

CHAIRMAN'S STATEMENT

OVERVIEW

Bloomsbury has produced a strong set of interim results for the half year ending 30 June 2005, reflecting the success of new titles and the increasing international expansion of the Group. The figures, including comparatives, have been prepared in accordance with International Financial Reporting Standards. We had a number of strong titles in the first half which included the paperback editions of *The Promise of Happiness* by Justin Cartwright and *The Two of Us* by Sheila Hancock which went to number one in the non-fiction bestseller list. The integration of Walker Publishing Company, Inc. into our US operation is proceeding well and is expected to be substantially completed by the end of September. Our German operation produced an improved performance.

Revenue for the first six months increased 14.3% to £35.37m (2004, £30.94m) and benefited in part from the release from the UK into the export markets of *Harry Potter and the Half-Blood Prince*. Gross profit, which also benefited from the economies of scale achieved on the printing of the export copies of *Harry Potter and the Half-Blood Prince*, increased 25.1% to £17.58m (2004, £14.05m), with the gross margin rising to 49.7% (2004, 45.4%).

Marketing and distribution costs were 59.5% higher at £6.49m (2004, £4.07m) and as a percentage of turnover they increased to 18.3% (2004, 13.1%). The increase was due, in part, to the higher distribution and commission costs incurred in the export release of *Harry Potter and the Half-Blood Prince* and the marketing and distribution costs of Walker being incurred for the first time. Administrative expenses increased 10.9% to £7.66m

(2004, £6.91m), primarily due to increased salary costs from expansion of the Group, including Walker costs for the first time. As a percentage of turnover, administrative expenses decreased slightly to 21.7% (2004, 22.3%).

Interest income reduced by 22.1% to £0.67m (2004, £0.86m) mainly as a result of lower average cash balances. Finance costs were reduced to £0.02m (2004, £0.31m) due to loan note redemptions and a one-off interest charge of £0.30m in 2004 relating to prior years' corporation tax.

Profit before tax and exceptional items increased 12.4% to £4.08m (2004, £3.63m.). The effective rate of corporation tax for the six months was 29.8% (2004, 21.2%). In 2004, there was an exceptional gain on the disposal of a freehold warehouse which was closed during the year and a loss on sale of the Blue Guides List. There was no capital gains tax liability on the disposal due to indexation and other allowances. The tax rate also takes account of other allowances such as share options. In view of the reducing number of share options held by employees, it is assumed that an equivalent deduction will not be available in the second half of 2005. As a consequence, the effective tax rate applied to the results for the first six months ended 30 June has been set at a rate which takes account of the expected lower deduction in the second half of 2005.

Basic earnings per share before exceptional gain increased 9.0% to 3.99 pence (2004, 3.66 pence).

Net cash outflow for the Group for the first six months of the year was £4.88m (30 June

2004, inflow £2.92m). In 2004 the Group received the proceeds from the sale of the freehold of the warehouse less costs of the re-organisation. In the first six months of 2005 the Group paid corporation tax of £2.62m (2004, £1.62m). In addition, there was a working capital investment in the Group's forward publishing programme and in the lead up to the publication of *Harry Potter and the Half-Blood Prince*. As a result net cash balances at 30 June decreased 16.7% to £23.89m (31 December 2004, £28.68m).

INTERIM DIVIDEND

The directors have declared a 14.9% increase in the interim dividend to 0.600 pence per share (2004, 0.522 pence per share), which will be paid on 18 November 2005 to shareholders on the register at close of business on 4 November 2005. The increase in the dividend takes account of the profit growth and cash-generating capability of the Group, as well as the need to retain funds to respond to opportunities for future expansion and acquisition growth.

OPERATIONAL REVIEW

Children's

The Children's division prepared successfully for the launch of *Harry Potter and the Half-Blood Prince* on 16 July. The book broke all previous first day sales records not only for Harry Potter titles but also for any other book, achieving sales of 2,009,574 in the first 24 hours in the UK alone, up 13.1% on last time. The launch of the latest Harry Potter title also stimulated sales of the five earlier books, both in the UK and in the export markets. The film, *Harry Potter and the Goblet of Fire*, will be released in November 2005 and should support strong continuing sales.

