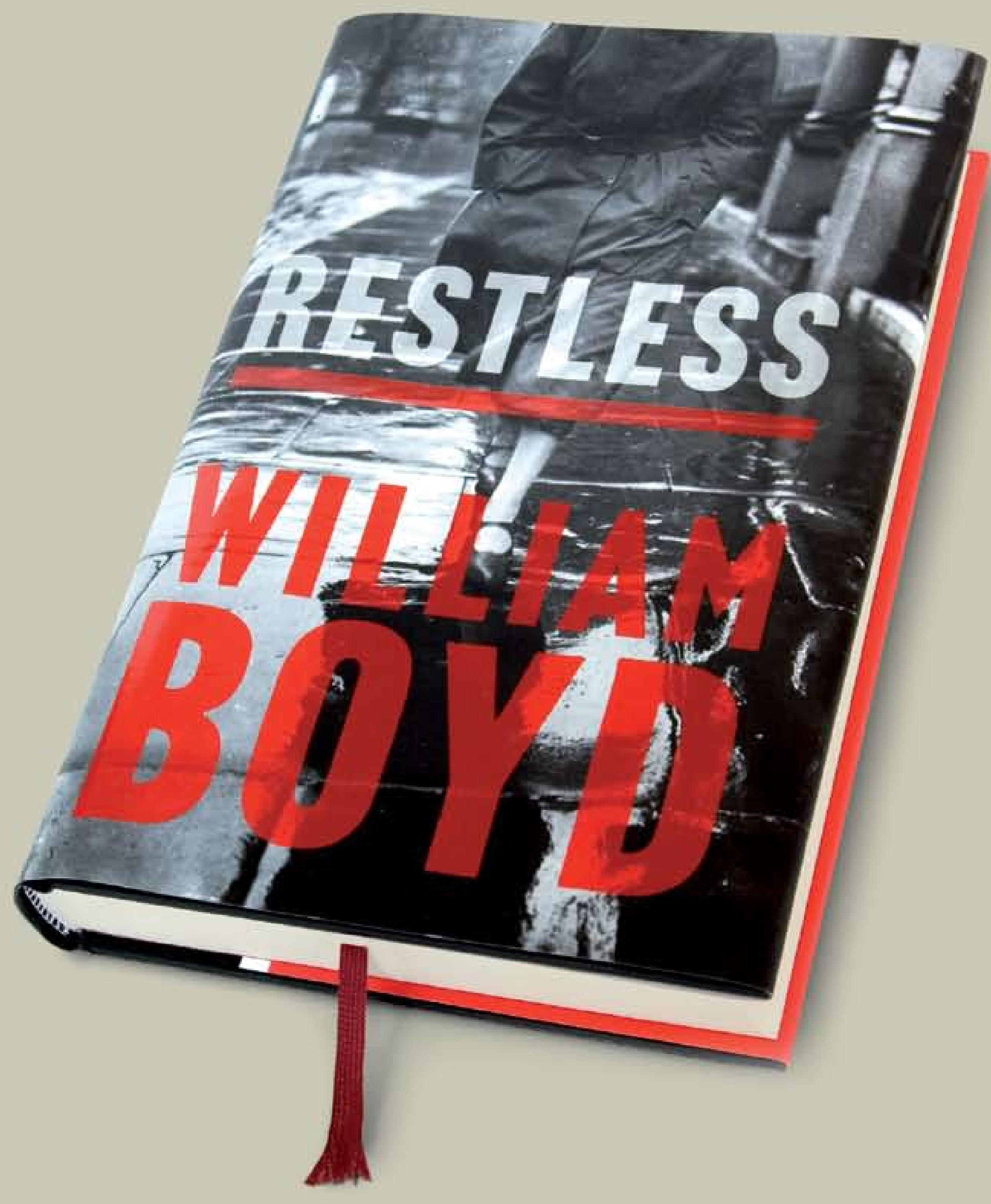


BLOOMSBURY PUBLISHING PLC

ANNUAL REPORT AND ACCOUNTS 2005

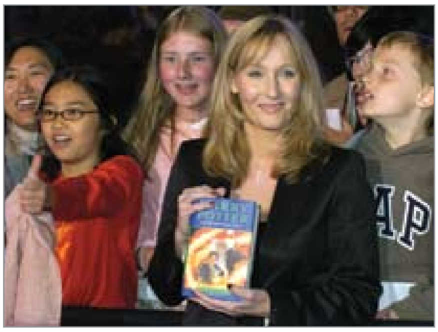
"We achieved much in 2005, building our book list, expanding the number of our authors and improving the performance of our international operations. We have made particularly good progress in positioning the Group for growth in the future.

2006 has got off to a good start, in line with the Board's expectations and with a number of bestsellers on both sides of the Atlantic. Our position as an international publisher is now firmly established and we expect to see further benefits from this and the new areas of publishing that we are entering in the current year and beyond."

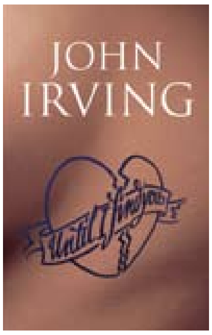
Nigel Newton
Chairman

Contents:

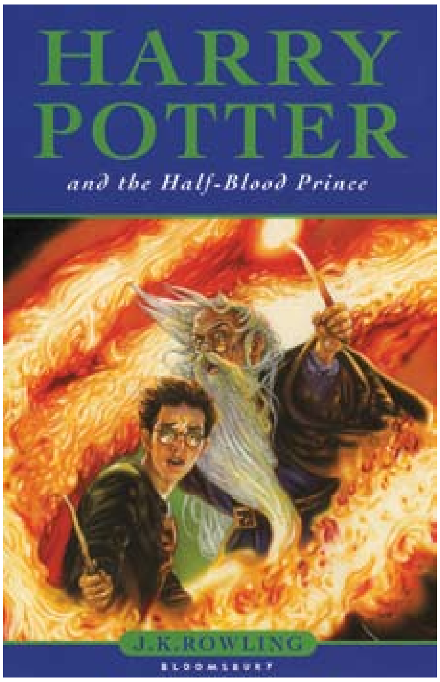
A record 2,009,574 copies of *Harry Potter and the Half-Blood Prince* were sold in the first 24 hours of publication in the UK (source: Nielsen BookScan).

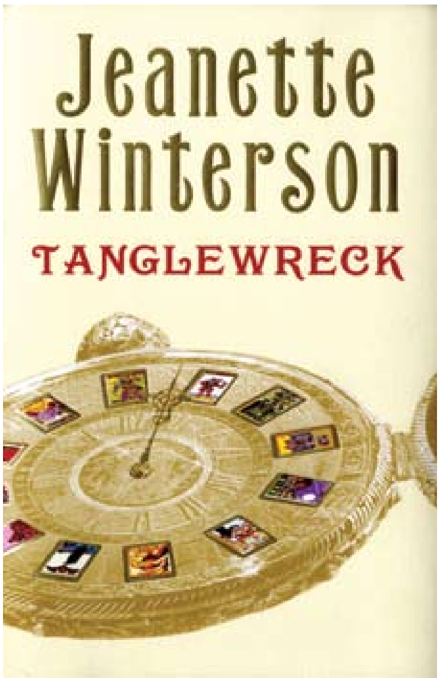


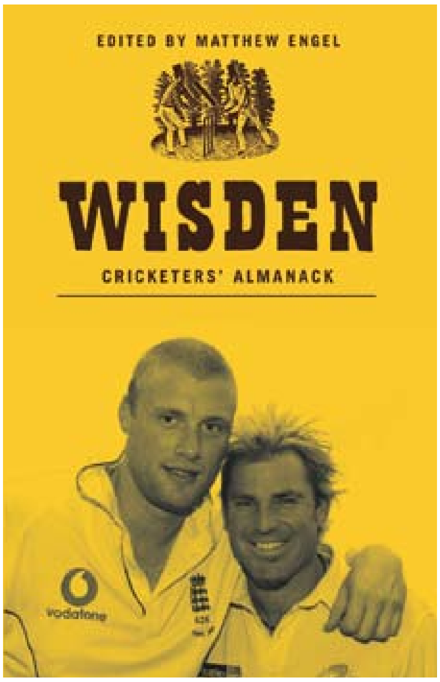
The Book of the Year Award at the 2006 British Book Awards goes to *Harry Potter and the Half-Blood Prince.*

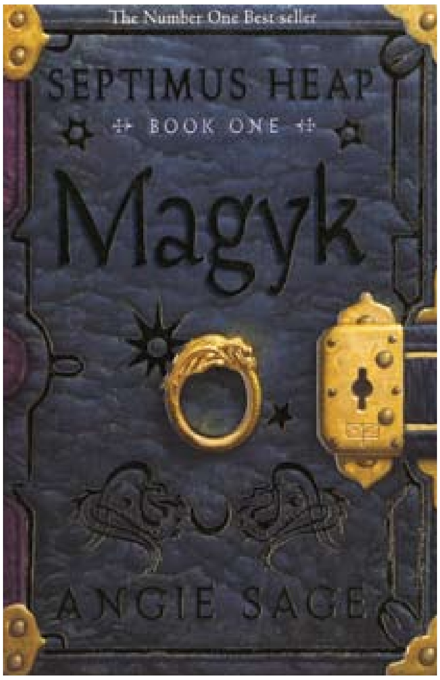


August 2005 saw the publication of John Irving's eleventh novel *Until I Find You.*









Magyk, the first of the Septimus Heap series, became a bestseller in 2005. Its sequel, Flyte, was published in March 2006.

Highlights

	UK GAAP* **2001** £m	UK GAAP* **2002** £m	UK GAAP* **2003** £m	IFRS* **2004** £m	IFRS* **2005** £m
Revenue	61.140	68.016	83.114	84.449	109.108
Profit before taxation, goodwill amortisation and exceptional items	9.353	11.124	15.381	16.280	20.127
Basic earnings per share before goodwill amortisation and exceptional items (p)**	9.60	11.54	16.45	17.12	20.30

* The Company adopted International Financial Reporting Standards (IRFS) with effect from 1 January 2004, and the figures for 2004 and 2005 are under IFRS. The figures for 2001 to 2003 are under UK generally accepted accounting practice (UK GAAP) before goodwill amortisation.

** after 4 for 1 share in June 2003

Revenue

+29.2%

Revenue increased 29.2%to £109.11m (2004, £84.45m).

Pre-tax profit

+23.6%

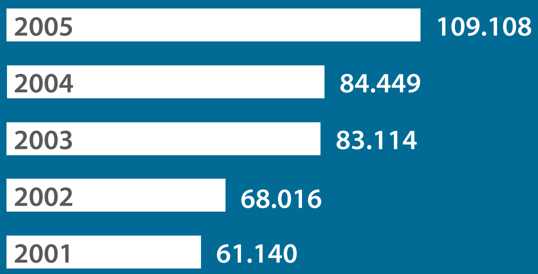
Pre-tax profit before exceptional gain improved 23.6% to £20.13m (2004, £16.28m).

Basic earnings per share

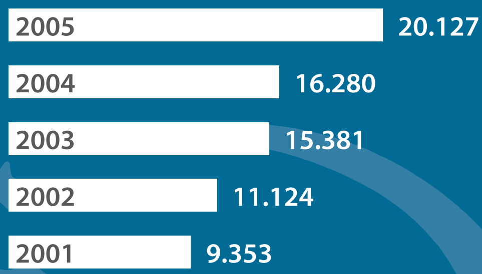
+18.6%

Basic earnings per share before exceptional gain rose 18.6% to 20.30p (2004, 17.12p).

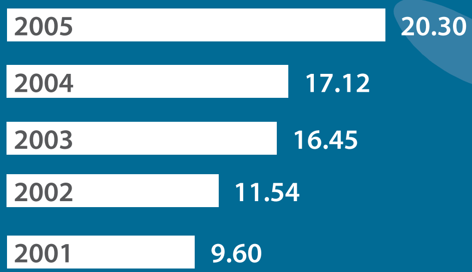
Revenue - £m*



Profit before taxation, goodwill amortisation and exceptional items - £m*



Basic earnings per share before goodwill amortisation and exceptional items - pence*



Final dividend

+21.1%

Final dividend increased 21.1% to 3.0p (2004, 2.478p). Total dividend for the year increased by 20.0% to 3.60p (2004, 3.00p).

Investment

+7.5%

Investment in future titles at the year end up 7.5% at £22.41m (2004, £20.85m).

A significant investment in new business initiatives to drive future organic growth.

New commissioning editors have been appointed.

Up to £15m allocated for advances for new publishing area in music, TV, film and sport.

Our international presence is now clearly established and operations in US and Germany are performing well.

A good start to the current year, in line with the Board's expectations, with a strong pipeline of new titles.

Chairman's statement

Overview

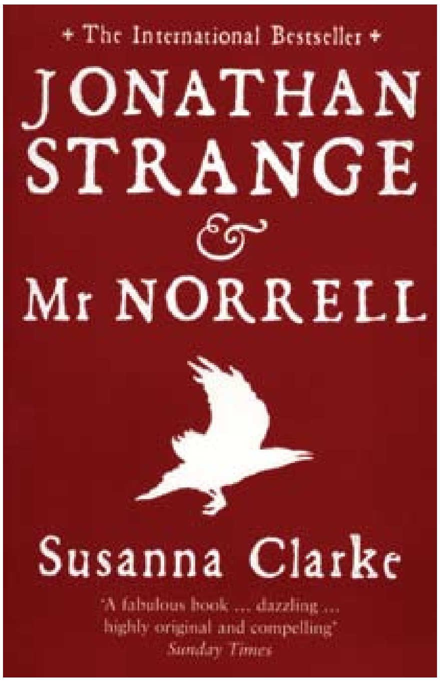
The significant publishing achievements of last year allowed us to meet our forecast made to the market this time last year of profit before tax of not less than £20.0 million. In recognition of this performance and our good start to the current year, we are raising the total dividend for 2005 by 20% to 3.60p (2004, 3.00p).

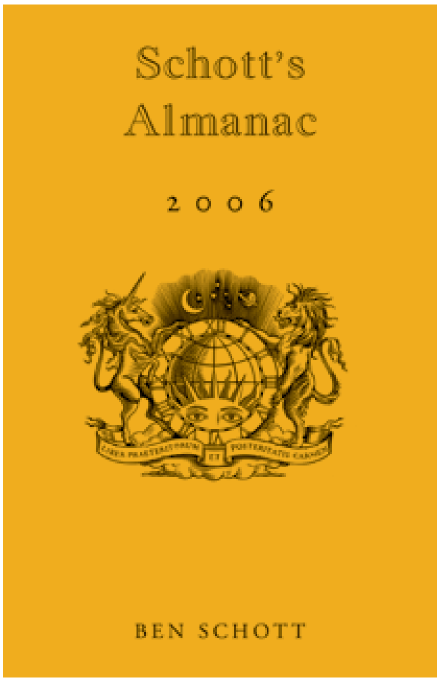
The launch of *Harry Potter and the Half-Blood Prince* on 16 July broke all previous sales records both in the UK and in our other territories around the world. As we look to the future, we continue to see new launches for the Harry Potter series. The paperback edition of *Harry Potter and the Half-Blood Prince* will be launched in 2006, followed by the launch of the seventh book in the series, which is as yet unscheduled, and then the paperback edition of that book approximately twelve months later. In addition, there will be launches of boxed-set editions of seven books in the series when it is complete plus the launch of celebratory editions to coincide with film releases, of which the fifth is scheduled for July 2007. The cloth-bound gift edition of the seven books is also likely to become a major collector's item. In addition, under our joint venture with HNP, we will be releasing further audio editions of Harry Potter in 2006 as the audio backlist moves over to us from the BBC. We therefore envisage at least five more years of a variety of Harry Potter launches before it changes gear into the significant backlist life that awaits it. It will probably constitute one of the most significant backlists in modern publishing history.

2005 was also a successful year for Bloomsbury Paperbacks with bestselling paperback releases of *The Two of Us* by Sheila Hancock in June and *Jonathan Strange & Mr Norrell* by Susanna Clarke in September. One of our best paperbacks for the year was a backlist title, *The Kite Runner* by Khaled Hosseini, which sold more in 2005 than in previous years, and the acceleration of this remarkable book in the marketplace has continued in 2006.

The Schott's Miscellany series has been one of the most successful in the Group's history and the challenge was how to transform the three one-off successes into a series. We have succeeded in doing this with the successful launch of *Schott's Almanac* in November 2005 – a title which will now be an annuity for many years to come with new editions currently scheduled for both 2006 and 2007. In addition we will publish completely localised editions in America and Germany as well as the UK.

Edinburgh Castle – The launch of *Harry Potter and the Half-Blood Prince* at one minute past midnight on 16 July 2005 was broadcast to millions around the globe.





“We envisage at least five more years of a variety of Harry Potter launches… It will probably constitute one of the most significant backlists in modern publishing history.”

Chairman's statement

Finally, 2005 was the year of Berlin. In the two years since we acquired Berlin Verlag, we have turned the company around from losses to an operating profit in 2005 of £0.64m (2004, loss of £0.50m before re-organisation costs). This has been an important achievement, based on hard work by our colleagues in Berlin, the introduction of some outstanding titles for translation into German from our UK list, publication of novels by Ingo Schulze and Zeruya Shalev, improved cost controls and the benefits of selling Bloomsbury UK's English language titles in Germany. Above all, it is a testament to the benefits of our strategy of having an international publishing operation and cross-selling books across three major markets.

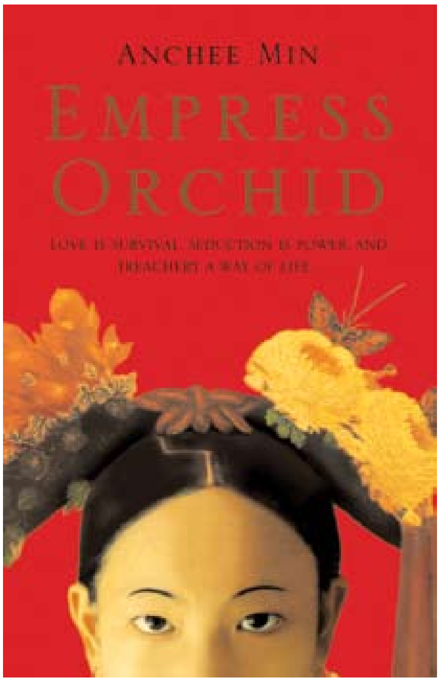
We enter 2006 anticipating the paperback edition of *Harry Potter and the Half-Blood Prince* being launched to coincide with the Celebration of British Children's Literature at Buckingham Palace on 25 June at the time of Her Majesty the Queen's 80th birthday celebrations.

