'000	Total £'000
Revenue	2	99,948	150,211
Cost of sales		(56,698)	(91,042)
Gross profit		43,250	59,169
Marketing and distribution costs		(14,742)	(20,513)
Administrative expenses		(20,109)	(22,181)
Profit before investment income, finance costs and tax		8,399	16,475
Investment income		3,285	1,480
Finance costs		(51)	(99)
Profit before taxation		11,633	17,856
Income tax expense	3	(3,793)	(6,052)
Profit for the year, attributable to equity holders of the parent company		7,840	11,804
Basic earnings per share	5	10.67p	16.06p
Diluted earnings per share	5	10.67p	15.63p



**CONSOLIDATED BALANCE SHEET
at 31 December 2008**

	2008 £'000	2007 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,443	1,877
Intangible assets	27,543	17,716
Deferred tax assets	2,152	1,848
Total non-current assets	31,138	21,441
Current assets		
Inventories	16,589	14,406
Trade and other receivables	48,982	76,213
Cash and cash equivalents	51,908	47,558
Total current assets	117,479	138,177
TOTAL ASSETS	148,617	159,618
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent company		
Ordinary shares	922	920
Share premium	39,388	39,191
Capital redemption reserve	20	20
Share-based payment reserve	2,305	2,114
Translation reserve	7,554	(899)
Retained earnings	63,483	58,723
Total equity	113,672	100,069
Liabilities		
Non-current liabilities		
Deferred tax	1,451	135
Retirement benefit obligations	18	77
Other payables	558	390
Total non-current liabilities	2,027	602



Current liabilities		
Trade and other payables	32,603	55,852
Current tax liabilities	315	3,095
Total current liabilities	<u>32,918</u>	<u>58,947</u>
Total liabilities	<u>34,945</u>	<u>59,549</u>
TOTAL EQUITY AND LIABILITIES	<u>148,617</u>	<u>159,618</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE
TO THE EQUITY HOLDERS OF THE PARENT**

	Ordinary shares £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Transl ation reserv e £'000	Retained earnings £'000	Total £'000
Balances at 1 January 2007	918	38,915	20	1,104	(1,236)	49,612	89,333
Exchange differences on translating foreign operations	-	-	-	-	337	-	337
Deferred tax on share-based payments	-	-	-	-	-	25	25
Income recognised directly in equity	-	-	-	-	337	25	362
Profit for the year	-	-	-	-	-	11,804	11,804
Total recognised income and expense for the year	-	-	-	-	337	11,829	12,166
Share-based payment charges	-	-	-	1,010	-	-	1,010
Dividends	-	-	-	-	-	(2,718)	(2,718)
Share issues	2	276	-	-	-	-	278
Balances at 31 December 2007	920	39,191	20	2,114	(899)	58,723	100,06 9



Exchange differences on translating foreign operations	-	-	-	-	8,453	-	8,453
Deferred tax on share-based payments	-	-	-	-	-	34	34
	—	—	—	—	—	—	—
Income recognised directly in equity	-	-	-	-	8,453	34	8,487
Profit for the year	-	-	-	-	-	7,840	7,840
	—	—	—	—	—	—	—
Total recognised income and expense for the year	-	-	-	-	8,453	7,874	16,327
Share-based payments	-	-	-	191	-	-	191
Dividends	-	-	-	-	-	(2,980)	(2,980)
Share issues	2	197	-	-	-	-	199
Purchase of shares by the Employee Benefit Trust	-	-	-	-	-	(134)	(134)
	—	—	—	—	—	—	—
Balances at 31 December 2008	922	39,388	20	2,305	7,554	63,483	113,672
	—	—	—	—	—	—	—



CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008

	2008	2007
	£'000	£'000
Cash flows from operating activities		
Profit before tax	11,633	17,856
Adjustments for:		
Depreciation of property, plant and equipment	844	680
Amortisation of intangible assets	102	35
Goodwill impairment	111	-
(Profit) / loss on sale of property, plant and equipment	(12)	1
Share-based payment charges	191	1,010
Investment income	(3,285)	(1,480)
Finance costs	51	99
	9,635	18,201
Decrease in inventories	38	1,540
Decrease / (increase) in trade and other receivables	33,350	(28,113)
(Decrease) / increase in trade and other payables	(26,686)	34,971
	16,337	26,599
Cash generated from operations		
Income taxes paid	(6,183)	(1,928)
	10,154	24,671
Cash flows from investing activities		
Purchase of property, plant and equipment	(354)	(230)
Proceeds from sale of property, plant and equipment	30	9
Purchase of businesses, net of cash acquired	(7,433)	(75)
Interest received	3,026	1,349
	(4,731)	1,053
Net cash (used in) / generated from investing activities		
Cash flows from financing activities		
Issue of share capital	-	278
Purchase of shares by the Employee Benefit Trust	(134)	-
Equity dividends paid	(2,980)	(2,718)
Interest paid	(51)	(99)
	(3,165)	(2,539)
Net cash used in financing activities		
Net increase in cash and cash equivalents	2,258	23,185
Cash and cash equivalents at beginning of period	47,558	24,304
Exchange gain on cash and cash equivalents	2,092	69



Cash and cash equivalents at end of period

51,908

47,558



NOTES

1. The above financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The above figures for the year ended 31 December 2008 are an abridged version of the Company's accounts which will be reported on by the Company's auditors before dispatch to the shareholders and filing with the Registrar of Companies.

The consolidated financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). The accounting policies applied in 2008 are consistent with those applied in the Financial Statements for 2007.

The statutory accounts for the year ended 31 December 2007 have been lodged with the Registrar of Companies. These accounts received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 237(2) or section 237(3) of the Companies Act 1985.



2. Segmental analysis

Geographical segments

The Group considers that as the main thrust of its growth is to develop its international publishing strategy, the primary segmental reporting should be based on geographical segments by assets. The analysis by geographical segment is shown below.

Year ended 31 December 2008

	United Kingdom	North America	Continental Europe	Unallocated eliminations, costs, assets and liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Revenue					
External sales	71,062	17,317	11,569	-	99,948
Inter-segment sales *	-	-	213	(213)	-
Total revenue	71,062	17,317	11,782	(213)	99,948
Result					
Segment result	8,152	378	185	-	8,715
Unallocated central costs	-	-	-	(316)	(316)
Profit / (loss) before investment income	8,152	378	185	(316)	8,399
Investment income	-	-	-	3,285	3,285
Finance costs	-	-	-	(51)	(51)
Profit / (loss) before taxation	8,152	378	185	2,918	11,633
Income tax expense	-	-	-	(3,793)	(3,793)
Profit / (loss) for the year	8,152	378	185	(875)	7,840
Other Information					
Capital additions	292	25	37	-	354
Depreciation	804	15	25	-	844
Amortisation of intangible assets	67	35	-	-	102
Profit on sale of property, plant and equipment	12	-	-	-	12
Goodwill impairment	111	-	-	-	111
Share-based payment charges	191	-	-	-	191

Balance Sheet ASSETS



Segment assets	124,996	24,692	10,091	(13,314)	146,465
Unallocated assets – tax assets	-	-	-	2,152	2,152
Total assets	<u>124,996</u>	<u>24,692</u>	<u>10,091</u>	<u>(11,162)</u>	<u>148,617</u>
LIABILITIES					
Segment liabilities	39,787	3,709	2,997	(13,314)	33,179
Unallocated liabilities – tax liabilities	-	-	-	1,766	1,766
Total liabilities	<u>39,787</u>	<u>3,709</u>	<u>2,997</u>	<u>(11,548)</u>	<u>34,945</u>

* Inter-segment sales are charged at prevailing market rates.