The Children's list got off to an excellent start at the beginning of 2005 with a number one hardback best seller *Magyk*, by Angie Sage. Two other titles were short-listed for the Carnegie medal, *Al Capone Does My Shirts* by Gennifer Choldenko and *Heartbeat* by previous Carnegie medal winning author Sharon Creech.

The expansion of the Children's list continues. Children's series are strong sellers in the trade and it is part of the Children's division's growth plan to develop more series. We have acquired 14 Alexander McCall Smith backlist titles, which will be published between October this year and July 2006. Development of the relatively new pre-school list is also progressing well with 17 titles now scheduled for publication in 2006.

Alfred Kropp by Rick Yancey, which is being published in the second half of this year, has already been sold in nine languages. Other big titles for the rest of the year include a first novel *Elsewhere* by Gabrielle Zevin which is being published in the autumn and has had good support from booksellers and excellent advance reviews.

Adult

The paperback list this year is expected to dominate revenues in the Adult division. 2005 began with the publication of the paperback edition of Justin Cartwright's *The Promise of Happiness*, which was featured on the Richard & Judy TV programme and went on to become one of our big selling titles in the first half. *The Two of Us* was released in paperback in June and went straight to number one in the paperback non-fiction bestseller list. Anchee Min's *Empress Orchid* has also been one of our big selling titles.

The publishing programme in the second

half of the year is strong. We have a new novel by John Irving, *Until I Find You*, and the paperback edition of *Jonathan Strange & Mr Norrell* by Susanna Clarke. Leading non-fiction titles include an authorised biography of *Laurence Olivier*, *The Naming of Names*, a ground-breaking new book by Anna Pavord, author of *The Tulip*, and an exciting new project from Ben Schott, *Schott's Almanac*.

The market for non-fiction continues to be buoyant. To increase our presence in this market we have appointed a new Publishing Director, Michael Fishwick. He joins from HarperCollins where for the last 20 years he has published a list of prize-winning bestselling non-fiction titles including works by William Dalrymple, Amanda Foreman, Baroness Thatcher, Sir John Major, Mikhail Gorbachev and many of Britain's finest historians.

Reference & Electronic Media

The first half of 2005 saw the successful integration of the Bloomsbury Reference and Electronic Media division with A&C Black which became a single operating unit within A&C Black from 1 July. This will enable greater marketing focus for the list and ensure that maximum value is derived from backlist revenues.

Who's Who attracted widespread publicity on its publication in January, with the new entries published as a special supplement to The Times newspaper each day for the week of publication. For the first time, *Who's Who* has been made available as a book and online package to single users.

Highlights for the spring included the publication of the new edition of the *Bloomsbury Concise Dictionary*, the 41st edition of *Black's Medical Dictionary*, which has now sold over 1 million copies in

all editions, and the *RSPB Children's Guide to Bird Watching*, the latest bestseller in our publishing relationship with the RSPB.

A&C Black will publish a number of important titles this autumn, including *The Sunday Times Rich List* available on book and CD Rom. The latest addition to the Whitaker's publication programme is *Whitaker's World of Facts*, a new family reference book by renowned author, researcher and trivia collector Russell Ash.

International Expansion

Bloomsbury USA and Walker Publishing Company, Inc.

The integration of Bloomsbury USA and Walker Publishing is making good progress. To achieve operational efficiencies, we have combined the publicity, marketing, production and art departments. A new finance function has been created in the USA to complete the integration process and to develop the infrastructure for the next phase of the division's growth. The move to the new distributor is also working well for Walker. Following the success of Bloomsbury USA's recent publishing programme, which included *Jonathan Strange & Mr Norrell*, *Schott's Food & Drink Miscellany* and *The Line of Beauty* in hardback, and the acquisition and integration of Walker, we have now achieved the scale and visibility in the marketplace to compete with the larger publishing houses while making the most of an extremely focused, productive and cost-conscious structure.