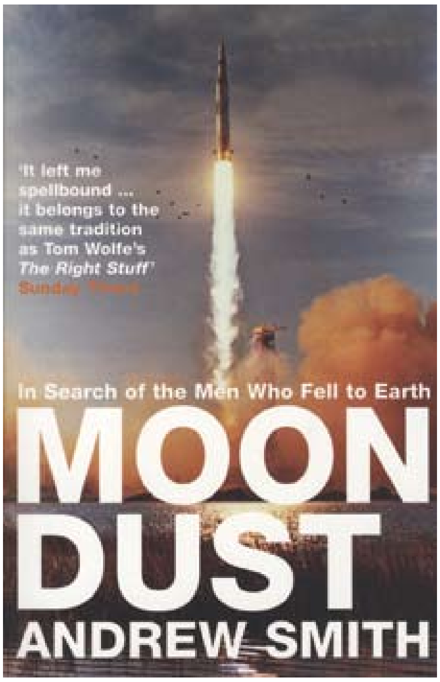
We begin 2006 with the strongest list we have ever assembled, with outstanding new books from a wide variety of authors – both established and new - including Joanna Trollope, A. C. Grayling, William Boyd, William Dalrymple, David Blunkett, Ben Schott, Richard Ford, Patrick McCabe, Margaret Atwood, Jay McInerney, Alexander McCall Smith, Louis Sachar, Patricia Duncker, James Runcie, Bruce Robinson, Philip Reeve, Angie Sage, Louis Baum, Jeanette Winterson, Douglas Coupland, Kamran Nazeer, Edward Said, Kurt Vonnegut, Ronan Bennett, Aminatta Forna, T.C. Boyle, Jon McGregor, Susanna Clarke, Heston Blumenthal, and Hugh Fearnley-Whittingstall. For 2007 and beyond, we have signed new books by David Dimbleby, Rosie Boycott, Germaine Greer, Charlotte Rampling, Justine Picardie, Sarah Raven, Anchee Min, Justin Cartwright, Katie Hickman, Esther Freud, Sophie Dahl and Khaled Hosseini.

It was announced at the beginning of April that Gordon Brown, Chancellor of the Exchequer, is to join Bloomsbury with the publication in September of *Moving Britain Forward: Selected Speeches*, 1997-2006, his political vision for Britain in an age of globalisation.

2006 has started well. We have two of the ten titles selected by the Richard and Judy Book Club - *Moondust* by Andrew Smith and *Empress Orchid* by Anchee Min - which has propelled both books into the paperback bestseller lists.

Recognising the growing success of books about music, film, TV and sport, and the manner in which these are now promoted through major retail chains, supermarkets and the internet and their extensive media coverage, Bloomsbury will expand in this publishing area in addition to its well-established ones.



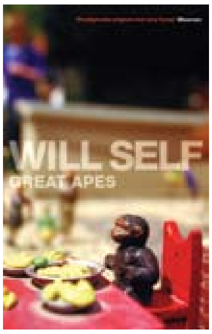


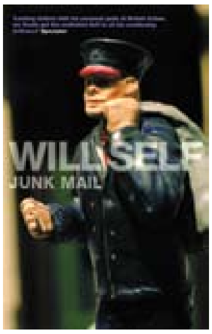
Justin Cartwright's *The Promise of Happiness* was chosen as one of Richard and Judy's Book Club titles in 2005 ; It was followed by *Empress Orchid* and *Moondust* in 2006.

“We begin 2006 with the strongest list we have ever assembled, with outstanding new books from a wide variety of authors – both established and new…”

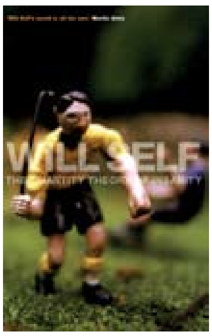
Following the huge success in 2004 of Sheila Hancock’s *The Two of Us*, about her life with John Thaw, this is a natural development for us. In the schedule now are books by Gary Barlow of Take That, Amir Khan, David Thomson on Nicole Kidman and Dave Marsh on Bruce Springsteen. We believe this development, while sometimes involving higher advances, will have a significant impact, making good use of Bloomsbury’s proven ability to grow organically. In 2006 the Company has allocated up to £15.0m of additional funds for the acquisition of titles for this market. This publishing model offers good organic growth opportunities, and a more attractive risk profile than most of the potential company acquisitions Bloomsbury has considered in the last year.

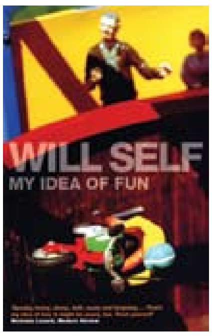
On 3 April 2006 Bloomsbury unveiled the first 24 titles available for electronic download. We firmly believe that the way forward is for publishers to host their own titles for electronic download and are backing this view by making titles available as from today for download from Bloomsbury.com at the paperback prices of those books. Whilst sales are expected to be small initially with the e-book reading devices of the future still in development, we wish to establish our position now in a market that could become very important in the future. Possibly up to 50% of fiction sales may be downloads within ten years, following the development of a popular e-book reader. Two of our first e-books are the current bestsellers *Moondust* by Andrew Smith and *Empress Orchid* by Anchee Min plus the novels of Will Self to coincide with their paperback relaunch, all of which are downloadable from Bloomsbury.com/ebooks.

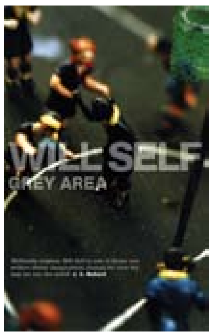


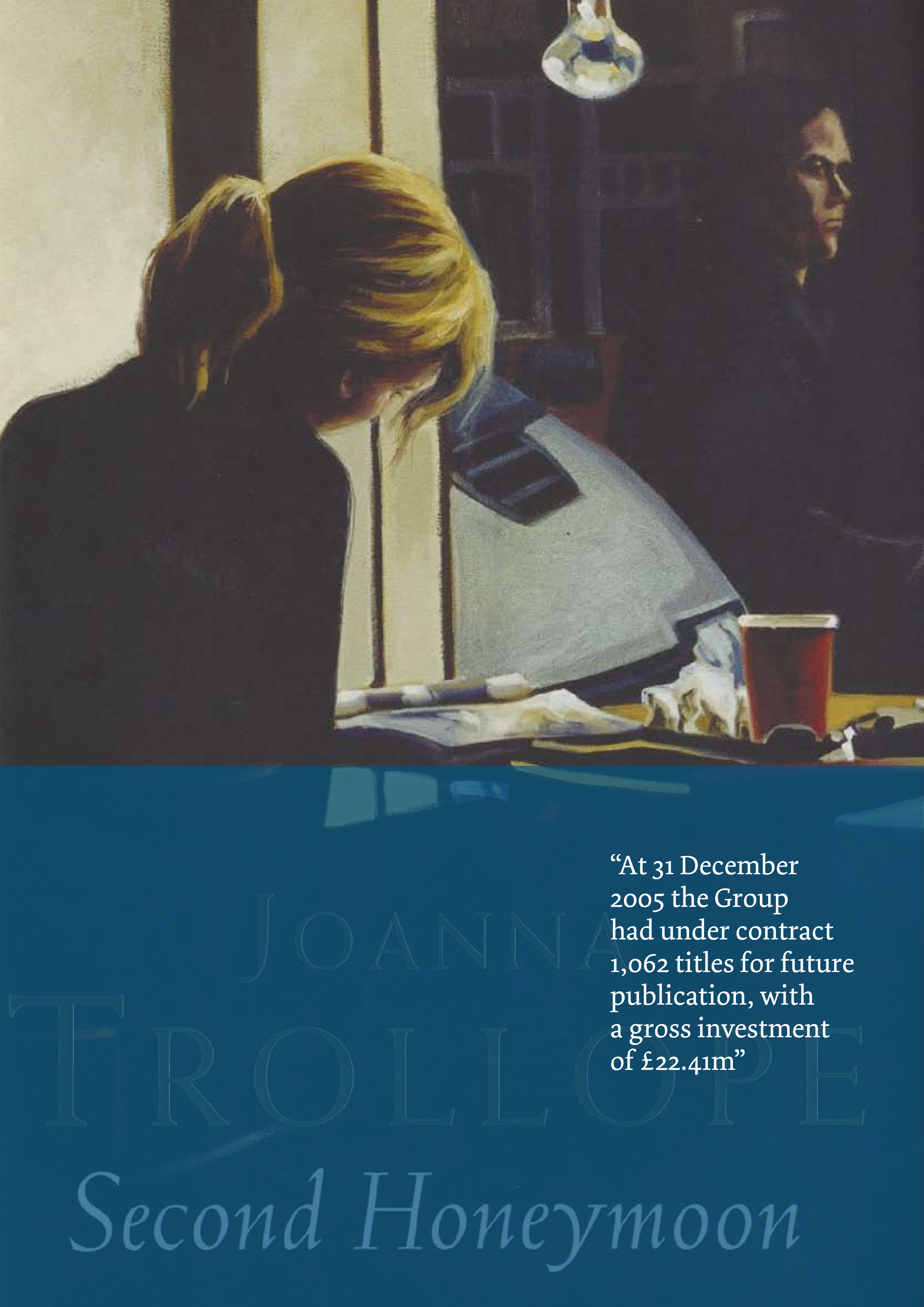


April 2006 saw the launch of our e-bookshop, making titles available for electronic download for the first time from Bloomsbury.com.









"At 31 December 2005 the Group had under contract 1,062 titles for future publication, with a gross investment of £22.41m"

Chairman's statement

Financial performance

Turnover increased by 29.2% to £109.11m (2004, £84.45m), reflecting strong performances from our international operations and sales of *Harry Potter and the Half-Blood Prince*, *Jonathan Strange & Mr Norrell*, *The Two of Us* and *The Kite Runner*. Revenues from the US operations rose 22.7% to £11.03m (2004, £8.99m), including the first-time contribution of revenues from Walker Publishing Company, Inc. Revenues from Continental Europe, which were generated by Berlin Verlag, increased 40.3% to £5.47m (2004, £3.90m).

Profit before tax and exceptional gain increased 23.6% to £20.13m (2004, £16.28m). Basic earnings per share before exceptional gain rose by 18.6% to 20.30 pence (2004, 17.12 pence). Diluted earnings per share before exceptional gain increased by 18.6% to 19.93 pence (2004, 16.81 pence).

At the end of the year the Group had increased its net cash balances to £53.51m (2004, £28.74m).

We continue to invest in future growth through acquiring new authors and titles. Our strong balance sheet supports this strategy. At 31 December 2005 the Group had under contract 1,062 titles (2004, 978) for future publication, with a gross investment of £22.41m (2004, £20.85m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £12.05m (2004, £11.88m).

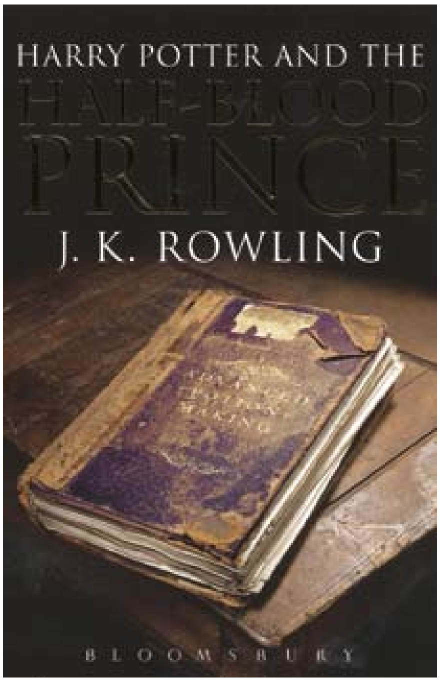
We continue to pursue strategic acquisitions that fit our strict criteria and complement our core activities.

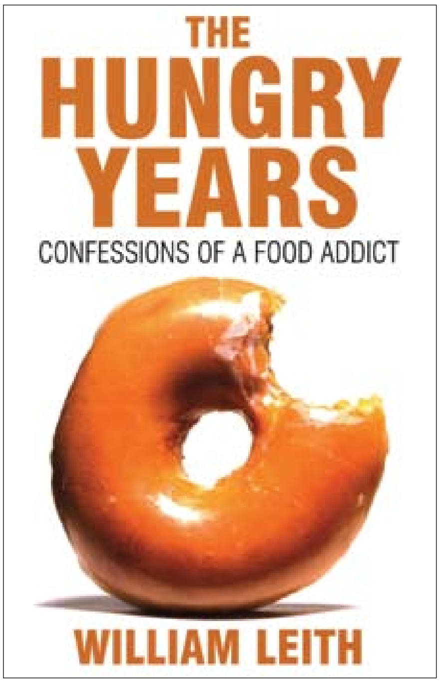
UK Publishing

Children's

The publication of *Harry Potter and the Half-Blood Prince* was a triumph of logistical planning, ensuring that the book was available at the same time around the world at one minute past midnight BST on 16 July when the book was launched from Edinburgh Castle. First-day sales in the UK broke all records. For the first time, we published in our joint publishing arrangement with HNP the audio editions of *Harry Potter and the Half-Blood Prince* on CD and cassette. We will also be releasing the audio editions of *Harry Potter and the Chamber of Secrets* and *Harry Potter and the Prisoner of Azkaban* in mid-2006. The film of *Harry Potter and the Goblet of Fire* was released in November and was the highest revenue-grossing film of 2005. The success of both the book and the film confirms that Harry Potter is still a growing worldwide phenomenon.

"*Harry Potter and the Half-Blood Prince* was a triumph of logistical planning... the book was available at the same time around the world at one minute past midnight"





Chairman's statement

We had a bestseller with *Magyk* by Angie Sage, the first of a five-book series. The second book in the series, *Flyte*, has just been published.

New business initiatives

We continue to build a very strong international children's publication programme with Bloomsbury in New York and Berlin, with books published in all three territories now accounting for approximately 75% of our joint children's lists. The pre-school list in particular shows good potential in this respect with 21 titles in the 2006 publishing programme. One of the strong underlying themes for the list is that the majority of our pre-school books are interactive, with 3D collage art, pull-out tabs and sounds, making them very popular as an aid to a child's learning at an early age. Berlin is publishing the German language editions and Walker Publishing will be publishing the list in the US. We have also sold foreign-language rights in these books to third-party publishers.

We are developing heavily branded, young-reader fiction series such as *Ruby Rogers* by Sue Limb and *Araminta Spook* by Angie Sage. And we also have Jeanette Winterson's children's novel, *Tanglewreck*, for which 12 foreign language deals have been completed prior to publication. The book will be co-published in the UK, US and Germany.

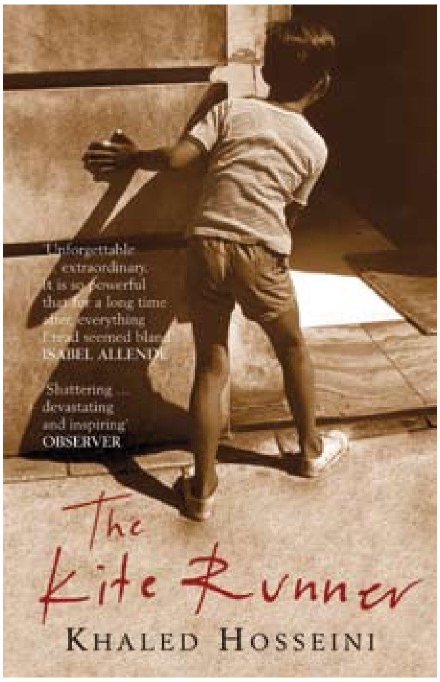
"2005 was a very strong year for Bloomsbury's paperback list."

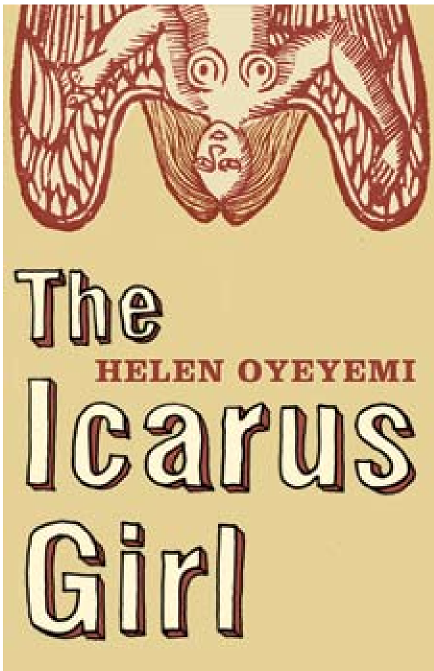
Adult

There have been a number of changes in the book industry that have had an impact on the type of books we acquire and how they are sold in the market. These are characterised by the rise of lead titles and the ability to sell them in bigger numbers than before. The rise of the supermarkets and the dramatic effect of bookshop promotions, particularly those linked to media promotions, are all contributory factors.

2005 was a very strong year for Bloomsbury's paperback list. We launched the paperback of Sheila Hancock's *The Two of Us*, which made the non-fiction paperback bestseller list, and Susanna Clarke's international bestseller *Jonathan Strange & Mr Norrell*, which also spent many weeks on the bestseller list. Other paperback bestsellers included Khaled Hosseini's *The Kite Runner*, which was our top-selling backlist paperback in 2005, *The Promise of Happiness* by Justin Cartwright, Frederick Taylor's *Dresden* and Anchee Min's *Empress Orchid*.

In hardback, notable successes include *The Icarus Girl* by Helen Oyeyemi, which has rights deals in 18 countries, Joanna Briscoe's *Sleep With Me* and John Irving's latest novel, *Until I Find You*.





It was a strong year for Bloomsbury non-fiction with notable successes, including *The Hungry Years* by William Leith, *Olivier* by Terry Coleman, the *The Naming of Names* by Anna Pavord, author of *The Tulip*, and the launch of Ben Schott's major new annual, *Schott's Almanac*, which went straight into the bestseller list.

The non-fiction list has been significantly strengthened by the addition of Publishing Director Michael Fishwick, who joined us from HarperCollins in August 2005. He has already signed William Dalrymple, whose *White Mughals* is an enduring bestseller and whose next book, *The Last Mughal*, will launch a series of four books by him from Bloomsbury starting this autumn.