2. Segmental analysis (continued)

Year ended 31 December 2007

	United Kingdom	North America	Continental Europe	Unallocated eliminations, costs, assets and liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Revenue					
External sales	128,290	13,392	8,529	-	150,211
Inter-segment sales *	-	-	911	(911)	-
Total revenue	128,290	13,392	9,440	(911)	150,211
Result					
Segment result	18,160	(1,644)	283	-	16,799
Unallocated central costs	-	-	-	(324)	(324)
Profit / (loss) before investment income	18,160	(1,644)	283	(324)	16,475
Investment income	-	-	-	1,480	1,480
Finance costs	-	-	-	(99)	(99)
Profit / (loss) before taxation	18,160	(1,644)	283	1,057	17,856
Income tax expense	-	-	-	(6,052)	(6,052)
Profit / (loss) for the year	18,160	(1,644)	283	(4,995)	11,804
Other Information					
Capital additions	198	5	27	-	230
Depreciation	650	10	20	-	680
Amortisation of intangible assets	-	35	-	-	35
(Loss) on sale of property, plant and equipment	(1)	-	-	-	(1)
Share-based payment charges	1,010	-	-	-	1,010
Balance Sheet					
ASSETS					
Segment assets	149,279	18,759	13,534	(23,802)	157,770
Unallocated assets – tax assets	-	-	-	1,848	1,848
Total assets	149,279	18,759	13,534	(21,954)	159,618
LIABILITIES					
Segment liabilities	53,991	17,896	8,234	(23,802)	56,319
Unallocated liabilities – tax	-	-	-	3,230	3,230



liabilities					
Total liabilities	53,991	17,896	8,234	(20,572)	59,549

External sales by destination

<i>Destination</i>	<i>Source</i> United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
<i>Year ended 31 December 2008</i>				
United Kingdom	48,585	-	-	48,585
North America	2,038	16,729	-	18,767
Continental Europe	7,748	-	11,569	19,317
Australasia	5,947	-	-	5,947
Far and Middle East	4,986	588	-	5,574
Rest of the world	1,758	-	-	1,758
Total external sales	<u>71,062</u>	<u>17,317</u>	<u>11,569</u>	<u>99,948</u>
<i>Year ended 31 December 2007</i>				
United Kingdom	74,598	-	-	74,598
North America	8,494	13,392	-	21,886
Continental Europe	24,992	-	8,529	33,521
Australasia	10,060	-	-	10,060
Far and Middle East	7,664	-	-	7,664
Rest of the world	2,482	-	-	2,482
Total external sales	<u>128,290</u>	<u>13,392</u>	<u>8,529</u>	<u>150,211</u>



2. Segmental analysis (continued)

Business segments

The Group's business is organised in three operating areas: Adult, Children's and Reference. The following table provides the breakdown of revenue and profit before investment income for these areas.

Year ended 31 December 2008

	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
Revenue	42,031	38,330	19,587	-	99,948
Cost of sales	(26,713)	(21,229)	(8,756)	-	(56,698)
Gross profit	15,318	17,101	10,831	-	43,250
Marketing and distribution costs	(7,353)	(3,454)	(3,935)	-	(14,742)
Segment result	7,965	13,647	6,896	-	28,508
Administrative expenses	-	-	-	(20,109)	(20,109)
Profit / (loss) before investment income	7,965	13,647	6,896	(20,109)	8,399
Investment income	-	-	-	3,285	3,285
Finance costs	-	-	-	(51)	(51)
Profit / (loss) before taxation	7,965	13,647	6,896	(16,875)	11,633
Income tax expense	-	-	-	(3,793)	(3,793)
Profit / (loss) for the year	7,965	13,647	6,896	(20,668)	7,840

Year ended 31 December 2007

	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
Revenue	35,845	98,916	15,450	-	150,211
Cost of sales	(22,585)	(59,316)	(9,141)	-	(91,042)
Gross profit	13,260	39,600	6,309	-	59,169
Marketing and distribution costs	(7,248)	(9,595)	(3,670)	-	(20,513)
Segment result	6,012	30,005	2,639	-	38,656