The publication of titles that were originally launched in the UK continues in the USA. In the second half of the year we will launch the paperback of *Jonathan Strange & Mr Norrell* which will be the biggest in Bloomsbury USA's history. *Schott's*

Sporting Gaming and Idling Miscellany is due for publication in the autumn. In Children's publishing we expect to see success with the launches of *Alfred Kropp*, *Drift House* by Dale Peck, *Akimbo and the Lions* and *Akimbo and the Elephants* by Alexander McCall Smith.

Berlin Verlag

Our German operations have produced a stronger financial performance in the first half, reflecting the international expansion of the Group. Titles originally published in the UK and USA are being successfully launched in Germany through our fully-owned business. The year's sales started well, boosted by the presence of *Schotts Sammelsurium* (*Schott's Original Miscellany*) on the Der Spiegel bestseller list for 52 weeks.

The paperback list continues to grow, particular success coming in the first half from strong backlist sales of Khaled Hosseini's *Drachenläufer* (*The Kite Runner*), a title that continues to sell well for Bloomsbury in the UK.

Berlin Verlag's sales reps now sell Bloomsbury UK's English-language titles in Germany with key titles being warehoused at our German distributor, ProLit. Consequently we can supply our English-language titles direct to a much wider range of German bookshops. The successful launch of *Harry Potter and the Half-Blood Prince* in Germany, where pre-publication orders exceeded those of previous editions and re-orders have been strong, shows the potential of this new arrangement in a market where the importance of English-language books is increasing.

Prospects for the second half of 2005 are good, and we expect Berlin Verlag to perform well. Ben Schott's *Sammelsurium*

remains in the Der Spiegel top ten bestseller list, and early indications are positive for the second Ben Schott, *Schotts Sammelsurium Essen & Trinken* (*Schott's Food and Drink Miscellany*). All four Berlin Verlag imprints have strong autumn lists. The Berlin Verlag fiction list features two long-awaited books by leading authors: *Späte Familie* (*Late Family*) by Zeruya Shalev appeared in late August and Ingo Schulze's new novel, *Neue Leben* (*New Lives*) will be published in October.

We anticipate that the success of last year's hardback fiction debut by Susanna Clarke, *Jonathan Strange & Mr Norrell*, will be mirrored when Berlin publishes the German paperback edition in late autumn.

The Children's list continues to expand in breadth and depth. Many of the key titles for the autumn are shared with other Bloomsbury affiliated companies in the UK and USA, including M.I. McAllister's *Urchin von den Sternschuppen* (*Urchin of the Riding Stars*) which has, even before publication, won the 2005 Leander Prize.

OUTLOOK

The publishing programme for the second half of the year is an exciting one with books from some of our bestselling authors along with potential bestsellers from new authors. The performance of the latest Harry Potter title demonstrates its enduring ability to attract new audiences.

Our overseas operations in the USA and Germany continue to build on their successes and show that the Group's capacity to publish its titles in the world's three largest book markets is producing clear benefits. The infrastructure of Bloomsbury USA will be fully in place this year allowing it to move into its next phase of growth. Berlin Verlag continues to build on its successes

and over the coming years will become a more significant part of the Group's operations. The board remains confident of a satisfactory outcome to the year and reiterates its expectations that profit before tax and goodwill impairment, if any, will be not less than £20 million. Prospects into 2006 and beyond are strong as we expand our publishing list and develop our international operations.



Nigel Newton
Chairman
13 September 2005

CONSOLIDATED RESULTS

The consolidated unaudited income statement for the six months ended 30 June 2005 was as follows:

	Notes	6 months ended 30 June 2005 (unaudited) £'000	6 months ended 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000
Revenue	2	35,367	30,937	84,449
Cost of sales		(17,789)	(16,883)	(42,270)
Gross profit		17,578	14,054	42,179
Marketing and distribution costs		(6,486)	(4,065)	(11,377)
Administrative expenses		(7,656)	(6,906)	(15,854)
Operating profit	2	3,436	3,083	14,948
Profit on sale of fixed assets in continuing operations		-	1,091	1,076
Loss on sale of publishing assets		-	(79)	(77)
Reorganisation costs in continuing operations		-	(456)	(582)
Profit before investment income		3,436	3,639	15,365
Investment income		666	857	1,669
Finance costs		(18)	(306)	(337)
Profit before taxation		4,084	4,190	16,697
Income tax expense		(1,219)	(890)	(3,956)
Profit for the period		2,865	3,300	12,741
Basic earnings per share	3	3.99p	4.68p	17.98p
Diluted earnings per share	3	3.91p	4.54p	17.66p