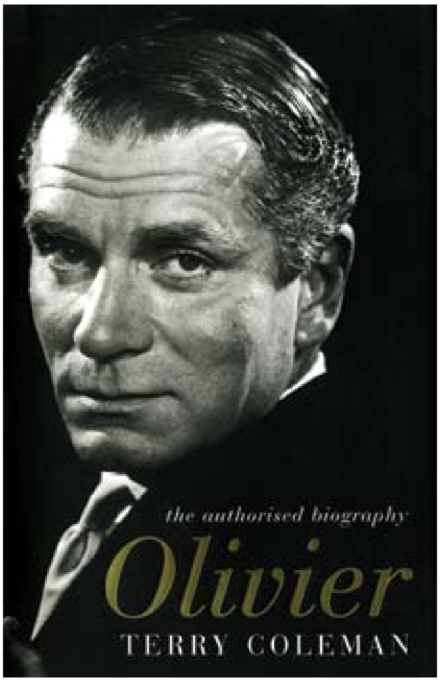
In illustrated books, we have appointed the editor Richard Atkinson from Hodder and Stoughton as we expand into the illustrated, television tie-in and cookery market. This is marked by Hugh Fearnley-Whittingstall joining us with a multi-book contract.

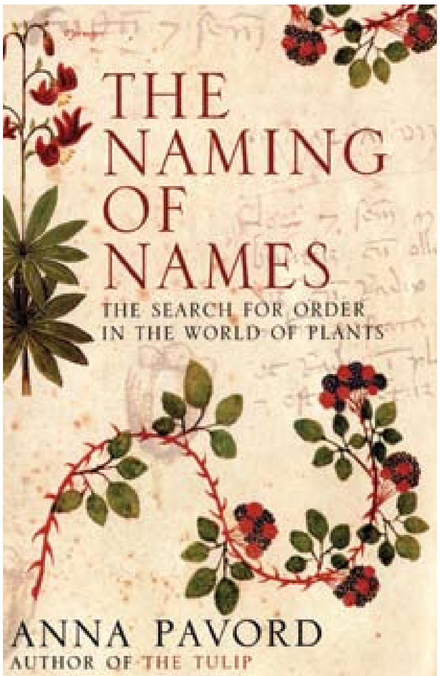
In addition to the success of *Empress Orchid* and *Moondust*, we have also begun the year with a No. 1 bestseller, the new Joanna Trollope novel, *Second Honeymoon*. This year has perhaps the most distinguished fiction list yet, with the addition of William Boyd with his new novel, *Restless*, the twice Booker-shortlisted author Patrick McCabe and the Pulitzer prize-winning novelist Richard Ford. On top of these titles, we have new books by bestselling Bloomsbury authors Jay McInerney, Margaret Atwood, Jon McGregor, Ronan Bennett and Susanna Clarke.

New business initiatives

Bloomsbury will continue to expand its editorial team through hiring top commissioning editors in particular fields and buying aggressively and competitively in those areas that have proven particularly successful in the current marketplace.

In addition to hiring new commissioning editors, Bloomsbury has been acquiring books that reflect the current trend in non-fiction, including the autobiographies of the boxer Amir Khan and the singer and songwriter Gary Barlow from Take That.





Chairman's statement

Reference

2005 saw steady growth of A&C Black sales, both from new reference and educational publications and from new editions of backlist titles such as *Black's Medical Dictionary*, published in its 41st edition, the *Bloomsbury Concise Dictionary 2nd edition* and *Reeds Nautical Almanac*, acquired in 2004 and now in its second edition with A&C Black.

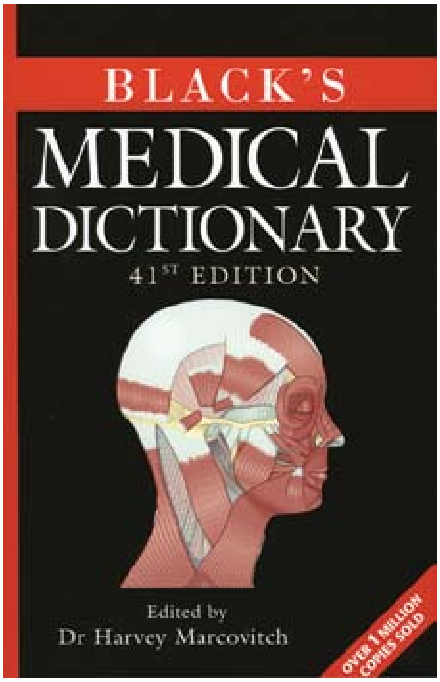
We continued to develop the Whitaker's brand with the launch of *Whitaker's World of Facts* in September, which was extremely successful. A new edition of this popular family reference book will be published in 2006, bringing the brand to a broader and younger audience. Other significant new developments on the reference list included the launch of a new annual, *The Sunday Times Rich List*, and the publication of *Who's Who* as an online and mixed-media product available to individual subscribers. The educational list had a strong year, with sales to schools significantly increased. We have also expanded our bestselling *Music Express* series into the secondary-schools market, and we are already seeing a notable uplift in sales.

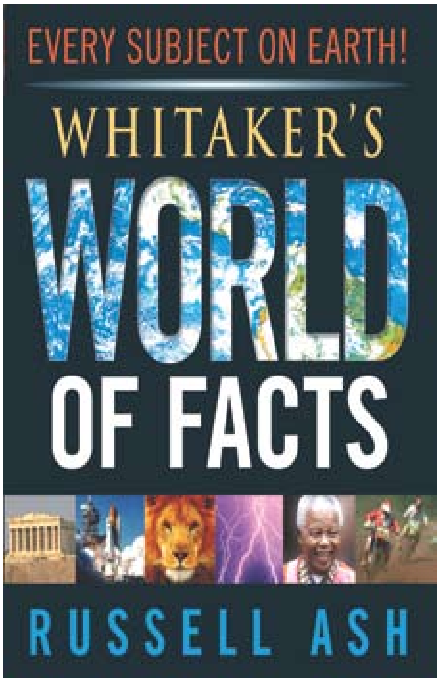
Other publishing highlights included two collaborative publications with Wisden: *Wisden Collection Volume 2* and *Wisden, The Ashes in Focus*, a photographic celebration of England's victory against Australia in the summer Test Series of 2005.

New books for 2006 include *The Ultimate Teen Book Guide*, which was published in February, attracting excellent review coverage and selling its entire first print-run in the month of publication. In addition, there is the forthcoming re-launch of the long established *Know the Game* series, which includes popular sports, such as athletics, soccer, tennis and boxing. We will publish new titles in collaboration with the RSPB, including *The Secret Lives of British Birds* and a range of new business books, led by the 2nd edition of *Business: The Ultimate Resource* – a management library in one book – which sold over 100,000 copies in its first edition.

New business initiatives

In April A&C Black began a new collaboration with the book publishing arm of the *Guardian* newspaper. A&C Black will be selling and distributing the *Guardian's* reference list, including the bestselling *Media Directory*. Going forward, the two companies will be developing joint publishing projects under the *Guardian* imprint.





International publishing

Bloomsbury USA and Walker Publishing Company, Inc.

In Bloomsbury USA *Jonathan Strange & Mr Norrell* was released in paperback and was our top US selling title of the year. Walker Publishing had a major success with *Kakuro Challenge*, which is building to be the successor to Soduku. The integration of Walker has been completed. We combined sales and marketing departments, publicity, production and design, while keeping the editorial departments for all four divisions distinct. A CFO has been appointed to head up the US finance function as the operation prepares for increased organic growth.

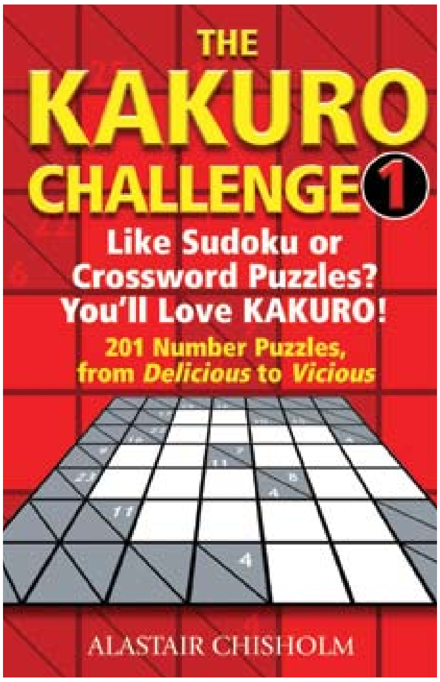
Paperback rights are now being retained on all Walker titles for publication by us. Prior to its acquisition by us, these were sold off to third-party licencees to fund the working capital of what was a relatively small business. The paperbacks are due to be published in 2006.

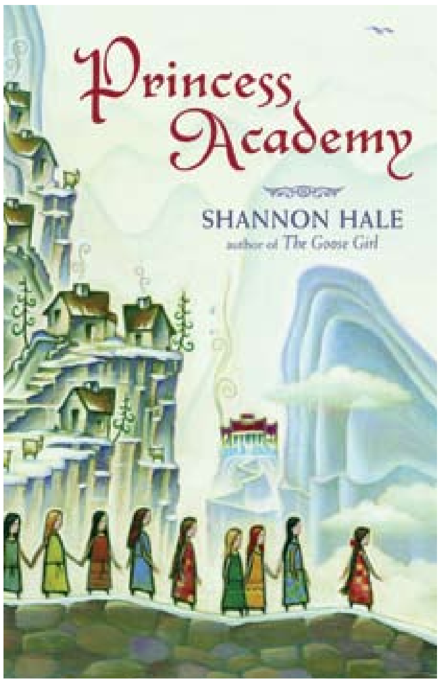
We will be using our US distributor's large sales force for new mass-market editions of a selection of our titles including *Jonathan Strange & Mr Norrell* and *Faerie Wars*, beginning in the autumn of 2006. Exporting titles from the US has in previous years not been exploited. We are now using a third-party sales force and we plan to build this into a significant revenue stream over time.

2006 is expected to be a strong year for the operation. Already in the Children's division we have had two *New York Times* bestsellers with *Princess Academy* and *Nanny McPhee*, and we have to come books by Alexander McCall Smith, E.D. Baker and Herbie Brennan.

"2006 is expected to be a strong year for the operation. Already in the Children's division we have had two New York Times bestsellers..."

Walker Publishing's first time contribution to Group revenues included *Kakuro Challenge* which is building to be the successor to Sudoku.





Berlin Verlag

2005 was an excellent year for Berlin Verlag as the company made a good profit after two years of post-acquisition investment and integration. All four of Berlin's imprints showed improved performances.

The new Bloomsbury Berlin imprint continued to thrive as *Schotts Sammelsurium* remained in the *Der Spiegel* bestseller list for 56 weeks, joined by the second Schott miscellany, *Schotts Sammelsurium Essen & Trinken* (Food and Drink Miscellany), on its publication in September. Other successes included Alina Reyes's novel, *Die Siebte Nacht (The Seventh Night),* which hit the bestseller list in spring after it was serialised in the *BILD-Zeitung.*

Berlin Verlag published long-awaited new novels by two of its most important authors. Zeruya Shalev's *Späte Familie (Late Family)* was published in September and Ingo Schulze's third book *Neue Leben (New Lives)* appeared in October. Both titles dominated the literary press throughout the autumn.

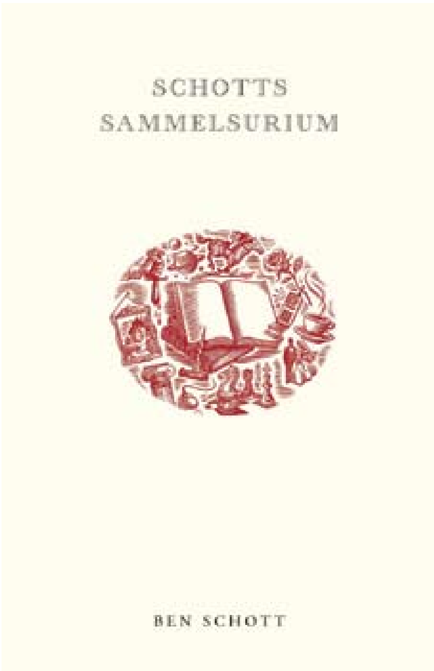
The paperback division, Berlin Verlag Taschenbuch, delivered an improved performance over 2004. Several backlist titles exceeded expectations, especially Khaled Hosseini's *Der Drachenläufer (The Kite Runner)* and Zeruya Shalev's *Mann und Frau (Husband and Wife)*. The paperback edition of our 2004 hardback success, *Jonathan Strange & Mr. Norrell*, was published in the autumn and sold strongly, continuing to backlist in 2006. The arrival of a new editor for the paperback imprint in the autumn will lead to the future development of this list.

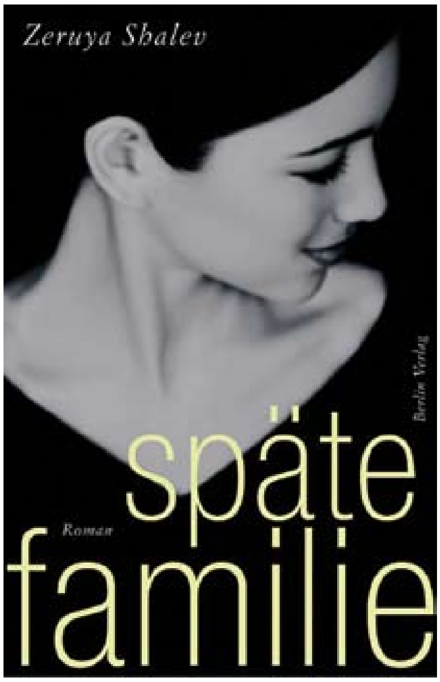
2005 was also the first full year in which Berlin was responsible for selling Bloomsbury UK's English-language titles in Germany, Austria and Switzerland. Bloomsbury's English language edition of *Harry Potter and the Half-Blood Prince* was number one in the *Der Spiegel* bestseller list for several weeks, producing significant revenues.

Our strategy of enabling German booksellers to order Bloomsbury UK's English books from our German warehouse is bearing fruit, as they can more readily order small quantities and settle in Euros.

In addition to growing revenues, the focus on the business in 2005 was to continue reducing the cost base. In January 2005 Berlin's distribution moved to a more cost effective and efficient distributor, and we also renegotiated terms with our main printers and other suppliers, which played a significant role in improving the company's performance.

Publications scheduled for 2006 include new titles by key authors, including Peter Esterhazy, Elke Schmitter, Ben Schott, Joanna Trollope, and the launch of a new children's non-fiction list.





Following our successes in 2005, Berlin anticipates further significant growth in the German book market. Since 2003, the company's revenue growth has consistently grown, and we are confident that it will continue to do so.

Dividend

The directors are recommending a final dividend of 3.0 pence per share (2004, 2.478 pence per share) making a total of 3.6 pence per share (2004, 3.0 pence per share) for the year. This represents a 20.0% increase in the total dividend for the year which is in line with our progressive dividend policy to move towards a lower level of dividend cover over the medium term, and is underpinned by the Company's rise in earnings. The final dividend will be payable on 6 July 2006 to Ordinary Shareholders on the register at the close of business on 26 May 2006.

Management and Staff

In April 2005 Richard Cordeschi was appointed Company Secretary for the Group. He was previously Company Secretary to Mansell Plc.

In November 2005 Jeremy Wilson was appointed as Non-executive Director. Jeremy is the Vice Chairman, Business Banking at Barclays Bank PLC.

Paul Scherer retired as a Non-executive Director on 3 April 2006, having made a significant contribution to Bloomsbury. I am profoundly grateful to him for all that he has done for the Company.

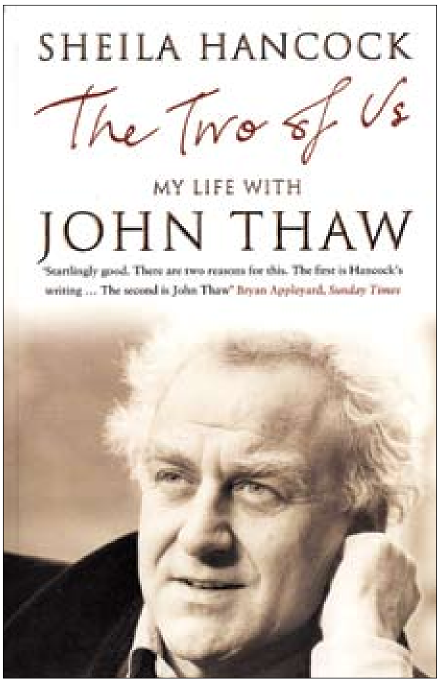
"Our position as an international publisher is now firmly established..."

Current Trading and Prospects

2006 has got off to a good start, in line with the Board's expectations and with a number of bestsellers on both sides of the Atlantic. Our position as an international publisher is now firmly established, and we expect to see further benefits from this and the new areas of publishing that we are entering in the current year and beyond, as well as from our exceptionally strong list for 2006.

Nigel Newton
Chairman
24 May 2006

With the memoir of her life with the actor John Thaw becoming a bestseller, Sheila Hancock wins the 2005 Author of the Year Award at the British Book Awards.



Financial review

The Group has adopted International Financial Reporting Standards (IFRS) as from 1 January 2005 and these financial statements, along with the comparatives for 2004, have been prepared in accordance with these standards. As previously reported, there has been little net effect on the Group's reported operating profits and net assets, excluding the reversal of goodwill amortisation, and the adoption of IFRS has not had any impact on the fundamentals of our business, strategy or future cashflows.

Results

Turnover for the Group increased 29.2% to £109.11m (2004, £84.45m). Bloomsbury's primary segmental analysis is by geographic breakdown, which follows our international publishing strategy. Turnover in the UK increased 29.4% to £92.62m (2004, £71.56m). In the US, turnover increased 22.7% to £11.03m (2004, £8.99m), which included the first-time contribution of revenues from Walker Publishing Company, Inc. of £3.9m. Bloomsbury USA's turnover was down by £1.86m due to the fact that 2004 benefited from the strong success of *Jonathan Strange & Mr Norrell* published in hardback last year. For Continental Europe, revenues, which were generated by Berlin Verlag, increased 40.3% to £5.47m (2004, £3.90m).