Administrative expenses	-	-	-	(22,181)	(22,181)
Profit / (loss) before investment income	<u>6,012</u>	<u>30,005</u>	<u>2,639</u>	<u>(22,181)</u>	<u>16,475</u>
Investment income	-	-	-	1,480	1,480
Finance costs	-	-	-	(99)	(99)
Profit / (loss) before taxation	<u>6,012</u>	<u>30,005</u>	<u>2,639</u>	<u>(20,800)</u>	<u>17,856</u>
Income tax expense	-	-	-	(6,052)	(6,052)
Profit / (loss) for the year	<u>6,012</u>	<u>30,005</u>	<u>2,639</u>	<u>(26,852)</u>	<u>11,804</u>

Due to the seasonality of the business, the Group's sales and operating profits are weighted towards the second half of the year.



3. Taxation

(a) Tax charge for the year

	2008 £'000	2007 £'000
Based on the profit for the year:		
UK corporation tax	3,195	6,493
(Over) / under provision in respect of prior year	-	(277)
Overseas taxation – current year	197	(39)
	<hr/> 3,392	<hr/> 6,177
Deferred tax		
– UK	109	159
– Overseas	292	(284)
	<hr/> 3,793	<hr/> 6,052

(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 (28.5%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before taxation	11,633	17,856
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007, 30%)	3,315	5,357
<i>Effects of:</i>		
Reduction in tax rates	-	190
Non-deductible revenue expenditure	19	254
Income not taxable	(12)	-
Non-qualifying depreciation	64	-
Share-based payments	95	348



Indexation allowance	(28)	-
Different rates of tax on overseas results	79	(247)
Tax losses not utilised	266	549
Adjustment to tax charge in respect of previous periods		
- current tax	(3)	(277)
- deferred tax	(2)	(122)
Tax charge for the year	<u>3,793</u>	<u>6,052</u>

4. Dividends

For the prior year

A final dividend for 2007 of 3.30 pence per share (£2,428,000) was paid to the equity shareholders on 1 July 2008, being the amount proposed by the directors, and subsequently approved by the shareholders at the 2008 Annual General Meeting (2007, final dividend for 2006 paid in 2007 of 3.00 pence per share, £2,203,000).

For the current year

On 18 November 2008 an interim dividend of 0.75 pence per share (£552,000) was paid to the equity shareholders (2007, 0.70 pence per share, £515,000).

The directors propose that a final dividend of 3.47 pence per share will be paid to the equity shareholders on 1st July 2009. Based on the number of shares currently in issue, the final dividend will be £2,557,000 (2007, £2,428,000). This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

5. Earnings per share

The basic earnings per share has been calculated by reference to earnings of £7,840,000 (2007, £11,804,000) and a weighted average number of Ordinary Shares in issue after deducting 88,760 shares held by the Employee Benefit Trust of 73,503,495 (2007, 73,518,044). The diluted earnings per share has been calculated by reference to earnings of £7,840,000 (2007, £11,804,000) a weighted average number of Ordinary Shares of 73,506,869 (2007, 75,529,183) which takes account of share options and awards.



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

	2008	2007
	Number	Number
Weighted average number of shares for basic earnings per share	73,503,495	73,518,044
Dilutive effect of share options and awards	3,374	2,011,139
	<hr/>	<hr/>
Weighted average number of shares for diluted earnings per share	73,506,869	75,529,183
	<hr/>	<hr/>

The earnings per share are shown below:

	2008	2007
Basic earnings per share	10.67	16.06p
	<hr/>	<hr/>
Diluted earnings per share	10.67	15.63p
	<hr/>	<hr/>



6. Annual General Meeting

The Annual General Meeting will be held at 12 noon on Friday 29 May 2009 at 36 Soho Square, London W1D 3QY.

7. Report and Accounts

Copies of the Report and Accounts will be circulated to shareholders in May and viewed after the posting date on the Bloomsbury website.

Colin Adams ACA
Group Finance Director
31 March 2009