CONSOLIDATED BALANCE SHEET

	30 June 2005 (unaudited) £'000	30 June 2004 (unaudited) £'000	31 December 2004 (audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,233	822	776
Goodwill	15,204	11,366	13,872
Publishing rights	355	-	354
Total non-current assets	16,792	12,188	15,002
Current assets			
Inventories	17,513	14,735	11,614
Trade and other receivables	52,873	25,308	43,468
Cash and cash equivalents	24,242	32,388	29,120
Total current assets	94,628	72,431	84,202
TOTAL ASSETS	111,420	84,619	99,204
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	900	884	894
Share premium	36,848	34,626	35,763
Capital redemption reserve	20	20	20
Share based payment reserve	298	141	217
Translation reserve	133	(60)	2
Retained earnings	37,298	27,148	36,206
Total equity	75,497	62,759	73,102
Non-current liabilities			
Deferred tax	-	3	-
Employee benefits	97	97	102
Total non-current liabilities	97	100	102
Current liabilities			
Trade and other payables	34,087	19,596	22,792
Short-term borrowings	353	1,064	445
Current tax payable	1,386	1,100	2,763
Total current liabilities	35,826	21,760	26,000
Total liabilities	35,923	21,860	26,102
TOTAL EQUITY AND LIABILITIES	111,420	84,619	99,204

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances at 1 January 2004	876	33,967	20	65	-	25,023	59,951
Exchange differences on translating foreign operations	-	-	-	-	(60)	-	(60)
Profit for the period	-	-	-	76	-	3,300	3,376
Dividends	-	-	-	-	-	(1,175)	(1,175)
Share issues	8	659	-	-	-	-	667
Balances at 30 June 2004	884	34,626	20	141	(60)	27,148	62,759
Exchange differences on translating foreign operations	-	-	-	-	62	-	62
Profit for the period	-	-	-	76	-	9,441	9,517
Dividends	-	-	-	-	-	(383)	(383)
Share issues	10	1,137	-	-	-	-	1,147
Balances at 31 December 2004	894	35,763	20	217	2	36,206	73,102
Exchange differences on translating foreign operations	-	-	-	-	131	-	131
Profit for the period	-	-	-	81	-	2,865	2,946
Dividends	-	-	-	-	-	(1,773)	(1,773)
Share issues	6	1,085	-	-	-	-	1,091
Balances at 30 June 2005	900	36,848	20	298	133	37,298	75,497

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 June 2005

	6 months ended 30 June 2005 (unaudited) £'000	6 months ended 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000
Cash flows from operating activities			
Net profit before tax	4,084	4,190	16,697
Adjustments for:			
Depreciation of property, plant and equipment	152	162	323
Amortisation of publishing rights	18	-	-
Profit on sale of property, plant and equipment	(3)	(1,091)	(1,076)
Share based payment charges	81	76	152
Investment income	(666)	(857)	(1,669)
Finance costs	18	306	337
	3,684	2,786	14,764
(Increase) / decrease in inventories	(5,910)	(2,289)	1,162
(Increase) / decrease in trade and other receivables	(10,158)	5,138	(10,955)
Increase / (decrease) in trade and other payables	9,631	(3,876)	(605)
Cash (used in) / generated from operations	(2,753)	1,759	4,366
Income taxes paid	(2,618)	(1,624)	(3,707)
Net cash (outflow) / inflow from operating activities	(5,371)	135	659
Cash flows from investing activities			
Purchase of property, plant and equipment	(607)	(90)	(210)
Proceeds from sale of property, plant and equipment	-	1,415	1,412
Purchase of subsidiaries	(33)	(7)	(3,296)
Sale of publishing assets	-	111	111
Interest received	666	857	1,669
Cash acquired with subsidiaries	-	-	50
Net cash generated from / (used in) investing activities	26	2,286	(264)
Cash flows from financing activities			
Share options exercised	510	584	1,607
Equity dividends paid	-	-	(1,558)
Interest paid	(18)	(6)	(32)
Repayment of loans	(26)	(83)	(764)
Net cash generated from / (used in) financing activities	466	495	(747)
Net (decrease) / increase in cash and cash equivalents	(4,879)	2,916	(352)
Cash and cash equivalents at beginning of period	29,120	29,472	29,472
Unrealised exchange gain on cash and cash equivalents	1	-	-
Cash and cash equivalents at end of period	24,242	32,388	29,120