The Group's secondary segmental disclosure is by division, which is split into three main operating areas: Children's, Adult and Reference publishing. For 2005 the breakdown of turnover between the three areas was: Children's 63% (2004, 48%), Adult 25% (2004, 36%) and Reference 12% (2004, 16%). Revenues in the Children's division increased 69.9% to £69.01m (2004, £40.62m) primarily on the back of the publication of *Harry Potter and the Half-Blood Prince*. In the Adult division, revenues decreased 8.8% to £27.47m (2004, £30.13m). In 2004 we had the release in hardback of two major bestsellers, *The Two of Us* and *Jonathan Strange & Mr Norrell*. Both were released as lower price point paperbacks in 2005. Revenues in the Reference division decreased 7.8% to £12.63m (2004, £13.70m) due to the phasing of titles in the publishing programme.

Gross profit increased 31.8% to £55.59m (2004, £42.18m). Gross profit margin increased to 51.0% (2004, 50.0%) due to the economies of scale achieved from the printing of *Harry Potter and the Half-Blood Prince*.

Marketing and distribution costs increased by 59.1% to £18.11m (2004, £11.38m). The increase included the first-time marketing costs from Walker Publishing Company, Inc. and the costs associated with the publication of *Harry Potter and the Half-Blood Prince*. Administrative expenses increased 17.9% to £18.68m (2004, £15.85m) which was primarily as a result of the inclusion for the first time of the overheads attributable to the Walker acquisition. Profit before exceptional items and investment income increased 25.8% to £18.81m (2004, £14.95m).

Investment income reduced by 16.8% to £1.39m (2004, £1.67m) as a result of lower average cash balances during the year. Finance costs were reduced to £0.07m (2004, £0.34m) due to the redemption of the A&C Black loan notes. The loan notes have now been fully redeemed. In 2004 we had a one-off interest charge of £0.3m relating to prior years' corporation tax.

The effective corporation tax rate for the year is 27.2% (2004, 23.7%) and takes account of share options exercised during the year and the recognition of prior period Berlin Verlag tax losses as a deferred tax asset. This represents Berlin Verlag's tax losses, which we expect will be utilised in the foreseeable future. The 2004 tax rate benefited from inclusion of the gain on disposal of the freehold distribution centre in A&C Black, which had no capital gains tax liability due to indexation and other allowances, and share options exercised during the year. In addition, the tax charge for 2004 was net of a deferred tax credit of £0.75m, which included £0.60m in respect of tax losses carried forward in Berlin Verlag. Basic earnings per share before exceptional gain increased by 18.6% to 20.30 pence (2004, 17.12 pence). Diluted earnings per share before exceptional gain increased by 18.6% to 19.93 pence (2004, 16.81 pence).

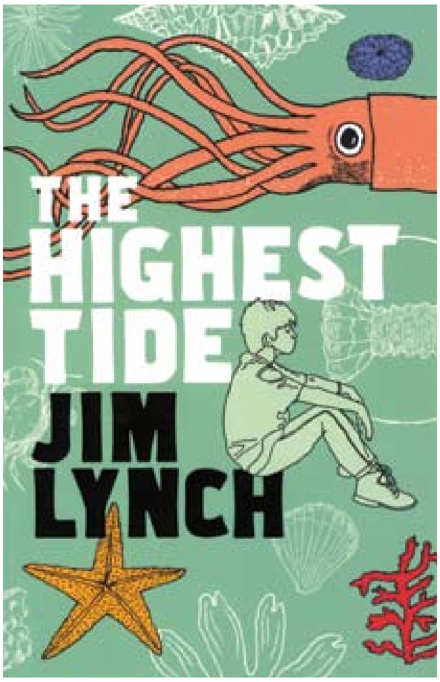
Balance sheet

Non current assets

Property, plant and equipment increased to £1.62m (2004, £0.78m) reflecting the cost of refurbishment of the Group's offices in Soho Square. These costs are being amortised over the remaining life of the property leases. Goodwill has increased to £15.16m (2004, £13.87m) due to the deferred consideration on the acquisition of Berlin Verlag and fair value adjustments relating to the acquisition of Walker Publishing Company, Inc.

Current assets

Inventories increased 30.3% to £15.13m (2004, £11.61m), of which work in progress increased 14.3% to £3.84m (2004, £3.36m) due to the increase in number and timing of titles at the work in progress stage. Stocks of finished goods increased 38.1% to £11.11m (2004, £8.04m), due to a combination of the stock holding of an increased number of titles published by the Group during the year which contributed to the increase in turnover, and the timing of the release of titles at the end of the financial year. Trade and other receivables increased 14.7% to £49.87m (2004, £43.47m), of which trade debtors increased marginally to £21.27m (2004, £21.25m). Within trade and other receivables, prepayments and accrued income increased 28.7% to £26.59m (2004, £20.66m) reflecting the increase in investment in titles across all three divisions.



Jim Lynch's *The Highest Tide* was published by Bloomsbury with strong sales both in the UK and USA.

Financial review

Equity and liabilities

At 31 December 2005 total equity stood at £88.78m (2004, £73.10m). The increase was principally due to retained earnings of £12.43m (2004, £11.18m) and share options exercised during the year.

Current liabilities increased 79.7% to £46.72m (2004, £26.00m). Trade creditors decreased by 6.0% to £5.44m (2004, £5.79m), which was attributable to the timing of supplier payments at the year end. Accruals and deferred income, which is included in trade and other payables, increased to £36.36m (2004, £15.33m).

Accruals and deferred income include royalty payments to authors, which vary from year to year depending on turnover and the authors' royalty rates which typically escalate at thresholds triggered as volume sales increase. The Group published the highest selling book in its history in the year under review. The royalties due to authors, accrued at 31 December 2005 were paid on 31 March 2006. The remaining £0.38m of the Guaranteed Loan Notes 2005, relating to the A&C Black acquisition in 2000, were redeemed during the year. Corporation tax payable decreased to £2.58m (2004, £2.76m) primarily due to allowances for share options exercised during the year.

Berlin Verlag

Berlin made its first operating profit in 2005. Turnover for the company increased 40.3% to £5.47m (2004, £3.90m). All four lists within the operation, including Bloomsbury Berlin and the Bloomsbury Kinder list, showed considerable improvement over 2004. The company, and indeed the Group, has benefited from the German translation rights retained by Bloomsbury and published through Berlin. The operation has continued to manage its cost base well with trading agreements reviewed with key suppliers including its distribution arrangements. Operating profit for the year was £0.64m (2004, loss of £0.50m before re-organisation costs).

Bloomsbury USA

The integration of Walker Publishing Company, Inc. was completed during the year. All back office service functions have now been consolidated whilst leaving the four editorial divisions to operate separately. Turnover for the combined operation was £11.03m (2004, £8.99m). The acquisition of Walker has provided the infrastructure to grow the US business, and the additional sales volume from the Walker business has given us the critical mass to start agreeing new trading agreements with key suppliers. This will be ongoing in 2006. Operating profit for the year for the combined operation was £0.48m (2004, loss of £0.54m).

Cash Flow

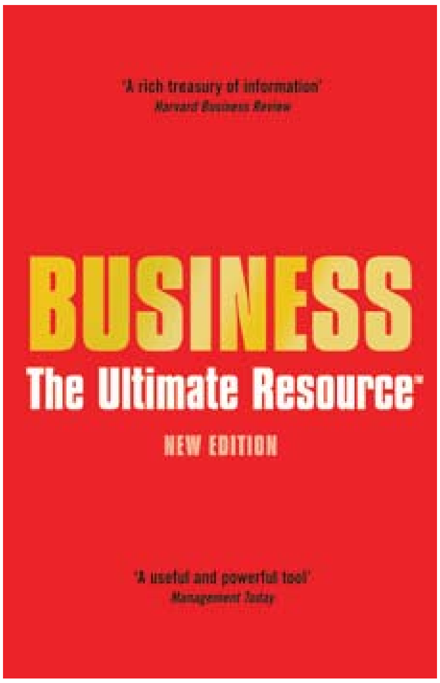
£31.07m of cash was generated from operating activities during the year (2004, £4.37m). Cash generation was particularly strong for the UK with the publication of *Harry Potter and the Half-Blood Prince*. Corporation tax paid during the year was £5.90m (2004, £3.71m). Included in the purchase of property, plant and equipment cost of £1.268m (2004, £0.21m) is the refurbishment cost of the Group's offices in Soho Square. The bulk of the costs have been incurred in 2005 but there will be some ongoing costs to be recognised in 2006.

During the year £1.80m (2004, £1.61m) was received from the exercise of share options, and £2.22m of dividends were paid (2004, £1.56m).

Future investment and strategic investment in authors and acquiring world rights to new titles is still at the forefront of our strategy for growth. Berlin Verlag's success is a good illustration of the benefits that can be derived from acquiring world rights and exploiting them across the Group. Bloomsbury continues to generate good cashflow from its publishing operations that is being re-invested in new titles across our markets. In particular, we have allocated up to £15m of funds to invest in growing our non-fiction lists across the Group. We are reviewing other genres of publishing to evaluate their potential for growth.

Corporate acquisitions remain an important part of our growth strategy. We have reviewed many potential acquisitions to date, applying strict criteria to ensure any targets complement the existing business and provide future growth opportunities for Bloomsbury. We are in a good position with a strong balance sheet and are well placed to fund any acquisitions that meet these criteria.

Colin Adams ACA
Group Finance Director
24 May 2006



"Future investment and strategic investment in authors and acquiring world rights to new titles is still at the forefront of our strategy for growth."

Directors

Executive

Nigel Newton (50), is the founder of Bloomsbury, and 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 when he saw an opportunity for a new, independent, medium-sized publisher of books of excellence and originality, not part of a media conglomerate.

Liz Calder (68) is a co-founder of Bloomsbury and is Publisher. 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, *Midnight's Children* by Salman Rushdie and *Hotel du Lac* by Anita Brookner. At Bloomsbury she has been responsible for two further Booker winners, *The English Patient* by Michael Ondaatje and *The Blind Assassin* by Margaret Atwood. She was a founding director of the Groucho Club and has served on the Literature Panel of the Arts Council. She is on the Council of the Royal Court Theatre, a Director of Brazilian Contemporary Arts in London, and is the founder president of the Parati International Literary Festival in Brazil. During 2004 she was awarded the National Order of the Southern Cross and the Order of Cultural Merit by the Brazilian Government.

Colin Adams ACA (45) is Group Finance Director. 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, Walker Publishing Company, Inc. and Berlin Verlag, as well as Executive Vice President of Diana Publishing Inc.

Non-executive

Charles Black (68) was appointed Vice Chairman and senior independent non-executive director of Bloomsbury in June 2005 having originally joined the Bloomsbury Board in June 2004. He started working for A&C Black in 1960 and was appointed Chairman and Joint Managing Director of the Board in 1973. He subsequently stepped down following the acquisition of A&C Black by Bloomsbury in 2000. Mr Black has considerable knowledge of reference and practical non-fiction publishing and was involved with the strategic acquisitions A&C Black made during his time as Chairman. He is Chairman of the Audit and Remuneration Committees.

Michael Mayer (54) 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 US. 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. Mr Mayer was previously a partner at then Price Waterhouse.

Jeremy Wilson (56) was appointed to the Bloomsbury Board in November 2005. He is Vice Chairman, Business Banking, Barclays Bank PLC. He joined Barclays in 1972. During his career at Barclays, Mr Wilson has held a variety of senior management positions, both in the UK and abroad, responsible for major corporate and institutional client business. He has several external interests including appointments in the educational field.

Corporate governance

Application of the Principles of Good Governance

The Board has reviewed the requirements of the Combined Code, as issued by the Financial Reporting Council. 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 26 to 33.

The Board

At 31 December 2005, the Board consisted of three executive directors and four non-executive directors, including a senior non-executive director. The names of the six current directors and their respective responsibilities are shown on page 20. Paul Scherer retired as a non-executive director on 3 April 2006.

The Board considers each of the three non-executive directors to be independent in character and judgement and does not consider that there are any relationships or circumstances which affect, or could appear to affect, their independent judgement.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact amongst directors. High level decisions on such matters as strategy, financial performance and reporting, dividends, risk management, major capital expenditure, acquisitions and disposals are reserved for the Board or Board Committees. For its regular formal meetings, the Board receives appropriate information in advance from the management.

The directors can obtain independent professional advice at the Company's own expense in the performance of their duties as directors.

The Board formally approves the appointment of all new directors put forward by the Nominations Committee (see below). 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. Proposals to re-elect directors are set out in the Directors' Report on page 34 and in the Notice of the Annual General Meeting on page 78.

Board Committees

Remuneration Committee
The composition of the Remuneration Committee is shown on page 26 and the statement of the remuneration policy developed by the Committee and details of each director's remuneration are given within the Directors' Remuneration Report set out on pages 26 to 33.

Audit Committee
The composition of the Audit Committee is shown on page 24. 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.

Nominations Committee
The membership of the Nominations Committee comprises Nigel Newton (its Chairman), Liz Calder and the three non-executive directors, Charles Black, Michael Mayer and Jeremy Wilson. Paul Scherer was a member of the Committee until he retired from the Board of the Company, and therefore from this Committee, on 3 April 2006. The Committee meets as required and operates under terms of reference agreed by the whole Board.

During the year the Board decided to commence the search for a new independent non-executive director. Whilst determining whether to appoint an external search consultancy, Nigel Newton, the Chairman of the Nominations Committee, met with Jeremy Wilson and became aware of his interest in taking up a role as a non-executive director. Given Mr Wilson's considerable knowledge and experience as a senior banker at one of the UK's largest banks, the Chairman put his potential nomination to the Nominations Committee.
The Committee members met with Mr Wilson and, after due consideration, resolved to recommend Mr Wilson to the Board.

Corporate governance

Board and Committee Attendance

The following table sets out the attendance of directors at Board and Committee meetings during 2005.

Director	Board Meetings (Maximum 9)	Remuneration Committee (Maximum 9)	Audit Committee (Maximum 5)	Nominations Committee (Maximum 1)
Nigel Newton	9	-	-	1
Colin Adams	8	-	-	-
Liz Calder	7	-	-	1
Paul Scherer #	9	9	4	1
Charles Black #	9	8	5	1
Michael Mayer #	9	8	5	-
Jeremy Wilson # *	1	-	-	-

Non-executive director
* For Jeremy Wilson, who was appointed as a non-executive director on 24 November 2005, the maximum number of meetings that he could have attended is one Board meeting, but no Remuneration Committee, Audit Committee or Nominations Committee meetings.

Board Evaluation

During the year a formal annual Board evaluation process was implemented and carried out for the first time in November and December 2005. Designed to provide a mechanism to assess individual director and overall Board and Committee performance, the evaluation has two stages:

Stage One: Self Evaluation
A self assessment completed by each director and reviewed by the Chairman (or in the case of the Chairman's self evaluation, by the Vice Chairman, who involves the other non-executive directors as necessary). The reviewer determines whether any follow-up action is required including face to face meetings, training and development or the implementation of new processes or procedures. This may also generate items for discussion in Stage Two.

Stage Two: Board/Committee Evaluation and Communication
Conducted within a Board forum environment and prompted by key pre-determined questions (including any items generated from Stage One of the process), the Board examines separately the performance of the Board, the Board Committees and Board Communication. The forum is minuted and action points noted.

Shareholder Communications

The Board's assessment of the Company's position and prospects are set out in the Chairman's Statement on pages 4 to 15 and the Financial Review on pages 16 to 19.

The executive directors meet regularly with institutional shareholders to discuss the Company's performance and future prospects. The views of institutional shareholders are canvassed and subsequently reported back to the Board. The Annual General Meeting is used as a forum for communication with private shareholders.

Compliance with the Combined Code

The Board considers that the Company has complied throughout the year ending 31 December 2005 with the Combined Code except in relation to the following matters:

Provision A.2.1
The Chairman is also the Chief Executive of the Group. Given the nature of the Company and the central role played by Nigel Newton in the continuing development of the business which he founded, there would be no tangible benefit to the shareholders in having these roles divided. The Board believes that, given the presence of a Vice Chairman, who is also senior independent non-executive director, an equal (and, for part of the year, greater) number of independent non-executive directors to executive directors on the Board, and each director having equal voting rights, a balance of power and authority is ensured on the Board so that no one individual has unfettered powers of decision.

Provisions A.3.1 and A.7.2
Prior to his retirement from the Board of Bloomsbury on 3 April 2006, one of the non-executive directors, Paul Scherer, had held in the last three years the position of non-executive chairman of a literary agency with which the Group has an ongoing trading relationship. He retired from this position in May 2004. He had also been on the Board of Bloomsbury for over twelve years. In the opinion of the Board his holding this other chairmanship never impaired his independence. The Board is also of the opinion that it would not have been in the shareholders' interest to preclude Mr Scherer from being a non-executive director or member of the Board Committees in view of his experience and independent supervision of the Company's governance.

Provision A.7.2
Due to the fact that at the time already half the Board were themselves up for re-election, Mr Scherer was not put forward for re-election at the 2005 Annual General Meeting.

Provisions A.4.1, B.2.1 and C.3.3
The terms of reference of each of the Nominations, Remuneration and Audit Committees were made available on the Company's website in December 2005.

Provision B.1.6
The Chairman and Chief Executive has a service contract with an initial fixed term of three years. Under the terms of the contract, on 24 June 2005 this agreement effectively became terminable by either party giving to the other not less than twelve months' written notice.

Corporate governance
Internal control

The Combined Code introduced the requirement for the directors to review on an ongoing basis the effectiveness of the systems of internal control, including financial, operational, compliance and risk management. The Board acknowledges that it has overall responsibility for the Group's system of internal control and for monitoring its effectiveness.

Audit Committee

The Audit Committee comprises the three non-executive directors, Charles Black (its Chairman), Michael Mayer and Jeremy Wilson. Paul Scherer was a member of the Committee until he retired from the Board of the Company, and therefore from this Committee, on 3 April 2006. Jeremy Wilson joined the Committee on 15 December 2005. All members of the Committee have significant financial experience due to the senior positions they hold or have held in the past.

The Audit Committee reports to the Board on any matters in respect of which it considers that action or improvement is needed, and makes recommendations as to the steps to be taken. In particular the Committee is responsible for:

- ensuring that the financial performance of the Group is properly monitored and reported;
- monitoring the formal announcements relating to financial performance;
- meeting the auditors and agreeing audit strategy;
- reviewing reports from the auditors and management relating to accounts and internal control systems; and
- making recommendations to the Board in respect of external auditor appointment and remuneration.