ACCOUNTING POLICIES UNDER IFRS

The accounting policies used in the preparation of the accounts for the six months ended 30 June 2005 are consistent with those used in the statutory accounts for the year ended 31 December 2004, except insofar as is necessary to comply with International Financial Reporting Standards, as explained elsewhere in this document.

(a) ACCOUNTING CONVENTION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

(b) GOODWILL AND INTANGIBLE ASSETS

Goodwill, being the excess of the cost of acquisition over the fair value of assets acquired, is capitalised as an intangible asset.

In accordance with IFRS 3, goodwill has been frozen at its net book value at 1 January 2004 and is not amortised, but instead is subject to annual impairment reviews. Any impairment losses are recognised immediately in the income statement.

Negative goodwill is credited to the income statement in the period in which it arises.

Other intangible assets are capitalised and amortised over their expected useful lives at the following rates:

Publishing Rights	-	10%
-------------------	---	-----

(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. Turnover from book publishing is recognised from the date of invoice. Turnover from the sale of publishing and distribution rights, including film, paperback, electronic, overseas publishing rights and sponsorship, is recognised at the time such sales are achieved.

(d) STOCKS AND WORK IN PROGRESS

Stocks include paper, sheets and bound stock. The cost of work in progress and finished stock represents the amounts invoiced to the Group for paper, origination, printing and binding. Stocks are valued at the lower of cost and net realisable value.

(e) DEPRECIATION

Property, plant and equipment 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.

(f) ROYALTY ADVANCES TO AUTHORS

Advances to authors are written off to the extent that 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 temporary differences between the carrying amount and the tax bases of assets and liabilities. Deferred tax assets are only included in the financial statements 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 closing rates of exchange at the balance sheet date. Income statements and cash flows of overseas subsidiary companies are translated into sterling at average exchange rates for the year.

Exchange differences arising from the retranslation of opening net assets and income statements at closing rates of exchange are dealt with as movements in equity. All other exchange differences are charged or credited to the income statement.

(i) OPERATING LEASES

Operating lease rentals are charged to the income statement as they fall due.

(j) PENSION COSTS

Pension costs relating to defined contribution pension schemes are charged to the income statement in the period for which contributions are payable.

Until 1997 a subsidiary company operated a defined benefits scheme. The liability in respect of the defined benefits scheme is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the scheme's assets.

In accordance with IFRS 1, the Group has recognised the pension liability in full as at 1 January 2004. The current service cost, interest on scheme liabilities and all actuarial gains and losses are recognised in the income statement.

(k) SHARE-BASED PAYMENT

Charges for employees' services received in exchange for share-based payment have been made for all options granted after 7 November 2002 in accordance with IFRS 2.

Options granted under the Group's share option schemes are equity settled. The fair value of such options has been calculated using the Black Scholes model, based on publicly available market data, and is charged to the income statement over the vesting period.

(l) CONSOLIDATION

The consolidated financial statements comprise the accounts of the Company and its subsidiaries at the year end. The results of the subsidiaries are accounted for in the income statement from the date of acquisition.

NOTES TO THE ACCOUNTS

1. Interim accounts

The figures for the six months ended 30 June 2005 do not comprise full accounts. The financial information included in this document has been approved by the Directors. The figures relating to the year ended 31 December 2004 have been derived from the statutory accounts for the year, adjusted to comply with International Financial Reporting Standards. The statutory accounts for the year ended 31 December 2004, which received an unqualified audit report, have been lodged with the Registrar of Companies. The next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union.

2. Segmental analysis

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. The analysis by geographical segment is shown below.

Revenue	6 months	6 months	Year
	ended 30 June 2005 (unaudited) £'000	ended 30 June 2004 (unaudited) £'000	ended 31 December 2004 (audited) £'000
United Kingdom	31,027	27,670	71,564
North America	2,319	2,136	8,985
Continental Europe	2,021	1,131	3,900
	<u>35,367</u>	<u>30,937</u>	<u>84,449</u>
Segment result	6 months	6 months	Year
	ended 30 June 2005 (unaudited) £'000	ended 30 June 2004 (unaudited) £'000	ended 31 December 2004 (audited) £'000
United Kingdom	3,487	4,198	16,899
North America	83	(430)	(543)
Continental Europe	(44)	(679)	(1,405)
	<u>3,526</u>	<u>3,089</u>	<u>14,951</u>
Unallocated central costs	(90)	(6)	(3)
	<u>3,436</u>	<u>3,083</u>	<u>14,948</u>

3. Earnings per share

The earnings per share for the six months to 30 June 2005 is based on the profit after taxation of £2,865,000 (2004, £3,300,000) and on a weighted average number of Ordinary Shares in issue of 71,878,716 (2004, 70,534,904). The earnings per share for the twelve months to 31 December 2004 is based on the profit after taxation of £12,741,000 and a weighted average number of Ordinary Shares in issue of 70,841,627. The diluted earnings per share for the six months to 30 June 2005 has been calculated by reference to a weighted average number of Ordinary Shares of 73,293,754 (2004, 72,707,392, year ended 31 December 2004, 72,135,053) which takes account of share options.

4. Post balance sheet events

The directors have proposed an interim dividend of 0.600 pence per share (2004, 0.522 pence per share), which will be paid on 18 November 2005 to shareholders on the register at close of business on 4 November 2005. Based on the number of shares in issue at 30 June 2005, the interim dividend will be £432,000 (2004, £383,000). At 31 December 2004, the dividend proposed by the directors but not provided in the financial statements was 2.478 pence per share.

EFFECT OF CHANGES IN ACCOUNTING POLICIES ON THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2004 AND THE YEAR ENDED 31 DECEMBER 2004

Full reconciliations of the results for the six months ended 30 June 2004 and the year ended 31 December 2004 and the equity at those dates and at 1 January 2004 between UK GAAP and IFRS are set out on pages 17 to 21. The main changes are explained below.

IFRS 3 – BUSINESS COMBINATIONS

IFRS 3 requires that goodwill on acquisitions should be capitalised at cost and subject to impairment reviews at each reporting date. Amortisation of goodwill is not permitted.

Bloomsbury has taken advantage of the option to apply IFRS 3 prospectively from the date of transition to IFRS (1 January 2004), rather than restate earlier business combinations. Goodwill has therefore been frozen at net book value at 1 January 2004 and goodwill which was amortised in 2004 under UK GAAP has been written back.

In respect of the acquisition of Walker Publishing Company, Inc. on 31 December 2004, the goodwill arising on the acquisition has been reassessed and other identifiable intangible fixed assets, included within goodwill under UK GAAP, have been separated out in accordance with the principles of IFRS 3 and IAS 38. These intangible assets, which comprise only publishing rights with a fair value of £354,000 at the date of acquisition, will be subject to systematic amortisation charges in accordance with IAS 38, with the unallocable balance, representing the goodwill on the acquisition, being subject to periodic impairment reviews. As the acquisition of Walker Publishing Company, Inc. took place on 31 December 2004, no amortisation was charged in the UK GAAP accounts in 2004 and there is therefore no effect on the reported profit for that year.

The effect on operating profit for the year ended 31 December 2004 of the adoption of IFRS 3 is an increase of £675,000, representing the elimination of the goodwill amortisation charge. There is no goodwill impairment charge for 2004. As the amortisation charge in 2004 was in respect of goodwill not eligible for tax relief, the writing back of the amortisation does not result in any change to the tax charge.

IFRS 2 – SHARE BASED PAYMENT

The IFRS income statement includes a charge under IFRS 2 for employee share options granted after 7 November 2002. The fair value has been calculated using the Black Scholes model with the resulting charge spread over the vesting period. The charge for the year ended 31 December 2004 is £152,000 and the cumulative charge to that date is £217,000.