The effectiveness of the internal control systems for the period covered by the accounts has been examined. 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. Although there was no formal internal audit process during the year, the accounting functions were subject to periodic internal review. Given the increasing size of the group, the Audit Committee considers that it is appropriate to implement a formal internal audit programme. Initial steps were taken in 2005 to implement a programme, including reviewing the resource necessary. The Risk Management Committee (see opposite) will be consulted on their assessment of the risks facing the business and the controls in place, and their views on the focus of the internal audit function. A focussed internal audit programme will then be put in place during the second half of 2006.

Key Controls and Procedures

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 delegations of authority.

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 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;
- regular 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; and
- appointing experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

Auditor Independence

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

- confirmation of the auditors' objectivity and independence in the provision of non-audit services provided to the Group by the use of separate teams to provide such services where appropriate;
- 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 a committee to deal with the recommendations of the Turnbull Committee on Risk Management. Nigel Newton and Colin Adams represent the Board on the Risk Management Committee, which 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 has been compliant with the Turnbull Guidelines throughout the year and since the year end.

Directors' remuneration report

The Remuneration Committee comprised at 31 December 2005 the four non-executive directors, Charles Black (its Chairman), Michael Mayer, Paul Scherer and Jeremy Wilson. Paul Scherer, who was succeeded by Charles Black as Chairman of the Remuneration Committee on 30 June 2005, retired from the Board of the Company, and therefore from this Committee, on 3 April 2006. Jeremy Wilson joined the Committee on 15 December 2005.

The Remuneration Committee operates under terms of reference agreed by the whole Board.

Remuneration Report

The Board has had full regard to the requirements set out in the Directors' Remuneration Report Regulations 2002 in preparing this report. A resolution will be put to the shareholders at the Annual General Meeting to be held on 29 June 2006 inviting them to consider and approve this report.

Compliance

The constitution and operation of the Committee is in compliance with the principles and best practice provisions as set out in the Combined Code, and full consideration was given to these in determining the remuneration packages for the executive directors for 2005 and 2006.

During the year the Remuneration Committee considered the remuneration levels of directors of similarly sized media companies from information available on the public record at Companies House in published remuneration reports. This analysis was used to determine the comparability of the remuneration packages of the Bloomsbury executive directors with those in similar organisations.

New Bridge Street Consultants were appointed by the Board to provide advice on executive remuneration, in particular to assist the Committee in developing a new Performance Share Plan and Sharesave Scheme to replace the now expired Executive Share Option Schemes. These new schemes were approved by the shareholders at an Extraordinary General Meeting held on 27 September 2005.

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 the Company's 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. The Committee's policy is to review salaries annually.

2) Annual bonus
The Company operates an annual bonus scheme for its executive directors based on a combination of performance and profit related targets. For Nigel Newton and Colin Adams the amount payable is determined by reference to a combination of the increase in the basic earnings per share before goodwill impairment and exceptional items over the basic earnings per share before goodwill impairment and exceptional items achieved in the preceding year ("the EPS Growth Element") and performance targets for the Group's US and German businesses. For Liz Calder the amount payable is determined by reference to a combination of the EPS Growth Element and performance target for her publishing list.

The bonus for each of the directors, which is not pensionable, is limited to 100% of basic salary at the end of the financial year. Details of actual entitlements for 2005 are set out in the table of Directors' Emoluments on page 29.

3) Pension contributions

The Group does not operate a pension scheme, but Nigel Newton and Colin Adams each receive a contribution of 10% of their basic salary to their private pension scheme and Liz Calder receives a contribution of 18% of her basic salary to her private pension scheme.

4) Share options, the Performance Share Plan and Sharesave Plan

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. Upon listing of the Company in 1994, Approved and Unapproved Executive Share Option Schemes ("the Schemes") were introduced.

At the time options were granted under the Approved and Unapproved Executive Share Option Schemes, the Remuneration Committee considered that the performance measure chosen for the Schemes, namely growth in earnings per share (EPS), was 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 EPS shall exceed the increase in the Index of Retail Prices (All Items) by 15.7625 percent (representing five per cent compound annually) for the three consecutive financial years immediately preceding the date of exercise of the option. The ten year life of the Schemes has now expired and no new options have been granted under either of the Schemes since 2004.

During 2004 and 2005 the Remuneration Committee consulted with advisors and major shareholders to develop new long-term incentive plans. The Committee was keen to ensure that any replacement schemes were designed to help achieve the following objectives:

- they are market competitive in terms of quantum and exercisability;
- they are subject to performance conditions that the Remuneration Committee considers to be demanding;
- they provide an appropriate link between reward and performance;
- they have a less dilutive effect on the issued share capital of the Company than share option schemes; and
- broad employee participation is achieved through an incentive arrangement that is available to as many employees as possible.

At an Extraordinary General Meeting of the Company held on 27 September 2005, resolutions were passed approving a Performance Share Plan (to incentivise the executive directors and other senior employees), a Sharesave Plan (to incentivise the Bloomsbury workforce as a whole) and an Employee Benefit Trust (to operate in conjunction with the new plans, as appropriate – further detail on the Employee Benefit Trust is set out on page 68).

Performance Share Plan ("the PSP")

The plan allows the Remuneration Committee to grant conditional allocations of Ordinary Shares to eligible employees with a maximum value (normally) of 150% of base salary per annum. Awards granted under the PSP will normally only vest after three years provided the participant is still employed in the Group and that performance conditions have first been achieved (these conditions are set by the Remuneration Committee each year). The first awards under this Scheme were made on 4 November 2005. Details of the awards to directors and the conditions attaching to those awards are set out on page 31.

The Remuneration Committee has no present intention of granting awards greater than 100% of base salary per annum, but is conscious that it may be appropriate to apply even more demanding performance conditions if it is felt appropriate to make awards under the PSP in excess of 100% of salary in any year.

Sharesave Plan

This is an all-employee savings-related share option scheme, under which options can be granted to acquire Ordinary Shares after a vesting period of three, five or seven years at an exercise price determined at the outset, on condition that they agree to make savings into a special savings account. This plan is approved by HM Revenue and Customs and gives participants tax and national insurance benefits. The first grant of 115,671 options under this plan was made on 5 May 2006.

Directors' remuneration report

Contracts of Service

All the executive directors have service contracts which are terminable by either party giving to the other not less than twelve months' written notice.

Nigel Newton's contract, dated 24 June 2003, had an initial fixed term of three years. Under the terms of the contract, on 24 June 2005 this agreement effectively became terminable by either party giving to the other not less than twelve months' written notice. At the time of renewal in 2003, given 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. The Remuneration Committee and Mr Newton have since agreed that it is appropriate that his service contract remains terminable by either party giving to the other not less than twelve months' written notice, as recommended by the Combined Code.

Colin Adams' contract is dated 24 September 2004 and Liz Calder's contract is dated 1 July 2004.

The non-executive directors, Charles Black, Michael Mayer and Jeremy Wilson do not have service contracts but each has a letter of appointment. Other than that of Jeremy Wilson, which is dated 24 November 2005, each letter of appointment is dated 22 July 2005, and all confirm that the term of appointment is until the 2006 Annual General Meeting, when it is envisaged that the letters of appointment will be renewed for a further period of twelve months. Paul Scherer, who retired from the Board on 3 April 2006, also had a letter of appointment dated 22 July 2005.

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.

No compensation for loss of office was paid to Paul Scherer following his retirement from the Board.

Policy on Remuneration of Non-executive Directors

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

Directors' Emoluments

	2005 £'000	2004 £'000
Salaries	**600**	980
Pension contributions	**68**	104
Fees	**103**	85
Profit-related bonuses	**530**	840
Benefit on exercise of share options	**936**	1,346
Other emoluments	**37**	75
	2,274	3,430

The directors' emoluments for 2004 include those for part of the year of Mr David Ward, Ms Jill Coleman, Ms Kathy Rooney, Ms Alexandra Pringle, Ms Sarah Odedina and Ms Minna Fry, who resigned as directors of the Company on 21 September 2004 . No compensation for loss of office was paid to any of these directors.

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

	Basic salary or fees 2005 £'000	Profit-related bonus 2005 £'000	Other benefits (1) 2005 £'000	Total 2005 £'000	Share options exercised 2005 £'000	Pension contributions 2005 £'000
Chairman						
J N Newton	315	268	12	595	780	32
Executive directors						
E N Calder	101	79	13	193	-	18
C R Adams	184	183	12	379	156	18
Non-executive directors						
C A A Black	33	-	-	33	-	-
P J Scherer	33	-	-	33	-	-
M J Mayer	33	-	-	33	-	-
J J O'B Wilson	4	-	-	4	-	-
	703	**530**	**37**	**1,270**	**936**	**68**

Directors' remuneration report

Directors' Emoluments (continued)

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

	Basic salary or fees 2004 £'000	Profit-related bonus 2004 £'000	Other benefits (1) 2004 £'000	Total 2004 £'000	Share options exercised 2004 £'000	Pension contributions 2004 £'000
Chairman						
J N Newton	235	228	15	478	-	24
Executive directors						
E N Calder	86	66	11	163	517	15
C R Adams	156	160	12	328	-	16
K M Rooney	86	44	7	137	829	8
A J R Pringle	85	74	6	165	-	9
M N Fry	81	74	4	159	-	8
S E Odedina	83	74	7	164	-	8
D H Ward	70	61	3	134	-	7
D J Coleman	98	59	10	167	-	9
Non-executive directors						
C A A Black	15	-	-	15	-	-
J A Dare	13	-	-	13	-	-
P J Scherer	29	-	-	29	-	-
M J Mayer	28	-	-	28	-	-
	1,065	**840**	**75**	**1,980**	**1,346**	**104**

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

In respect of those directors who were appointed or resigned during the year, or the previous year, their emoluments are included from or up to the dates at which they joined or left the Board.

Colin Adams serves as an executive director of A&C Black Publishers Limited. Included above is a salary to Colin Adams of £29,590 (2004, £25,000) paid by A&C Black Publishers Limited.

Three directors (2004, nine) were accruing benefits under defined contributions pension arrangements during the year.

Directors' Interests in Share Options

The following options have been granted to the directors over ordinary shares in the Company:

	Scheme	At 1 January 2005	Granted during the year	Exercised during the year	At 31 December 2005	Exercise price	Date from which exercisable	Expiry Date
J N Newton	Unapproved	520,000	-	300,000	220,000	66.25p	6 July 2002	5 July 2006
J N Newton	Unapproved	278,778	-	-	278,778	220.25p	4 October 2003	3 October 2007
E N Calder	Unapproved	139,389	-	-	139,389	220.25p	4 October 2003	3 October 2007
C R Adams	Approved	1,616	-	1,616	-	20.75p	7 May 2001	6 May 2008
C R Adams	Unapproved	137,773	-	137,773	-	220.25p	4 October 2003	3 October 2007

On 3 October 2005, the day Colin Adams exercised options, the market value of each of the Company's Ordinary Shares was 330p.
On 29 November 2005, the day Nigel Newton exercised options, the market value of each of the Company's Ordinary Shares was 326p.
On 5 May 2006 3,397 and 2,718 options were granted under the Bloomsbury Sharesave Plan 2005 to Nigel Newton and Liz Calder, respectively, at an exercise price of 275.20p per share. The closing middle market quotation for Bloomsbury's Ordinary Shares on 5 May 2006 was 345p. The shares will become exercisable on 1 June 2009 for a period of six months.

Directors' Long-Term Incentive: the Performance Share Plan

The following awards were made to the directors over Ordinary Shares in the Company under the Bloomsbury Performance Share Plan 2005 ('the PSP'):

	Date of award during 2005	At 1 January 2005	Awarded during the year	At 31 December 2005
J N Newton	4 November 2005	-	100,621	100,621
E N Calder	4 November 2005	-	23,439	23,439
C R Adams	4 November 2005	-	42,616	42,616

(1) For the purposes of determining the number of Ordinary Shares comprised in an award, the market value of a share shall be equal to the average middle-market price of a Share during the five dealing days immediately preceding the award date. For the 2005 awards under the PSP the average price was 337.9p per share. The closing middle market price on the date of award was 342p.

(2) No awards were granted under the PSP prior to 4 November 2005.

(3) All awards are granted for nil consideration and are in respect of Bloomsbury Publishing Plc Ordinary Shares of 1.25p each.

(4) No awards lapsed or vested during 2005.

(5) For awards made during the year there are two performance conditions which need to be satisfied if awards are to vest at the end of the performance period:
(a). In respect of 50% of the total award, the performance condition is growth in Bloomsbury's normalised Earnings Per Share (EPS) over the Retail Prices Index (RPI) during the three year period ending 31 December 2007. If EPS growth is between 5% and 8% p.a. over RPI, the number of shares vesting will be pro rata to actual growth, with 17.5% of the total award vesting at 5% p.a., and the full 50% vesting at 8% p.a. None of this part of the award will vest if EPS growth over RPI is less than 5% p.a.
(b). In respect of 50% of the total award, the performance condition is Bloomsbury's rank over the three year performance period ending 4 November 2008 in terms of its Total Shareholder Return (TSR) compared to companies constituting the FTSE Mid 250 (excluding investment trusts) at the date of grant. If the Company's TSR ranking is between median and the upper quartile, the number of shares vesting will be pro rata to position, with 17.5% of total award vesting at median, and the full 50% vesting if the Company's position is in the upper quartile. None of this part of the award will vest if the Company's TSR ranking is below median.

(6) There will be no opportunity to retest performance if the performance conditions are not satisfied over the three year performance period.

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 and include the interests of spouses and minor children.

	Ordinary Shares of 1.25p each 31 December 2005 Number	Ordinary Shares of 1.25p each 1 January 2005 # Number
J N Newton	2,758,488	2,887,488
E N Calder	29,367	31,673
C R Adams	50,000	102,196
C A A Black	126,000	126,000
M J Mayer	19,380	76,760
P J Scherer	29,120	29,120
J J O'B Wilson	-	-

holding at 1 January 2005 or date of appointment if later.

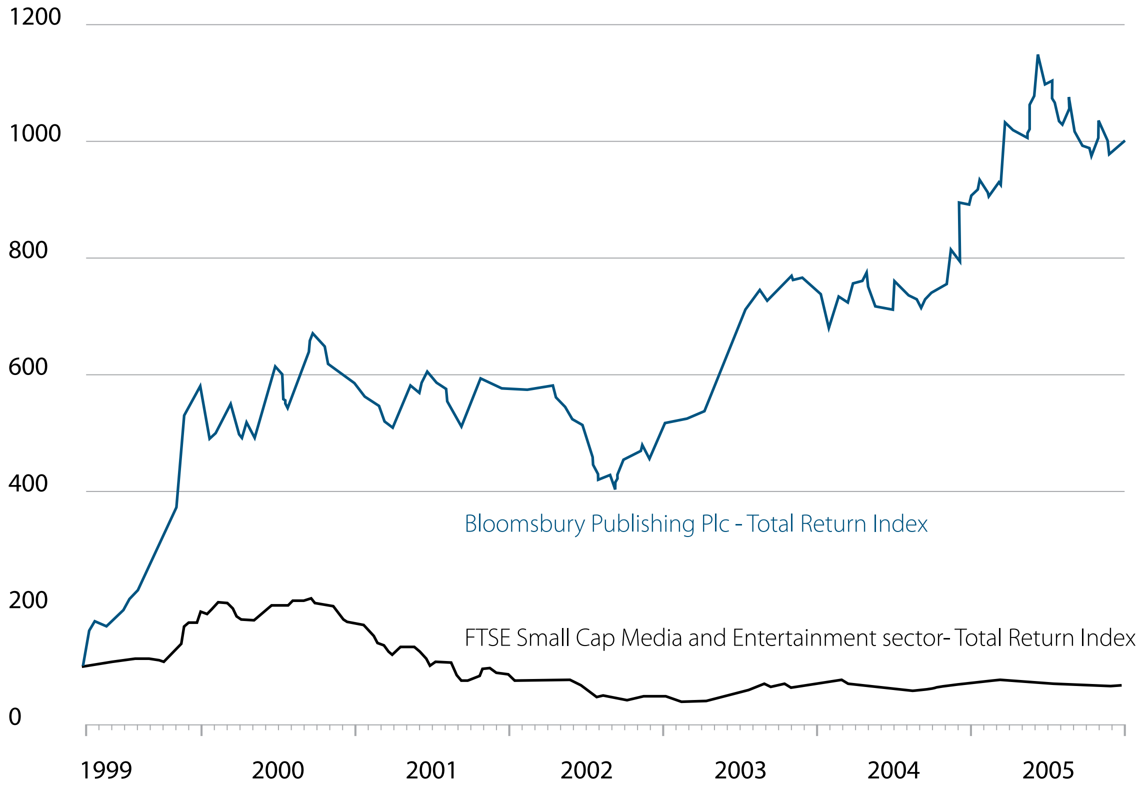
The middle market price of an Ordinary Share at 31 December 2005 was 336.5p (2004, 303.00p) and the range from 1 January 2005 to the end of the year was 301.5p to 392.5p (2004, 236.00p to 304.00p).

Since 31 December 2005, Liz Calder's spouse has sold 2,348 Ordinary Shares in the Company.

(b). Other interests
Paul Scherer was, until his retirement in May 2004, non-executive chairman of Curtis Brown Group Limited, a literary agency with which the Group has an ongoing trading relationship.

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.

Total Shareholder Return – Performance Graph



Source: Thomson Datastream

The graph above shows the Group's Total Shareholder Return from April 1999 to 31 December 2005 together with the FTSE Small Cap Media and Entertainment sector index. The index 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.

Charles Black
Chairman of the Remuneration Committee, 24 May 2006

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 42 to 70. On 18 November 2005, an interim dividend of 0.60 pence (net) per Ordinary Share was paid. The directors recommend the payment of a final dividend of 3.00 pence (net) per Ordinary Share payable on 6 July 2006 to Ordinary Shareholders on the register at the close of business on 26 May 2006.

Directors

The directors at the date of this report, all of whom served throughout the year except as indicated, were:

J N Newton, Executive Chairman and Chief Executive
C R Adams ACA, Group Finance Director
E N Calder, Publishing Director
C A A Black, Senior Non-executive Director and Vice Chairman
M J Mayer, Non-executive Director
J J O'B Wilson, Non-executive Director (appointed 24 November 2005)

Paul Scherer, who was a Non-executive Director of the Company throughout the year, retired on 3 April 2006.

On 24 November 2005 Jeremy Wilson was appointed non-executive Director. He is currently Vice Chairman, Business Banking at Barclays Bank and, having held a variety of senior management positions during his career with the bank, the Board considered that his knowledge and experience would be invaluable in a non-executive capacity on the Company's Board.

On 30 June 2005 Charles Black assumed the positions of senior independent non-executive director and Vice Chairman of the Company from Paul Scherer.

The directors' interests, including any changes in those interests occurring between 31 December 2005 and 24 May 2006, are set out in the Directors' Remuneration Report on pages 31 and 32.

At the Annual General Meeting, Colin Adams 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. Having been appointed since the last Annual General Meeting, Jeremy Wilson will also retire as a director in accordance with the Articles of Association and, being eligible, offer himself for re-election. The Chairman confirms that Michael Mayer, the non-executive director retiring by rotation, continues to be effective and to demonstrate his commitment to the role, as evidenced by the results of his formal evaluation during the year and his attendance at Board and Board Committee meetings. Jeremy Wilson was appointed as a Non-executive Director after the formal annual performance evaluation exercise, however the Chairman believes that Mr Wilson has been effective since his appointment and demonstrates a commitment to the role. The Board believes that, given the contribution each of the directors has made to the Group's continuing success, it is in the Company's best interest that they be re-elected.

Details of the service contract of Colin Adams, the executive director who is putting himself forward for re-election, are set out in the Directors' Remuneration Report on page 28. Colin Adams' service contract is terminable by either party on giving not less than 12 months' notice. Neither Michael Mayer nor Jeremy Wilson have service contracts.

Directors' Remuneration

The Directors' Remuneration Report is set out on pages 26 to 33.

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 May 2006:

	Number	Percentage
The Capital Group Companies, Inc	8,074,000	11.06%
Zurich Financial Services Group	3,579,275	4.90%
Columbia Wanger Asset Management L.P.	3,405,475	4.67%
Nigel Newton	2,758,488	3.78%
Standard Life Investments	2,323,062	3.18%

Special Business – Annual General Meeting

Resolution 8

On 30 June 2005, 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 2006 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 8 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 8 is approved by shareholders, the directors will have authority to allot up to 19,016,800 Ordinary Shares, representing 26.0% of the Ordinary Shares currently in issue, of which 2,429,744 (3.3% of the Ordinary Shares currently in issue) are reserved for issue under the Company's share option schemes and performance share plan. The balance available for allotment is therefore 16,587,056 Ordinary Shares, representing 22.7% 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 8, unless previously varied, revoked or renewed by the Company in general meeting.

Resolution 9

In addition, the directors were given authority under Section 95 of the Companies Act 1985, until the conclusion of the 2006 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 or share option schemes approved by the members in general meeting and, in addition, up to an aggregate nominal amount equal to 5% of the issued Ordinary Share capital. The directors recommend that this authority should be renewed until the conclusion of the next Annual General Meeting or fifteen months from the date of passing of this resolution, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting.

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 or 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 9 will then apply also to a sale of treasury shares. Apart from potentially acquiring shares to hold in order to satisfy the vesting of options or awards under any of the Company's share or share option schemes, the directors have no present intention of holding shares in treasury pursuant to the Companies Act 1985.

Special Business – Annual General Meeting (continued)

Resolution 10
This resolution renews 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 3,649,159 being equal to 5% of the issued share capital of the Company as at the date of this Directors' Report. The total number of options to subscribe for equity shares currently outstanding is 1,901,136 being equal to 2.6% of the issued share capital. The total number of share awards currently outstanding granted under the performance share plan is 528,608 being equal to 0.7% of the issued share capital. If the full authority to buy back shares is used, the options and awards will represent 3.5% 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 10 may be 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 8, 9 and 10, which are, in the opinion of the directors, in the best interests of the shareholders as a whole.

Directors' Indemnities

In accordance with the Company's Articles of Association, directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office.

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.

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 2005, the number of days' credit taken for purchases by the Group was 25 days (2004, 41 days).

Employee Involvement and Communication

Employees are encouraged to own shares in the Company and over 40% 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, intranet and social events.

Social and Environmental Responsibility and Health and Safety

The Board takes regular account of the significance of social, environmental and ethical issues and has identified and assessed significant risks and opportunities to the Company's short and long-term value arising from these matters.

Social Responsibility
The Company recognises the importance of respecting and supporting the communities in which it operates, and, thus, improving the positive impact of business in society.

During the year Bloomsbury continued its association with World Book Day. As a sponsor and partner, the Company was able to provide support for this global initiative, established in 1995 by UNESCO with the objective of promoting and celebrating books and reading amongst children and adults alike. This support continues through 2006.

Through book donations the Company was also pleased to support Book Aid International, the registered charity working in developing countries to create reading and learning opportunities for people of all ages to help them realise their potential and alleviate poverty.

Bloomsbury supports social accountability throughout our manufacturing supply chain, and has signed the publishers' resolution for ethical international manufacturing standards (prelims) which aims to improve social accountability in accordance with a uniform standard code for business practices. Further information can be found on the prelims website: www.prelims.org.

Ethical Behaviour
Bloomsbury is committed to, and expects its employees to exercise, high ethical and moral standards at all times whilst representing the Company.

The Environment
The Company recognises that the wise use of resources delivers both environmental and financial benefits. As part of our overall approach to corporate social responsibility, we aim to promote the maintenance of a healthy environment through responsible and sustainable consumption and production. Our direct operations are predominately office-based, and our activities have been assessed by environmental consultants Trucost as having a low impact on the environment.

However, our policy is to seek to minimise our impacts both in areas where we have direct control and through our supply chain. In particular, we have identified waste and greenhouse gas production as areas we shall be monitoring going forward. We will continue to make strenuous efforts to reduce our landfill waste by ensuring waste both from our offices and remaindered books is recycled wherever possible.

Our indirect impacts through our suppliers are clearly more significant than our direct impacts, which relate to our own office-based operations. We have analysed the impact of over 25 major suppliers, and we will monitor and engage with our key suppliers to reduce our environmental impact where possible.

We recognise that the use of paper has a significant impact on the environment. We therefore stipulate that the pulp, used to produce the papers for our books, must come from well-managed forests. We are also encouraging our suppliers to obtain © 1996 Forest Stewardship Council A.C. (FSC) accreditation and use FSC certified papers.

Harry Potter and the Half-Blood Prince was the first major bestseller in the UK to be printed on an FSC certified paper. Since December 2005 the majority of our mono hardbacks and trade format paperbacks, manufactured by our UK supplier, Clays Ltd, have been printed on © 1996 FSC certified mixed sources paper from well-managed forests and other controlled sources. Where viable we also use papers with recycled content. The UK paperback edition of *Harry Potter and the Half-Blood Prince*, to be published in June 2006, will be printed on paper made from 50% post consumer waste recycled pulp.

Health and Safety
The Company takes all reasonable and practicable steps to safeguard the health, safety and welfare of its employees, and recognises its responsibilities for the health and safety of others who may be affected by its activities. Colin Adams has executive responsibilities for health and safety issues.

Directors’ report

Charitable and Political Donations

The Group is a strong supporter of, and participant in, various charities and initiatives. Charitable donations of £126,215 were made by the Group during the year (2004, £51,044). In addition the Group was able to support numerous schools, libraries and other organisations with significant donations of books.

In January 2005 the Group donated £100,000 to the DEC Tsunami Appeal. Donations were made to several other charities during the year. In January 2006, the Group donated £5,000 to the DEC Asia Quake Appeal.

In November 2005 the Group paid £100,000 to Book Aid International from the money raised by the sale of *New Beginnings*, the anthology of first chapters published by Bloomsbury in March 2005 to raise money in response to the tsunami.

No political donations were made during the year or in the previous financial year.

Diversity in the Workplace

The Company is committed to providing a working environment in which its employees are able to realise their potential and to contribute to business success irrespective of gender, marital status, ethnic origin, nationality, religion, disability, sexual orientation or age.

During 2005 the Company partnered the Arts Council in their Diversity in Publishing Positive Action Traineeship Scheme. Designed to encourage diversity in the publishing industry, the scheme gave a graduate from an ethnic minority background a one-year salaried placement with Bloomsbury. At the end of the scheme the trainee took a permanent position within the adult editorial team. Another graduate who was unsuccessful in her application for the traineeship, but was offered a term of work experience instead, has also since been appointed to a permanent position.

Employment of Disabled Persons

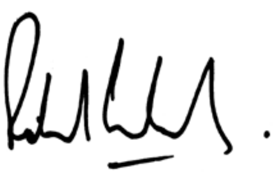
It is the Group’s policy to offer equal opportunities to disabled persons in matters of recruitment, training, career development and promotion. Where people become disabled during the course of their employment, the Group seeks to retain their services and to provide retraining where necessary.

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.



By order of the Board
R Cordeschi ACIS, Secretary, 24 May 2006

Statement of directors' responsibilities

Responsibilities relating to consolidated financial statements

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS'). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performances and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

The directors are also required to:

(a) properly select and apply accounting policies;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

(c) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Responsibilities relating to Parent Company financial statements

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year. In preparing those financial statements, the directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
R Cordeschi ACIS, Secretary, 24 May 2006

Independent auditors' report
to the members of Bloomsbury Publishing Plc

We have audited the Group and Parent Company financial statements on pages 42 to 74. We have also audited the information in pages 29 to 31 of the Directors' Remuneration Report ('the auditable part of 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 International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Financial Reporting Council 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 Highlights and 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 and the Statement of Directors' Responsibilities. 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 International Standards on Auditing (UK and Ireland) 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 auditable part of the Directors' Remuneration Report. 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 and Company'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 auditable part of the Directors' Remuneration Report 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 auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2005 and of the Group's profit for the year then ended; and
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2005; and
- the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Baker Tilly

Baker Tilly, Registered Auditor and Chartered Accountants
London, 24 May 2006

Consolidated income statement
for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Revenue	1	109,108	84,449
Cost of sales		(53,514)	(42,270)
Gross profit		55,594	42,179
Marketing and distribution costs		(18,107)	(11,377)
Administrative expenses		(18,681)	(15,854)
Profit before exceptional items and investment income		18,806	14,948
Profit on sale of freehold property in continuing operations		-	1,076
Loss on sale of publishing assets		-	(77)
Reorganisation costs in continuing operations		-	(582)
Profit before investment income	2	18,806	15,365
Investment income	3a	1,392	1,683
Finance costs	3b	(71)	(351)
Profit before taxation		20,127	16,697
Income tax expense	5	(5,481)	(3,956)
Profit for the year		**14,646**	12,741
Basic earnings per share	7	**20.30p**	17.98p
Diluted earnings per share	7	**19.93p**	17.66p

Consolidated statement of recognised income and expense
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the year	14,646	12,741
Exchange adjustments recognised in reserves	640	2
Total recognised income for the year	**15,286**	12,743

Consolidated balance sheet
at 31 December 2005

	Notes	2005 £'000	2004 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,615	776
Intangible assets	9	15,511	14,226
Deferred tax assets	11	1,238	775
Total non-current assets		18,364	15,777
Current assets			
Inventories	12	15,129	11,614
Trade and other receivables	13	48,630	42,693
Cash and cash equivalents		53,511	29,120
Total current assets		117,270	83,427
Total assets		135,634	99,204
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	911	894
Share premium		38,123	35,763
Capital redemption reserve		20	20
Share-based payment reserve		453	217
Translation reserve		642	2
Retained earnings		48,634	36,206
Total equity		88,783	73,102
Non-current liabilities	15		
Employee benefits		130	102
Other payables		163	154
Total non-current liabilities		293	256
Current liabilities			
Trade and other payables	16	43,974	22,638
Short-term borrowings	17	-	445
Current tax payable		2,584	2,763
Total current liabilities		46,558	25,846
Total liabilities		46,851	26,102
Total equity and liabilities		135,634	99,204

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2006.

J N Newton **Director**

C R Adams **Director**

Company balance sheet
at 31 December 2005

	Notes	2005 £'000	2004 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,324	492
Investments in subsidiary companies	10	25,412	23,043
Deferred tax assets	11	130	85
Total non-current assets		26,866	23,620
Current assets			
Inventories	12	6,137	6,348
Trade and other receivables	13	42,961	36,814
Cash and cash equivalents		51,536	28,262
Total current assets		100,634	71,424
Total assets		127,500	95,044
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	911	894
Share premium		38,123	35,763
Capital redemption reserve		20	20
Share-based payment reserve		453	217
Retained earnings		48,010	37,202
Total equity		87,517	74,096
Non-current liabilities	15		
Other payables		163	146
Total non-current liabilities		163	146
Current liabilities			
Trade and other payables	16	37,481	17,793
Short-term borrowings	17	-	383
Current tax payable		2,339	2,626
Total current liabilities		39,820	20,802
Total liabilities		39,983	20,948
Total equity and liabilities		127,500	95,044

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2006.

J N Newton **Director**

C R Adams **Director**

Statement of changes in equity

The Group	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balances at 1 January 2004	876	33,967	20	65	-	25,023	59,951
Exchange differences on translating foreign operations	-	-	-	-	2	-	2
Profit for the year	-	-	-	152	-	12,741	12,893
Dividends	-	-	-	-	-	(1,558)	(1,558)
Share issues	18	1,796	-	-	-	-	1,814
Balances at 31 December 2004	**894**	**35,763**	**20**	**217**	**2**	**36,206**	**73,102**
Exchange differences on translating foreign operations	-	-	-	-	640	-	640
Profit for the year	-	-	-	236	-	14,646	14,882
Dividends	-	-	-	-	-	(2,218)	(2,218)
Share issues	17	2,360	-	-	-	-	2,377
Balances at 31 December 2005	**911**	**38,123**	**20**	**453**	**642**	**48,634**	**88,783**

The Company	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balances at 1 January 2004	876	33,967	20	65	26,393	61,321
Profit for the year	-	-	-	152	12,367	12,519
Dividends	-	-	-	-	(1,558)	(1,558)
Share issues	18	1,796	-	-	-	1,814
Balances at 31 December 2004	**894**	**35,763**	**20**	**217**	**37,202**	**74,096**
Profit for the year	-	-	-	236	13,026	13,262
Dividends	-	-	-	-	(2,218)	(2,218)
Share issues	17	2,360	-	-	-	2,377
Balances at 31 December 2005	**911**	**38,123**	**20**	**453**	**48,010**	**87,517**

Consolidated cash flow statement
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Cash flows from operating activities		
Net profit before tax	20,127	16,697
Adjustments for:		
Depreciation of property, plant and equipment	400	323
Amortisation of publishing relationships	35	-
Profit on sale of property, plant and equipment	(3)	(1,076)
Share-based payment charges	236	152
Investment income	(1,392)	(1,683)
Finance costs	71	351
	19,474	14,764
(Increase) / decrease in inventories	(3,442)	1,162
Increase in trade and other receivables	(6,353)	(10,955)
Increase / (decrease) in trade and other payables	21,460	(605)
Cash generated from operations	31,139	4,366
Income taxes paid	(5,898)	(3,707)
Net cash inflow from operating activities	25,241	659
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,268)	(210)
Proceeds from sale of property, plant and equipment	33	1,412
Purchase of subsidiaries	(33)	(3,296)
Sale of publishing assets	-	111
Interest received	1,392	1,669
Cash acquired with subsidiaries	-	50
Net cash generated from / (used in) investing activities	124	(264)
Cash flows from financing activities		
Share options exercised	1,796	1,607
Equity dividends paid	(2,218)	(1,558)
Interest paid	(118)	(32)
Repayment of loans	(445)	(764)
Net cash used in financing activities	(985)	(747)
Net increase / (decrease) in cash and cash equivalents	24,380	(352)
Cash and cash equivalents at beginning of period	29,120	29,472
Unrealised exchange gain on cash and cash equivalents	11	-
Cash and cash equivalents at end of period	53,511	29,120

Accounting policies

(a) Basis of preparation
The Group has adopted the requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and those parts of the Companies Act 1985 applicable to companies reporting under IFRS, for the first time for the purpose of preparing financial statements for the year ended 31 December 2005. The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented except for those detailed below where IFRS 1 permits companies adopting IFRS for the first time to take exemptions. These accounting policies comply with applicable IFRS standards and IFRIC interpretations issued and effective at the time of preparing these statements.

The rules for first-time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. These financial statements have been have been prepared on the basis of taking the following exemptions:

(i) Business combinations prior to 1 January 2004 have not been restated to comply with IFRS 3 'Business Combinations'.

(ii) IFRS 2 'Share-based payments' has not been applied to equity instruments granted before 7 November 2002.

(iii) 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.

(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 by equal annual instalments at the following rates:

Publishing Relationships	10%

The amortisation is included in administrative expenses.

(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) Inventories
Inventories 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. Inventories 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:

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

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 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.

Awards granted under the Group's performance share plan are also equity settled. Because of the Total Shareholder Return performance condition that applies to half of any award granted under the plan, the fair value of awards has been calculated using the Monte-Carlo style stochastic model, and is charged to the income statement over the vesting period.

At 31 December 2005 no options had been granted under the Group's sharesave scheme.

(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.

1. 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. The analysis by geographical segment is shown below.

Year ended 31 December 2005	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations £'000	Total £'000
Revenue					
External sales	92,616	11,027	5,465	-	109,108
Inter-segment sales *	199	-	594	(793)	-
Total revenue	**92,815**	**11,027**	**6,059**	**(793)**	**109,108**
Result					
Segment result	17,856	478	642	-	18,976
Unallocated central costs	-	-	-	(170)	(170)
Profit before investment income	17,856	478	642	(170)	18,806
Investment income	1,877	-	-	(485)	1,392
Finance costs	(135)	(211)	(210)	485	(71)
Profit before taxation	19,598	267	432	(170)	20,127
Income tax expense	(5,567)	(197)	283	-	(5,481)
Profit for the year	**14,031**	**70**	**715**	**(170)**	**14,646**
Other Information					
Capital additions	1,250	13	5	-	1,268
Depreciation and amortisation	383	42	10	-	435
Profit / (loss) on sale of property, plant and equipment	4	-	(1)	-	3
Balance Sheet					
Assets					
Segment assets	124,564	17,866	8,541	(15,337)	135,634
Liabilities					
Segment liabilities	43,984	11,927	6,277	(15,337)	46,851

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

Notes to the accounts

1. Segmental analysis (continued)

Year ended 31 December 2004	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations £'000	Total £'000
Revenue					
External sales	71,564	8,985	3,900	-	84,449
Inter-segment sales *	-	-	-	-	-
Total revenue	**71,564**	**8,985**	**3,900**	**-**	**84,449**
Result					
Segment result	16,899	(543)	(1,405)	-	14,951
Unallocated central costs	-	-	-	(3)	(3)
Profit / (loss) before investment income and exceptional items	16,899	(543)	(1,405)	(3)	14,948
Profit on sale of freehold property 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	17,316	(543)	(1,405)	(3)	15,365
Investment income	1,852	-	-	(169)	1,683
Finance costs	(434)	-	(86)	169	(351)
Profit before taxation	18,734	(543)	(1,491)	(3)	16,697
Income tax expense	(4,556)	-	600	-	(3,956)
Profit / (loss) for the year	**14,178**	**(543)**	**(891)**	**(3)**	**12,741**
Other Information					
Capital additions	203	-	7	-	210
Depreciation and amortisation	314	-	9	-	323
Balance Sheet					
Assets					
Segment assets	86,212	12,587	5,840	(5,435)	99,204
Liabilities					
Segment liabilities	24,717	1,889	4,931	(5,435)	26,102

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

1. Segmental analysis (continued)

External sales by destination

	United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
Year ended 31 December 2005				
United Kingdom	56,436	-	-	56,436
North America	7,221	11,027	-	18,248
Continental Europe	16,450	-	5,465	21,915
Australasia	6,520	-	-	6,520
Rest of the world	5,989	-	-	5,989
Total external sales	**92,616**	**11,027**	**5,465**	**109,108**
Year ended 31 December 2004				
United Kingdom	60,551	-	-	60,551
North America	1,876	8,985	-	10,861
Continental Europe	4,020	-	3,900	7,920
Australasia	2,482	-	-	2,482
Rest of the world	2,635	-	-	2,635
Total external sales	**71,564**	**8,985**	**3,900**	**84,449**

Business segments

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

Revenue

	2005 £'000	2004 £'000
Adult	**27,468**	30,128
Children's	**69,013**	40,623
Reference	**12,627**	13,698
	109,108	84,449

The following is an analysis of the carrying value of segment assets:

Carrying amount of segment assets

	2005 £'000	2004 £'000
Adult	**31,975**	25,872
Children's	**28,453**	23,276
Reference	**16,707**	17,414
Unallocated central assets	**58,499**	32,642
	135,634	99,204

Notes to the accounts

2. Profit before investment income

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

	2005 £'000	2004 £'000
Auditors' remuneration (see below):		
Statutory audit	120	95
Other services	125	84
Depreciation of property, plant and equipment	400	323
Profit on disposal of property, plant and equipment	(3)	(1,076)
Amortisation of publishing relationships	35	-
Exchange loss	15	1,039
Staff costs (see note 4)	13,243	11,489

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

	2005 £'000	2004 £'000
Audit services		
Statutory audit	120	95
Tax compliance and advisory		
Compliance services	45	40
Advisory services	41	22
Other services		
Review of interim report	29	20
Other compliance services	10	2
	245	179
Comprising		
Audit services	120	95
Non-audit services	125	84
	245	179
Company and UK subsidiaries	212	173
Other subsidiaries	33	6
	245	179

3a. Investment income

	2005 £'000	2004 £'000
Interest on bank deposits	**1,323**	1,669
Other interest receivable	**55**	-
Expected return on pension plan assets	**14**	13
Actuarial gains on defined benefit pension plan	**-**	1
	1,392	1,683

3b. Finance costs

	2005 £'000	2004 £'000
Interest on loan notes	**11**	31
Interest cost on pension obligations	**24**	24
Actuarial losses on defined benefit pension plan	**36**	-
Other interest payable	**-**	296
	71	351

4. Directors and employees

Staff costs during the year were:

	2005 £'000	2004 £'000
Salaries	**11,196**	10,262
Social security costs	**1,396**	704
Other pension costs	**415**	371
Share-based payment charges	**236**	152
	13,243	11,489

The average number of employees during the year was:

	2005 Number	2004 Number
Editorial, production and selling	**236**	198
Finance and administration	**56**	53
	292	251

Full details concerning directors' emoluments, shareholdings, options and other interests are shown in the Directors' Remuneration Report on pages 26 to 33.

Notes to the accounts

4. Directors and employees (continued)

Pension costs
The pension costs summarised above of £415,000 (2004, £371,000) relate to the Group's defined contribution and defined benefit pension arrangements.

Defined contribution plans
The Group operates defined contribution retirement benefit plans for all qualifying employees.

The total cost charged to income of £397,000 (2004, £371,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2005, contributions of £14,000 (2004, £12,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit plan
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 2004 and updated to 31 December 2005 by a qualified independent actuary.

At the date of the last completed independent actuarial valuation, which was 1 January 2004, the market value of the assets of the scheme was £359,000. The actuary advised that at that date the actuarial valuation of the assets of the scheme was sufficient to cover 69% 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 2007.

Contributions are paid by the employer as and when required to cover any expenses of the scheme. In addition, contributions paid to the scheme during the year were £18,000 (2004, £nil).

The Group's policy is to fund the deficit in the scheme by additional contributions to meet the scheme's commitment to members.

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

	31 December 2005	31 December 2004	31 December 2003	31 December 2002
Rate of increase in salaries	**not applicable**	not applicable	not applicable	not applicable
Rate of increase in pensions in payment (LPI)	**0.0%**	0.0%	0.0%	0.0%
Discount rate	**4.8%**	5.3%	5.4%	5.4%
Inflation assumption	**2.9%**	2.9%	2.9%	2.4%
Expected return on plan assets	**3.5%**	3.8%	3.8%	6.5%

The amounts recognised in income in respect of the defined benefit scheme are as follows:

	2005 £'000	2004 £'000
Current service cost	**-**	(10)
Interest cost	**24**	24
Expected return on scheme assets	**(14)**	(13)
Actuarial losses / (gains)	**36**	(1)
	46	-

The net charge for the year has been included in finance costs and interest received.
Actuarial gains and losses have been reported in the income statement.
The actual return on scheme assets was £11,000 (2004, £11,000).

The amount included in the balance sheet arising from the Group's obligation in respect of the defined benefit pension scheme is as follows:

	Value at 31/12/05 £'000	Value at 31/12/04 £'000
Total value of assets (with profit policy)	**387**	359
Present value of scheme liabilities	**(517)**	(461)
Liability before taxation	**(130)**	(102)
Deferred taxation	39	31
Liability recognised in the balance sheet	**(91)**	(71)
Analysis for reporting purposes:		
Non-current liabilities	(130)	(102)
Deferred tax assets	39	31
	(91)	(71)

Movements in the present value of net defined benefit obligations in the year were as follows:

	2005 £'000	2004 £'000
At 1 January	**(102)**	(92)
Current service cost	**-**	(10)
Interest cost (net)	**(10)**	(11)
Contributions	**18**	10
Actuarial (loss) / gain	**(36)**	1
At 31 December	**(130)**	(102)

Movements in the present value of scheme assets in the year were as follows:

	2005 £'000	2004 £'000
At 1 January	**359**	359
Expected return on scheme assets	**14**	13
Actuarial gains and losses	**(3)**	(23)
Contributions	**18**	10
Benefits paid	**(1)**	-
At 31 December	**387**	359

4. Directors and employees (continued)

The history of experience adjustments is as follows:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Present value of defined benefit obligations	(517)	(461)	(451)	(404)
Fair value of scheme assets	387	359	359	352
Deficit in scheme	(130)	(102)	(92)	(52)
Experience gains and losses on scheme assets:				
Amount (£'000)	(3)	(2)	(16)	(5)
Percentage of scheme assets	(1%)	(1%)	(4%)	(1%)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	12	11	(3)	3
Percentage of the present value of the scheme liabilities	2%	2%	(1%)	1%

5. Taxation

(a) Tax charge for the year

		2005 £'000	2004 £'000
Based on the profit for the year:	UK corporation tax at 30%	5,579	4,807
	Over provision in respect of prior year	(8)	(54)
	Overseas taxation – current year	386	-
		5,957	4,753
Deferred tax (notes 11 and 15):	UK	(45)	(197)
	Overseas	(431)	(600)
		5,481	3,956

(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:

		2005 £'000	2004 £'000
Profit before taxation		20,127	16,697
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%		6,038	5,009
Effects of:	Expenses not deductible for tax purposes	412	165
	Difference between depreciation and capital allowances	76	87
	Expenses deductible for tax purposes in different periods	61	-
	Utilisation of tax losses	(234)	-
	Losses for the year in subsidiary company not utilised	79	564
	Corporation tax relief on share options exercised	(604)	(575)
	Difference between profit on disposal of freehold property and taxable gain	-	(324)
	Different rate of tax on overseas results	137	(119)
	Adjustment to tax charge in respect of previous periods	(8)	(54)
Current tax charge for the year		5,957	4,753

(c) Factors affecting tax charge for future years

Details of the Group's deferred tax assets are shown in note 11.

6. Dividends

A dividend of 2.478p per share (£1,773,000) was paid to the equity shareholders on 7 July 2005, being the amount proposed by the directors, and subsequently approved by the shareholders at the 2005 Annual General Meeting (2004: 1.677p per share, £1,175,000).

For the current year
On 18 November 2005 an interim dividend of 0.600p per share (£445,000) was paid to the equity shareholders (2004: 0.522p per share, £383,000).

The directors propose that a dividend of 3.0p per share will be paid to the equity shareholders on 6 July 2006. Based on the number of shares currently in issue, the final dividend will be £2,189,000 (2004, £1,773,000). 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.

7. Earnings per share

The basic earnings per share has been calculated by reference to earnings of £14,646,000 (2004, £12,741,000) and a weighted average number of Ordinary Shares in issue of 72,134,014 (2004, 70,841,627). The diluted earnings per share has been calculated by reference to a weighted average number of Ordinary Shares in issue of 73,493,581 (2004, 72,135,053) which takes account of share options and awards under the Group's Performance Share Plan.

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

	2005 Number	2004 Number
Weighted average number of shares for basic earnings per share	72,134,014	70,841,627
Dilutive effect of share options and awards under Performance Share Plan	1,359,567	1,293,426
Weighted average number of shares for diluted earnings per share	73,493,581	72,135,053

The reconciliation between earnings before and after exceptional gain is as follows:

	2005 £'000	2004 £'000
Earnings after exceptional gain	14,646	12,741
Exceptional gain (net)	-	(417)
Tax relief on exceptional costs	-	(198)
Earnings before exceptional gain	14,646	12,126

The earnings per share before exceptional gain are shown below:

	2005	2004
Basic earnings per share before exceptional gain	20.30p	17.12p
Diluted earnings per share before exceptional gain	19.93p	16.81p

8. Property, plant and equipment

The Group	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 January 2005	113	287	1,732	229	2,361
Additions	903	41	262	62	1,268
Disposals	-	-	(1)	(113)	(114)
Exchange differences on retranslation	-	-	1	-	1
At 31 December 2005	**1,016**	**328**	**1,994**	**178**	**3,516**
Depreciation:					
At 1 January 2005	37	150	1,254	144	1,585
Charge for the year	94	32	229	45	400
Disposals	-	-	-	(84)	(84)
At 31 December 2005	**131**	**182**	**1,483**	**105**	**1,901**
Net book value:					
At 31 December 2005	**885**	**146**	**511**	**73**	**1,615**
At 1 January 2005	76	137	478	85	776

The Company	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Total £'000
Cost:				
At 1 January 2005	103	287	654	1,044
Additions	903	41	140	1,084
At 31 December 2005	**1,006**	**328**	**794**	**2,128**
Depreciation:				
At 1 January 2005	27	150	375	552
Charge for the year	94	32	126	252
At 31 December 2005	**121**	**182**	**501**	**804**
Net book value:				
At 31 December 2005	**885**	**146**	**293**	**1,324**
At 1 January 2005	76	137	279	492

9. Intangible assets

Goodwill	The Group £'000	The Company £'000
Cost:		
At 1 January 2005	18,025	721
Additions	983	-
Exchange gain on retranslation	304	-
At 31 December 2005	**19,312**	**721**
Accumulated impairment losses:		
At 1 January 2005 and 31 December 2005	4,153	721
Carrying amount:		
At 31 December 2005	**15,159**	**-**
At 1 January 2005	13,872	-

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. The carrying value is determined on the basis of value in use.

Additions represent the following adjustments to the goodwill arising on the acquisitions of Berlin Verlag in 2003 and Walker Publishing Company, Inc. in 2004:

	The Group £'000
Adjustment to consideration on acquisition of Berlin Verlag (note 14)	663
Legal expenses on acquisition on Walker Publishing Company, Inc.	33
Adjustment to fair value of assets of Walker Publishing Company, Inc.	287
Additions in the year	**983**

The carrying amount of goodwill relates to the following geographical segments:

	The Group	
	2005 £'000	**2004** £'000
United Kingdom	**11,245**	11,251
Continental Europe	**772**	119
North America	**3,142**	2,502
At 31 December 2005	**15,159**	13,872

9. Intangible assets (continued)

In testing goodwill for impairment, the recoverable amount of each geographical segment's goodwill is calculated on a combination of future operating profits and cash flows, whilst also taking into account past performance for well established operations, such as in the United Kingdom. The operating performance of each segment is based on Board approved budgets for the year ending 31 December 2006 for all segments and forecasts for subsequent years up to 2008 in the case of Continental Europe and to 2010 for North America.

The following key assumptions in the value in use calculations were applied to each geographical segment:

- The budgeted revenue and cost increases were based on the Group's approved budgets.
- Forecast revenue and cost increases for subsequent years were based on growth rates applied to approved budgets and other factors which management consider should be taken into account such as growth in the backlist revenues, development of new revenue streams within each geographical segment and cost savings following ongoing operational reviews, as follows:

	United Kingdom	North America	Continental Europe
Revenue growth after 2006	n/a	7.0%	12.5%
Overhead growth after 2006	n/a	5.0%	6.0%

Management are of the opinion that it does not currently foresee a reasonable possible change in the key assumptions it has employed when determining the value in use calculations.

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 relationships with a fair value of £354,000 at the date of acquisition, are subject to systematic amortisation charges in accordance with IAS 38.

Publishing relationships	The Group £'000
Cost:	
At 1 January 2005	354
Exchange gain on retranslation	33
At 31 December 2005	**387**
Amortisation:	
At 1 January 2005	-
Charge for the year	35
At 31 December 2005	**35**
Carrying amount:	
At 31 December 2005	**352**
At 1 January 2005	354

Total carrying amount of intangible assets	The Group £'000
At 31 December 2005	**15,511**
At 1 January 2005	14,226

10. Investments in subsidiary companies

	The Company £'000
Investments in share capital of wholly owned subsidiaries at cost:	
At 1 January 2005	23,043
Additions	2,369
At 31 December 2005	**25,412**

The additions represent the deferred consideration in relation to the acquisition of Berlin Verlag (£663,000) and the initial investment in Diana Publishing Inc (£1,706,000).

The subsidiary companies at 31 December 2005 are as follows:

	Country of incorporation	Proportion of equity capital held	Nature of business during the year
Subsidiary undertakings held directly:			
A.& C. Black Plc	England	100%	Intermediate holding company
Diana Publishing Inc	USA	100%	Publishing
BV Berlin Verlag GmbH	Germany	100%	Publishing
Walker Publishing Company, Inc.	USA	100%	Publishing
Peter Collin Publishing Limited	England	100%	Non-trading
Bloomsbury Book Publishing Company Limited	England	100%	Non-trading
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%	Non-trading
A.& C. Black (Distribution) Limited	England	100%	Non-trading
Christopher Helm (Publishers) Limited	England	100%	Publishing
Reed's Almanac Limited	England	100%	Non-trading
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

11. Deferred tax assets

The deferred tax assets are included at current tax rates and comprise the following:

	The Group				The Company		
	Tax losses carried forward £'000	Fixed asset timing differences £'000	Short term timing differences £'000	Total £'000	Short term timing differences £'000	Fixed asset timing differences £'000	Total £'000
At 1 January 2005	600	79	96	775	65	20	85
Credit / (charge) for the year	365	(113)	224	476	71	(26)	45
Exchange differences	(13)	-	-	(13)	-	-	-
At 31 December 2005	**952**	**(34)**	**320**	**1,238**	**136**	**(6)**	**130**

A deferred tax asset has been recognised in respect of the amount of the tax losses of BV Berlin Verlag GmbH which the Group's projections indicate will be recovered within three years of the balance sheet date.

The Group and the Company had deferred tax assets not included in the accounts as follows:

	The Group		The Company	
	2005 £'000	2004 £'000	**2005** £'000	2004 £'000
Tax losses carried forward	188	662	1	12
Short term timing differences	-	28	-	-
	188	**690**	**1**	**12**

These deferred tax assets will be recoverable against available taxable profits of the same type or from the same trades in future years. They have not been recognised in the accounts as recovery is not certain.

12. Inventories

	The Group		The Company	
	2005 £'000	2004 £'000	**2005** £'000	2004 £'000
Raw materials	**185**	215	**66**	153
Work in progress	**3,837**	3,364	**2,183**	1,967
Finished goods for resale	**11,107**	8,035	**3,888**	4,228
	15,129	11,614	**6,137**	6,348

Included above are work in progress of £475,000 (2004, £658,000) and finished goods of £2,526,000 (2004, £483,000) carried at net realisable value. The amount included in cost of sales relating to the write down of inventories to net realisable value is £3,480,000 (2004, £3,243,000).

13. Trade and other receivables

	The Group		The Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade receivables	**21,271**	21,248	**12,953**	14,665
Amounts owed by group undertakings	**-**	-	**14,539**	5,116
Tax recoverable	**76**	170	**-**	-
Other receivables	**689**	614	**560**	378
Prepayments and accrued income	**23,079**	16,081	**11,394**	12,539
	45,115	38,113	**39,446**	32,698
Amounts falling due after more than one year:				
Prepayments and accrued income	**3,515**	4,580	**3,515**	4,116
	48,630	42,693	**42,961**	36,814

Trade receivables comprise amounts receivable from the sale of books. Payments are received on the basis of contracted payment terms with the distributors. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £252,000 (2004, £329,000). This allowance has been made by reference to specific debts and past default experience.

14. Equity share capital

	2005	2004
	£'000	£'000
Authorised:		
92,000,000 Ordinary Shares of 1.25p each (2004, 92,000,000 Ordinary Shares of 1.25p each)	**1,150**	1,150
Allotted, called up and fully paid:		
72,857,182 Ordinary Shares of 1.25p each (2004, 71,541,118 Ordinary Shares of 1.25p each)	**911**	894

Movements in the allotted share capital during the year are:

	Number	£'000
At 1 January 2005	71,541,118	894
Shares issued on acquisition of subsidiary company	219,932	3
Share options exercised	1,096,132	14
At 31 December 2005	**72,857,182**	**911**

The consideration receivable by the Company for the share options exercised during the year was £2,377,000. On 5 January 2005 the Company issued 219,932 Ordinary Shares of 1.25p per share to satisfy the deferred consideration in relation to the acquisition of Berlin Verlag. The consideration of £663,000 for the shares issued was added to the cost of investment in Berlin Verlag.

14. Equity share capital (continued)

As at 31 December 2005, 1,911,465 options had been granted and were still outstanding in respect of Ordinary Shares under the following Approved and Unapproved Share Option Schemes:

	Number of shares	Subscription price	Exercisable
1994 Approved Executive Share Option Scheme	17,354	173.75p	2003 – 2010
1994 Approved Executive Share Option Scheme	98,792	220.25p	2003 – 2010
1994 Approved Executive Share Option Scheme	50,116	175.50p	2004 – 2011
1994 Approved Executive Share Option Scheme	75,376	179.75p	2004 – 2011
1994 Approved Executive Share Option Scheme	45,584	143.50p	2005 – 2012
1994 Approved Executive Share Option Scheme	107,836	178.75p	2006 – 2013
1994 Approved Executive Share Option Scheme	24,000	246.00p	2006 – 2013
1994 Approved Executive Share Option Scheme	60,000	249.50p	2007 – 2014
1994 Unapproved Executive Share Option Scheme	220,000	66.25p	2002 – 2006
1994 Unapproved Executive Share Option Scheme	154,020	173.75p	2003 – 2007
1994 Unapproved Executive Share Option Scheme	534,375	220.25p	2003 – 2007
1994 Unapproved Executive Share Option Scheme	101,808	175.50p	2004 – 2008
1994 Unapproved Executive Share Option Scheme	26,624	179.75p	2004 – 2008
1994 Unapproved Executive Share Option Scheme	24,416	143.50p	2005 – 2009
1994 Unapproved Executive Share Option Scheme	216,164	178.75p	2006 – 2010
1994 Unapproved Executive Share Option Scheme	80,000	246.00p	2006 – 2010
1994 Unapproved Executive Share Option Scheme	75,000	249.50p	2007 – 2011

At 31 December 2005, 528,608 shares were awarded and were still outstanding under the Group's 2005 Performance Share Plan. Subject to the satisfaction of the performance criteria set by the Remuneration Committee, the awards will vest in whole or in part 3 years after the award.

	No. of shares	Strike price at award	Date of award
2005 Performance Share Plan	528,608	337.90p	4 November 2005

15. Non-current liabilities

The employee benefits liability represents the deficit on the defined benefit pension scheme of a subsidiary company. Further details of the scheme are shown in note 4.

There is no unprovided liability for deferred taxation as at 31 December 2005 (2004, £nil).

16. Trade and other payables

	The Group		The Company	
	2005	2004	**2005**	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade payables	**5,437**	5,786	**2,626**	3,345
Amounts owed to group undertakings	**-**	-	**798**	319
Taxation and social security	**757**	132	**622**	17
Other payables	**1,425**	1,392	**771**	1,225
Accruals and deferred income	**36,355**	15,328	**32,664**	12,887
	43,974	22,638	**37,481**	17,793

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for purchases by the Group is 25 days (2004, 41 days).

17. Borrowings

	The Group		The Company	
	2005	2004	**2005**	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Bank loan	**-**	62	**-**	-
Guaranteed loan notes 2005	**-**	383	**-**	383
	-	445	**-**	383

Included within the guaranteed loan notes 2005 is £nil (2004, £383,000) issued to former shareholders in A&C Black Plc who elected for loan notes to be issued instead of cash or shares in Bloomsbury Publishing Plc. The loan notes were guaranteed by The Royal Bank of Scotland Plc against cash raised at the date of acquisition of A&C Black. They were redeemable in full at 31 December 2005 but could be redeemed at the option of the loan note holders on any interest payment date between 2001 and 2005. Interest was payable at 1% below the base rate. The balance of these loan notes was fully redeemed during the year.

The bank loan of £62,000 was in Walker Publishing Company, Inc., the subsidiary company acquired on 31 December 2004. The loan was secured on the inventories and receivables of Walker Publishing Company, Inc. and interest was payable at 1% above the bank's base rate. The loan was repaid in full on 1 January 2005.

18. Lease obligations

The Group as a lessee:

	2005 £'000	2004 £'000
Minimum lease payments under operating leases recognised as expense for the period	**1,746**	1,104

At 31 December 2005 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2005 £'000	2004 £'000
Within one year	**1,328**	984
Between one and five years	**3,424**	3,097
After more than five years	**145**	741
	4,897	4,822

The operating leases represent rentals payable by the Group for certain of its office properties, vehicles and equipment. The lease terms over properties are for an average of five years. The operating leases over vehicles are in respect of company cars driven by certain employees. The lease terms are for an average of three years. The operating leases over equipment are in respect of office equipment. The lease terms are for an average of three years.

The Group as a lessor:

Property rental income earned during the year was £165,000 (2004, £66,000).

At 31 December 2005 the Group had contracts with tenants for the following future minimum lease payments receivable:

	2005 £'000	2004 £'000
Within one year	**136**	128
Between one and five years	**76**	204
	212	332

19. Share-based payments

The Company operates four equity-settled share-based payment arrangements, namely the two executive share option schemes, the performance share plan and the sharesave scheme. For the year ended 31 December 2005 the Group recognised total expenses related to equity settled share based payment transactions since 7 November 2002 of £236,000 (2004, £152,000).

The 1994 Approved and Unapproved Executive Share Option Schemes ('the Schemes')

Under the rules of the Schemes the exercise price on the date of grant of options shall not be less than the higher of nominal value of an Ordinary Share and the average middle market quotation of an Ordinary Share for the three dealing days immediately preceding the offer of options under the Schemes. The vesting period is generally three years and is subject to the achievement of Earnings Per Share performance conditions set by the Remuneration Committee. If an option remains unexercised after a period of ten years (Approved) or seven years (Unapproved) from the date of grant, the options will expire. Furthermore, except in certain circumstances, options lapse if the employee leaves the Group. No options have been granted under the Schemes since 2004.

	Options 2005 Number	Weighted average exercise price 2005 Pence	Options 2004 Number	Weighted average exercise price 2004 Pence
Outstanding at 1 January	3,103,597	176.03	8,329,484	176.88
Granted during the year	-	-	649,000	249.50
Forfeited during the year	-	-	(4,395,671)	207.32
Exercised during the year	(1,096,132)	156.34	(1,415,216)	116.89
Expired during the year	(96,000)	197.32	(64,000)	169.14
Outstanding at 31 December	**1,911,465**	**186.26**	**3,103,597**	**176.03**
Exercisable at 31 December	**1,348,465**	**177.13**	**2,284,597**	**170.37**

The weighted average share price at the date of exercise for share options exercised during the year was 339.84 The options outstanding at 31 December 2005 had a weighted average contractual life of three years and three months.

The inputs into the Black-Scholes model used by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of grant	7 April 2003 (1)	24 September 2003	26 March 2004
Expected life (years)	6	6	6
Share price	£1.7875	£2.5100	£2.5350
Exercise price	£1.7875	£2.4600	£2.4950
Expected volatility	34.9%	35.6%	34.9%
Expected dividend yield	1.0%	0.7%	0.8%
Risk free interest rate	4.3%	4.4%	4.6%
Fair value charge per award	£0.67	£1.00	£0.99

(1) In June 2003 the shares were subdivided on a 4:1 basis – the share and option prices have been adjusted accordingly.

A period of six years was assumed for the expected life, being approximately the midpoint of the exercise window, and the average term as demonstrated in extensive exercise modelling conducted by New Bridge Street Consultants for their clients. The expected volatility was based on Bloomsbury's volatility over the period prior to grant equal in length to the expected 6 year life.

Notes to the accounts

The Bloomsbury Performance Share Plan 2005 ("the PSP Plan")
Under the rules of the PSP Plan, awards of fully paid Ordinary Shares are granted for nil consideration by the Remuneration Committee. For the purposes of determining the number of Ordinary Shares comprised in an award, the value of a share shall be equal to the average middle market price of the Ordinary Share for the five dealing days immediately preceding the award date. The vesting period is generally three years and the level of vesting is subject to the achievement of Earnings Per Share ('EPS') and Total Shareholder Return ('TSR') performance conditions set by the Remuneration Committee. Except in certain circumstances, awards lapse if the employee leaves the Group.

No awards were made under the PSP Plan prior to 4 November 2005.

	Awards 2005 Number
Outstanding at 1 January 2005	-
Granted during the year	528,608
Lapsed during the year	-
Exercised during the year	-
Expired during the year	-
Outstanding at 31 December 2005	**528,608**
Exercisable at 31 December 2005	**-**

The inputs into the Monte-Carlo style stochastic model used by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of grant	4 November 2005	4 November 2005
Performance condition	Increase in EPS over RPI	Total Shareholder Return
Share price	£3.42	£3.42
Volatility	20.3%	20.3%
Performance condition discount	n/a	43.9%
Risk Free Interest Rate	4.4%	4.4%
Fair Value charge per award	£3.42	£1.92

As vesting is on the third anniversary of grant, a three year expected life has been assumed. The expected volatility was based on Bloomsbury's volatility over the period prior to grant equal in length to the expected three year life. Half of any award is subject to an EPS performance condition (which is not factored into the valuation) and the other half is subject to a Total Shareholder Return condition whereby performance is compared to the FTSE Mid 250 companies (excluding Investment Trusts) over a three year period from the date of grant, with 35% of shares subject to this performance condition vesting for a median ranking rising to 100% for an upper quartile ranking. The discount for this TSR condition is calculated at the date of grant using the 'Monte-Carlo' model.

Bloomsbury Sharesave Plan 2005
The Company operates an HM Revenue and Customs approved savings related share option scheme under which employees are granted options to purchase Ordinary Shares in the Company in three, five or seven years' time, dependent upon their entering into a contract to make monthly contributions to a savings account over the period of the savings term. Open to employees based in the UK, no shares were granted under this scheme during 2005. A total of 115,671 options were granted on 5 May 2006 at an exercise price of £2.752 per share.

The Bloomsbury Employee Benefit Trust 2005 ("the EBT")
Set up in 2005, the EBT is a discretionary trust of which all employees of the Group are potential beneficiaries. The trustee is independent of the Company. Its main purpose is to operate with the Company's share schemes, in particular with the PSP Plan. While the trustee has power to subscribe for Ordinary Shares and acquire Ordinary Shares in the market or from treasury, it is not permitted to hold more than five per cent of the Company's issued share capital without prior approval of the shareholders. At 31 December 2005 the trust held £100, representing the initial investment into the EBT.

20. Commitments and contingent liabilities

The Group is committed to paying royalty advances to authors under publishing contracts during subsequent financial years. At 31 December 2005 this commitment amounted to £11,571,000 (2004, £13,246,000).

21. Post balance sheet events

The directors have proposed a final dividend of 3.0 pence per share (2004, 2.478 pence per share), which will be paid on 6 July 2006 to Ordinary Shareholders on the register at close of business on 26 May 2006. Based on the number of shares currently in issue, the final dividend will be £2,189,000 (2004, £1,773,000).

22. Significant non-cash transactions

219,932 Ordinary Shares of 1.25p each were issued in January 2005 as part of the deferred consideration in relation to the acquisition of Berlin Verlag in 2003. The value of these shares at the date of issue was £663,000.

23. Financial instruments and risk summary

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.

The Group has financial assets of £53,511,000 at 31 December 2005 (2004, £29,120,000) comprising cash and short-term deposits. The average rate of interest on cash deposits during the year ended 31 December 2005 was 4.56% (2004, 4.42%).

The Group's financial liabilities at 31 December 2005 and 31 December 2004, all of which were at floating interest rates, were as follows:

	2005 £'000	2004 £'000
Guaranteed loan notes 2005 - Sterling	-	383
Bank loan – US Dollars	-	62
Total	-	445

Details of the rates of interest payable on the Group's financial liabilities are shown in note 17.

All of the financial liabilities arose as a result of acquisitions and have now been repaid. It is not part of the Group's general policy to fund its operations through such instruments.

(ii) Liquidity risk
The directors do not consider that the Group currently has a liquidity risk.

23. Financial instruments and risk summary (continued)

(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 £55,290,000 (2004, £45,711,000), £9,110,000 is denominated in US dollars (2004, £7,273,000) and £3,763,000 is denominated in euro (2004, £3,721,000). No material monetary net assets are denominated in currencies other than sterling, US dollars and euro.

(iv) Credit risk
The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on the trading experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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

24. Related party transactions

Trading transactions
During the year the Company entered into the following transactions with its subsidiaries:

	2005 £'000	2004 £'000
Purchases of goods in the year	199	-
Commission payable	594	-
Interest receivable	485	169
Amounts owed by subsidiaries at year end	14,539	5,116
Amounts owed to subsidiaries at year end	798	319

Purchases of goods and commission payable were based on the Group's usual list prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by subsidiaries.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the auditable part of the Directors' Remuneration Report on pages 29 to 31.

	2005 £'000	2004 £'000
Short-term employee benefits	3,100	2,470
Post-employment benefits	157	130
Share options exercised	1,223	1,544
	4,480	4,144

Effect of the introduction of International Financial Reporting Standards
on the financial statements for the year ended 31 December 2004

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRS was therefore 1 January 2004.

Full reconciliations of the results for the year ended 31 December 2004 and the equity at this date and at 1 January 2004 between UK GAAP and IFRS are set out on pages 73 and 74. 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 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 relationships 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.

Effect of the introduction of International Financial Reporting Standards
on the financial statements for the year ended 31 December 2004

IAS 2 - 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 approved before the balance sheet date may be included in the financial statements as a liability. As the final dividend for 2004 was approved 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 year ended 31 December 2004. There has also been no significant effect on shareholders' equity at that date.

Reconciliations to UK GAAP financial statements

Income Statement Reconciliation

Year ended 31 December 2004

	UK GAAP £'000	Adjustments to comply with IFRS £'000		IFRS £'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)	-
Profit before exceptional items and investment income	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	14	(iii)	1,683
Finance costs	(327)	(24)	(iii)	(351)
Profit before taxation	16,184	513		16,697
Income tax expense	(4,005)	49	(iv)	(3,956)
Profit for the year	**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 IFRS 2
(ii) Adjustment to comply with IFRS 3
(iii) Adjustment to comply with IAS 19
(iv) Deferred tax asset in respect of adjustments **(i)** and **(iii)**

Reconciliations to UK GAAP financial statements

Equity Reconciliations

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
1. At 1 January 2004							
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**
2. At 31 December 2004							
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**

Directors, secretary and advisers

Directors	J N Newton (Chairman) C R Adams ACA E N Calder C A A Black (Senior Non-executive and Vice Chairman) M J Mayer (Non-executive) J J O'B Wilson (Non-executive)
Secretary	R Cordeschi ACIS
Registered Office	36 Soho Square, London W1D 3QY Tel 020 7494 2111
Registered Number	1984336
Auditors	Baker Tilly 2 Bloomsbury Street, London WC1B 3ST
Bankers	The Royal Bank of Scotland Plc 280 Bishopsgate, London EC2M 4RB
Joint Stockbrokers and Financial Advisers	Investec Investment Banking 2 Gresham Street, London EC2V 7QP Dresdner Kleinwort Wasserstein Securities Limited PO Box 52715, 30 Gresham Street, London EC2P 2XY
Merchant Bankers	Investec Investment Banking 2 Gresham Street, London EC2V 7QP Dresdner Kleinwort Wasserstein Securities Limited PO Box 52715, 30 Gresham Street, London EC2P 2XY
Solicitors	Dechert LLP 160 Queen Victoria Street, London EC4V 4QQ
Registrars	Capita Registrars Limited Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA

Financial calendar

Annual General Meeting	29 June 2006
Results	
Announcement of half year results to 30 June 2006	September 2006
Announcement of annual results to 31 December 2006	March 2007
Dividend	
Final dividend - 2005	6 July 2006
Interim dividend - 2006	November 2006
Final dividend - 2006	July 2007

Share Price and Investor Information

Bloomsbury's share price is quoted in the Financial Times, the Times, the Daily Telegraph and the Evening Standard, and is also available on the Financial Times Cityline telephone service (0906 843 4444) charged at premium call rates. Investor information is also available on the web at www.bloomsbury-ir.co.uk.

Shareholder information

Analysis of registered shareholdings at 22 May 2006

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
5,000,001 +	1	0.08	5,280,000	7.23
1,000,001 - 5,000,000	17	1.33	35,453,868	48.58
500,001 - 1,000,000	18	1.41	13,768,453	18.87
100,001 - 500,000	58	4.53	12,697,317	17.40
50,001 - 100,000	24	1.88	1,614,472	2.21
10,001 - 50,000	556	43.47	3,897,621	5.34
1 - 10,000	605	47.30	271,451	0.37
	1,279	**100.00**	**72,983,182**	**100.00**

Analysis by number of registered shareholders at 22 May 2006

Shareholder	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
Institutional shareholders / nominee companies	447	34.95	67,914,349	93.05
Directors	5	0.39	2,980,887	4.09
Employees	13	1.02	409,852	0.56
Private shareholders	814	63.64	1,678,094	2.30
	1,279	**100.00**	**72,983,182**	**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 37 Soho Square, London, W1D 3HB on 29 June 2006 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 2005.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2005.
3. To declare a final dividend for the financial year ended 31 December 2005.
4. To re-elect Mr C R Adams as a director of the Company.
5. To re-elect Mr M J Mayer as a director of the Company.
6. To re-elect Mr J J O'B Wilson as a director of the Company.
7. 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 8 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions.

8. That:

(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 £237,710 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.

9. That, subject to the passing of resolution 8 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 8 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 or share option schemes 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 £45,614;

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.

10. **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 3,649,159;

(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 2007 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.

By order of the board

Dated 24 May 2006

Registered Office:
36 Soho Square
London
W1D 3QY

Richard Cordeschi ACIS
Company Secretary

Notice of Annual General Meeting
Bloomsbury Publishing Plc

Notes

1. 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.

2. 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.

3. 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 27 June 2006.

4. Copies of the following documents will be available for inspection at the Company's registered office, 36 Soho Square, W1D 3QY, during usual business hours 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.

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