Corporation tax relief is given at the time that options are exercised on the difference between the exercise price and the market value of the shares at that date. Consequently the share based payment charge gives rise to a temporary difference, in respect of which a deferred tax asset has been recognised.

IAS 19 – EMPLOYEE BENEFITS

Under UK GAAP, the Group had been making disclosures in its financial statements for a number of years under the transitional provisions of Financial Reporting Standard 17, but had not yet applied FRS 17 in full at 31 December 2004. IAS 19 is broadly similar to FRS 17, in that it requires surpluses or deficits on defined benefit pension schemes to be recognised on the balance sheet.

IAS 19 permits a number of options for the recognition of actuarial gains and losses. Bloomsbury has decided to recognise any variations in full in the income statement.

The impact on the Group balance sheet at 31 December 2004 is to recognise a gross pensions deficit of £102,000 and a related deferred tax asset of £31,000. The profit before taxation for the year ended 31 December 2004 is reduced by £10,000 and there is a deferred tax credit of £4,000 for the year.

IAS 21 – THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Under UK GAAP, Bloomsbury chose to fix acquired overseas goodwill in sterling at the exchange rate ruling on the dates of the relevant acquisitions. Under IAS 21, goodwill must be denominated in local currencies and retranslated into sterling at each reporting date at closing exchange rates. The effect of this change is to increase the carrying value of goodwill in the Group balance sheet at 31 December 2004 by £4,000.

Under IAS 21, translation differences in respect of the Company's investment in overseas subsidiary companies are included as a separate reserve within shareholders' equity. In accordance with the exemption in paragraph 22 of IFRS 1, the Company has deemed the opening balance on the translation reserve at 1 January 2004 to be zero.

IAS 10 – EVENTS AFTER THE BALANCE SHEET DATE

Under IAS 10 only dividends declared before the balance sheet date may be included in the financial statements as a liability. As the final dividend for 2004 was declared at the annual general meeting on 30 June 2005, this has been removed from the financial statements at 31 December 2004, increasing net assets by £1,773,000.

IAS 7 – CASH FLOW STATEMENTS

The format of the cash flow statement is different under IAS 7 from its UK GAAP equivalent, FRS 1. Cash flows are now shown under the three broad headings of Operating, Investing and Financing Activities and some cash flows have been reclassified as a result.

CONCLUSION

Adoption of IFRS has not had a significant effect on Bloomsbury's reported results and has had no effect on its cash flows for the six months ended 30 June 2004, or for the year ended 31 December 2004. There has also been no significant effect on shareholders' equity at those dates.

RECONCILIATIONS TO UK GAAP FINANCIAL STATEMENTS

INCOME STATEMENT RECONCILIATIONS

1. Six months ended 30 June 2004

	UK GAAP £'000	Adjustments to comply with IAS £'000	IAS £'000
Revenue	30,937	-	30,937
Cost of sales	(16,883)	-	(16,883)
Gross profit	14,054	-	14,054
Marketing and distribution costs	(4,065)	-	(4,065)
Administrative expenses	(6,830)	(76) (i)	(6,906)
Goodwill amortisation	(337)	337 (ii)	-
Operating profit	2,822	261	3,083
Profit on sale of fixed assets in continuing operations	1,091	-	1,091
Loss on sale of publishing assets	(79)	-	(79)
Reorganisation costs in continuing operations	(456)	-	(456)
Profit before investment income	3,378	261	3,639
Investment income	857	-	857
Finance costs	(301)	(5) (iii)	(306)
Profit before taxation	3,934	256	4,190
Income tax expense	(914)	24 (iv)	(890)
Profit for the period	3,020	280	3,300
Basic earnings per share	4.28p	0.40p	4.68p
Diluted earnings per share	4.15p	0.39p	4.54p

INCOME STATEMENT RECONCILIATIONS

2. Year ended 31 December 2004

	UK GAAP	Adjustments to comply with IAS	IAS
	£'000	£'000	£'000
Revenue	84,449	-	84,449
Cost of sales	(42,270)	-	(42,270)
Gross profit	42,179	-	42,179
Marketing and distribution costs	(11,377)	-	(11,377)
Administrative expenses	(15,702)	(152)(i)	(15,854)
Goodwill amortisation	(675)	675 (ii)	-
Operating profit	14,425	523	14,948
Profit on sale of fixed assets in continuing operations	1,076	-	1,076
Loss on sale of publishing assets	(77)	-	(77)
Reorganisation costs in continuing operations	(582)	-	(582)
Profit before investment income	14,842	523	15,365
Investment income	1,669	-	1,669
Finance costs	(327)	(10)(iii)	(337)
Profit before taxation	16,184	513	16,697
Income tax expense	(4,005)	49 (iv)	(3,956)
Profit for the period	12,179	562	12,741
Basic earnings per share	17.19p	0.79p	17.98p
Diluted earnings per share	16.88p	0.78p	17.66p

- (i) Adjustment to comply with IFRS2
(ii) Adjustment to comply with IFRS3
(iii) Adjustment to comply with IAS 19
(iv) Deferred tax asset in respect of adjustments (i) and (iii)

EQUITY RECONCILIATIONS

1. At 1 January 2004

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Previously reported under UK GAAP	876	33,967	20	-	-	23,958	58,821
Change in accounting policy to comply with IAS 10 (Dividends)	-	-	-	-	-	1,175	1,175
Change in accounting policy to comply with IFRS 2 (Share options)	-	-	-	65	-	(65)	-
Deferred tax asset in respect of share based payment charge (IAS 12)	-	-	-	-	-	20	20
Change in accounting policy to comply with IAS 19 (Employee benefits)	-	-	-	-	-	(65)	(65)
Restated under IFRS	876	33,967	20	65	-	25,023	59,951

EQUITY RECONCILIATIONS

2. At 30 June 2004

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Previously reported under UK GAAP	884	34,626	20	-	-	26,549	62,079
Reallocation of translation differences on equity of overseas subsidiaries to translation reserve (IAS 21)	-	-	-	-	(60)	60	-
Change in accounting policy to comply with IAS 10 (Dividends)	-	-	-	-	-	369	369
Change in accounting policy to comply with IFRS 2 (Share options)	-	-	-	141	-	(141)	-
Deferred tax asset in respect of share based payment charge (IAS 12)	-	-	-	-	-	42	42
Change in accounting policy to comply with IFRS 3 (Goodwill)	-	-	-	-	-	337	337
Change in accounting policy to comply with IAS 19 (Employee benefits)	-	-	-	-	-	(68)	(68)
Restated under IFRS	884	34,626	20	141	(60)	27,148	62,759

EQUITY RECONCILIATIONS

3. At 31 December 2004

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Previously reported under UK GAAP	894	35,763	20	-	-	33,979	70,656
Reallocation of translation differences on equity of overseas subsidiaries to translation reserve (IAS 21)	-	-	-	-	(2)	2	-
Change in accounting policy to comply with IAS 10 (Dividends)	-	-	-	-	-	1,773	1,773
Change in accounting policy to comply with IFRS 2 (Share options)	-	-	-	217	-	(217)	-
Deferred tax asset in respect of share based payment charge (IAS 12)	-	-	-	-	-	65	65
Change in accounting policy to comply with IFRS 3 (Goodwill)	-	-	-	-	-	675	675
Change in accounting policy to comply with IAS 19 (Employee benefits)	-	-	-	-	-	(71)	(71)
Change in accounting policy to comply with IAS 21 (Goodwill on acquisition of overseas subsidiaries)	-	-	-	-	4	-	4
Restated under IFRS	894	35,763	20	217	2	36,206	73,102

INDEPENDENT REVIEW REPORT TO BLOOMSBURY PUBLISHING PLC

NOTES:

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accounting policies and related notes set out on pages 6 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, therefore in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the requirements of IFRS 1, "First Time Adoption of International Financial Reporting Standards" relevant to interim reports.


The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because the directors anticipate that certain IFRSs, which have yet to be formally adopted for use in the EU, may be so adopted in time to be applicable to the next annual financial statements.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.



Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST
13 September 2005

NOTES: