BLOOMSBURY PUBLISHING PLC ANNUAL REPORT AND ACCOUNTS 2006


100th Anniversary Edition
Writers' Artists' Yearbook 2007
COMPLETELY REVISED AND UPDATED EVERY YEAR
RICHARD FORD
The Lay of the Land
Shannon Hale
Austenland
Othello
The Enlightened Bracketologist
INGO SCHULZE
AGENT ZIGZAG
ben macintyre
As read on BBC Radio 4
THE TRUE WARTIME STORY OF EDDIE CHAPMAN LOVER, BETRAYER, HERO, SPY
BRENNAN
RULER OF THE REALM
JIM LYNCH
THE TIGER IN WINTER
How I Learned to Cook
LISA KLEIN
JPod
DOUGLAS COUPLAND
28
stories of AIDS in africa
Stephanie Nolen
WAS GESCHAH IN ECHO FALLS?
PETER ABRAHAMS
COLOUR ETCHING
BRIDAL JEWELLERY
DARA HORN
DIE KOMMENDE WELT
ANCHEE MIN
THE LAST EMPRESS
THUMBS, TOES, AND TEARS
CHIP WALTER
LOOKING FOR THE BIG B
JESSICA HINES
HALE
RIVER SECRETS
MY HAUNTED HOUSE
THE LEMON TREE
SANDY TOLAN
AL GORE
CURSE OF THE NARROWS
LAURA M. MACDONALD
BAKER
ONCE UPON A CURSE
RICHARD FORD
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DIVISADERO
MICHAEL ONDAATJE
LEFT FOR DEAD
IN SEARCH OF PERFECTION
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HESTON BLUMENTHAL
PHOTOGRAPHS BY SIMON WHEELER
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waiting for daisy
PEGGY ORENSTEIN
ROSS KING
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PERFECT, ONCE REMOVED
PHILLIP HOOSE
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WILLIAM BOYD
WALTER MOSLEY
KILLING JOHNNY FRY
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PIERRE WHITE


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TIM PEARS Blenheim Orchard
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MARCO PIERRE WHITE
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LARKLIGHT
Philip Reeve

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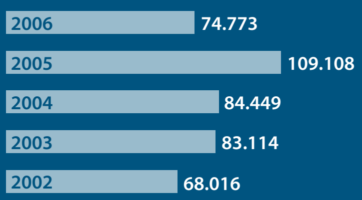
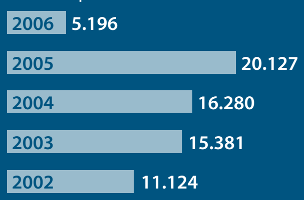
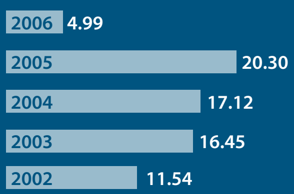
Revenue - £m*



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



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



	UK GAAP **2002** £m	UK GAAP **2003** £m	IFRS **2004** £m	IFRS **2005** £m	IFRS **2006** £m
Revenue	68.016	83.114	84.449	109.108	74.773
Profit before taxation, goodwill amortisation and exceptional items	11.124	15.381	16.280	20.127	5.196
Basic earnings per share before goodwill amortisation and exceptional items (p)**	11.54	16.45	17.12	20.30	4.99

* The Company adopted International Financial Reporting Standards (IRFS) with effect from 1 January 2004, and the figures for 2004 onwards are under IFRS. The figures for 2002 and 2003 are under UK generally accepted accounting practice (UK GAAP) before goodwill amortisation.

** after 4 for 1 share split in June 2003

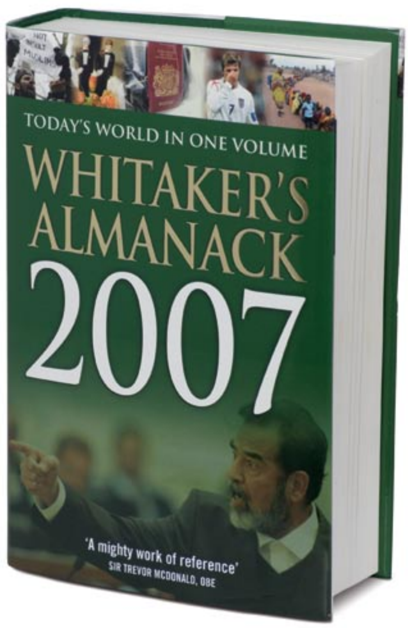
This document does not constitute and should not be construed as an issue for sale or subscription or solicitation of any offer or invitation; or advice or recommendation to subscribe for the ordinary shares of the Company; nor should it be relied on in connection with any contract to be entered into by the recipient; nor does it constitute an invitation or inducement to engage in investment activity under section 21 Financial Services and Markets Act 2000 (FSMA); or constitute an invitation to effect any transaction with the Company; or to make use of the services provided by the Company. Past performance cannot be relied on as a guide to future performance.

Overview

2006 was a challenging year. Our results, while disappointing and showing a decline in pre-tax profits, are in line with our December trading statement and reflect significant factors at the end of the year, including a tough pre-Christmas trading environment for Bloomsbury, smaller bestsellers than in previous years and not completing budgeted reference rights sales by the year-end. While we are not satisfied with this overall result, it is important to recognise strong individual performances within the Group that give us confidence about the fundamentals of our business as we look to the future.

A&C Black, which we acquired in 2000, had a particularly good year, providing strong repeat revenues and profitability for the Group. Bloomsbury USA exceeded its revenue targets for the year, on the strength of a diverse and growing list of titles, and our German company achieved its second consecutive year of profitability. Although the UK market proved to be problematic for us, many Bloomsbury titles achieved success during the year, including *Empress Orchid* by Anchee Min and *In Search of Perfection* by Heston Blumenthal.

We are keenly aware that the dynamics of our industry are changing. In addition, the combination of pricing pressure from retailers and pressure from authors' agents for advances is squeezing margins. The industry is coming to grips with these factors, and we are focused on taking the initiative by adapting our business to the new market environment we face.



We have put in place a strategic plan to grow revenues from 2007 onwards. This business development strategy is multi-faceted, building on our existing strengths as well as opening doors to new opportunities. It can be summarised as follows:

1. Author relationships and content creation

– Capitalising on our proven track record in developing new authors and projects. Our staff have shown creativity and flair in bringing unknown authors to great sales success. Previously unpublished authors published by Bloomsbury whose works have sold more than one million copies include Ben Schott, David Guterson, Khaled Hosseini and JK Rowling. Projects conceived in-house which have had turnover well in excess of £1 million include *Business: The Ultimate Resource*, *Encarta World English Dictionary* and *Macmillan English Dictionary*. We are currently accelerating these activities and our forward programme of new projects for future publication is already at a significant level.

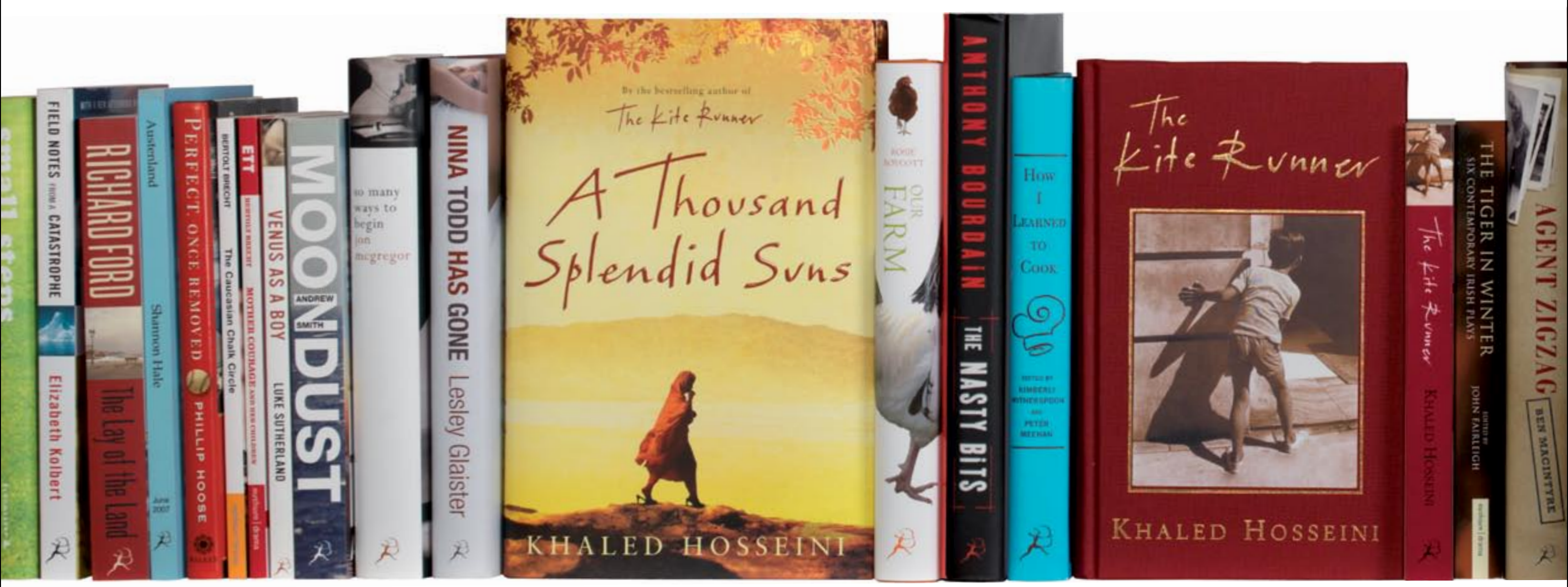
2. On-going revenues

– Publishing new works by the significant stable of authors we have built up and whose many books have for 21 years formed a vital part of the on-going revenues of the Group. In most cases, these authors do not have long-term or multi-book contracts but consistently bring their new works to Bloomsbury because of the lasting strength of the relationships they have with their editors and the Company. Repeat authors who will be published this year and in Spring 2008 alone include Michael Ondaatje, Joanna Trollope, Celia Rees, JK Rowling, Anthony Bourdain and Khaled Hosseini.

We will also continue to develop the new authors whose first books for the Group have been published recently or are still in the pipeline. In the UK these include in particular our new history authors such as David Dimbleby, William Dalrymple, AC Grayling and Frederick Taylor, and in food and cookery Heston Blumenthal and Hugh Fearnley-Whittingstall.

3. Geographic leverage

– Investing to further develop our business internationally, specifically in the USA and Germany, both markets where we are successfully growing market share and where there is great potential to make even greater inroads. Key to our success will be the continued acquisitions of rights across all our territories. With authors such as Ben Schott and William Boyd, we have already proved that our international publishing strategy can develop bestsellers internationally.



4. Content monetisation

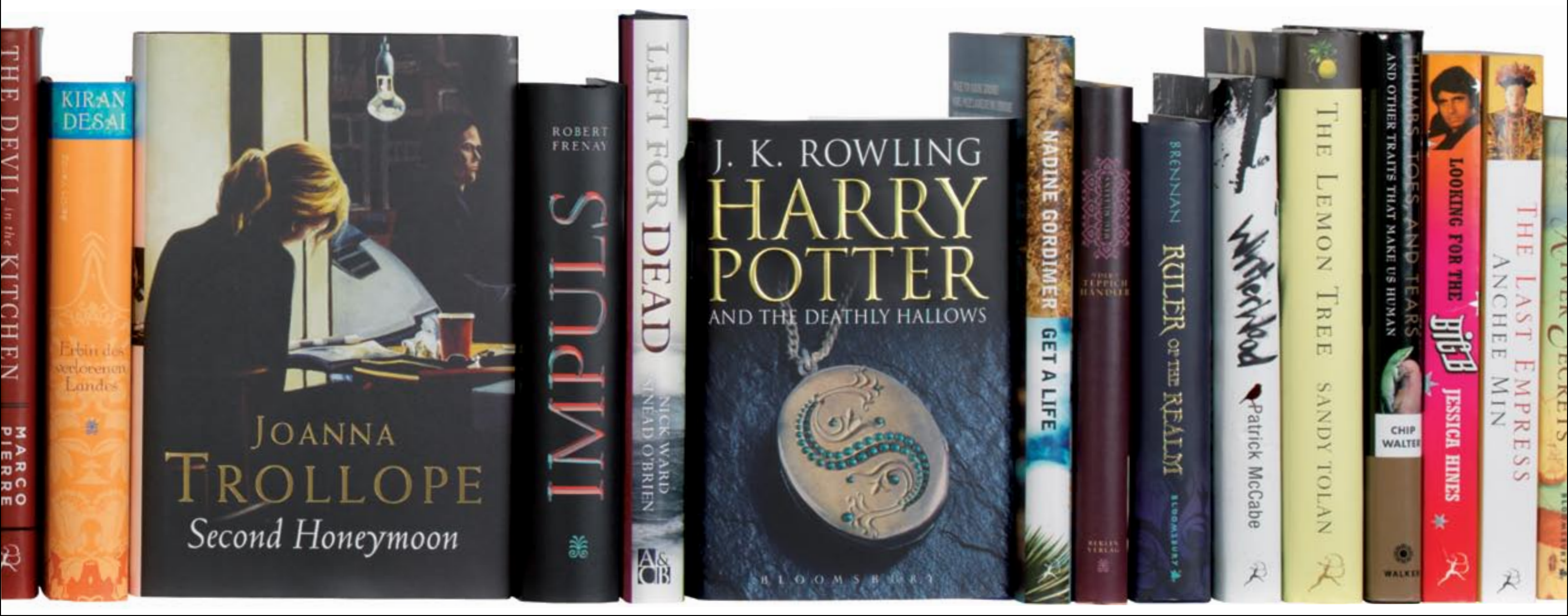
– In the digital arena we are taking full advantage of our existing expertise as a content creator, owner and licensor to monetise that content on the internet, to seek opportunities in marketing, to exploit it in new markets and partnerships, and to benefit from the cost-reduction potential offered by print on demand and e-books. TV and film rights can also provide the opportunity for significant revenue streams as we have seen with *Larklight*.

5. Web-based initiatives

– Enhancing our already pioneering activities in new media and electronic publishing to develop opportunities in web marketing and distribution, capitalising on the advances in print on demand and e-books and other opportunities of the digital era. Examples of this activity include our involvement in a project which will we believe create a unique community for readers, writers and publishers, host user-generated content and generate significant on-line advertising opportunities as well as our digitisation project.

6. Acquisitions

– Bloomsbury has successfully made 10 acquisitions which have brought real benefits to the business. We are now actively seeking larger acquisitions and looking at companies that not only complement existing activities but broaden our media involvement. We remain focused on opportunities that can either deliver significant advantages of scale or take our business into new (but related) and profitable directions. We have proven ourselves to be effective managers and integrators through our prior acquisition history.



Fundamental to our success is the superb stable of authors who write regularly for Bloomsbury and the first-class team of employees who have demonstrated their ability over more than 20 years to find, develop, promote and publish books of the highest calibre. They form the solid foundation of our business as we continue to publish compelling books that consumers want to purchase.

We see digitisation as an opportunity rather than a threat. It holds the potential to expand distribution of our content, to monetise that content in new ways and to radically change our cost structure. In our reference division, over 200 titles are now available in e-book format, selling to libraries worldwide and providing an extra revenue stream which is expected to increase substantially from 2007 onwards. A new programme of converting reference titles which are currently unavailable, or slow selling, to print on demand is also producing new sources of repeat revenue and substantial cost savings. We have also put in place our own digitisation programme with a "Look Inside" widget to enable more of our content to be accessed in web searches which will lead to future book sales and harness the power of online social networking websites. We have a long history of digital content licensing, and we are confident that we can build on that history as the digital world continues to expand in new and exciting ways.

We expect 2007 to be a strong year for the Company. In the UK, *Restless* and *Agent Zigzag*, two of our 2007 titles, have already achieved bestseller status, and later in the year we will also be publishing two major titles, *Harry Potter and the Deathly Hallows* and *A Thousand Splendid Suns*, a new book by Khaled Hosseini whose first novel, *The Kite Runner*, has sold more than one million copies for us.

The Company is actively seeking larger acquisitions. Since A&C Black's acquisition by Bloomsbury, it has doubled its turnover while remaining strongly profitable. Our smaller acquisitions of the past few years, including most recently the Methuen Drama list in June 2006, are performing well. We believe that our disciplined approach will prove to be beneficial and that the opportunities for larger acquisitions will be more favourable in 2007 and 2008.

Financial performance

Turnover decreased by 31.5% to £74.77m (2005, £109.11m) due to lower than expected pre-Christmas sales of our titles in the UK retail trade, smaller bestselling titles than in previous years and not completing budgeted reference rights sales prior to the year-end. It should also be borne in mind for comparative purposes that in 2005 we published the hardback of *Harry Potter and the Half-Blood Prince*.

Revenues in the UK decreased 41.8% to £53.88m (2005, £92.62m). Revenues from US operations rose 36.1% to £15.01m (2005, £11.03m) on the back of strong sales from lead titles and growth in the backlist. Revenues from Continental Europe, which were generated by Berlin Verlag, increased 7.5% to £5.88m (2005, £5.47m). Profit before tax decreased 74.2% to £5.20m (2005, £20.13m). Basic earnings per share decreased by 75.4% to 4.99 pence (2005, 20.30 pence). Diluted earnings per share decreased by 75.4% to 4.90 pence (2005, 19.93 pence).

At the end of the year, the Group had net cash balances of £24.30m (2005, £53.51m). The decline in cash during the year is the result of working capital movements, primarily payment of royalties from 2005 publications and investments in new titles for publication in 2006 and beyond. We also completed the acquisition for cash of the Methuen Drama list during the year. We continue to invest in future growth by acquiring new authors and titles. Our strong balance sheet underpins our investment programme and augurs well for our future. At 31 December 2006, the Group had under contract 1,149 titles (2005, 1,062) for future publication, with a gross investment of £30.77m (2005, £22.41m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £18.48m (2005, £12.05m).

UK Publishing

Children’s

There has been a movement in the children’s book market towards the adult model: a market primarily dominated by fewer key authors, and fewer bestsellers. Booksellers are focusing on those authors with a strong track record, and supermarkets are selling more children’s titles.

Against this backdrop, we had a good year in 2006. Our fiction was strongly supported by the chains in both monthly and seasonal promotions. We also had excellent review coverage of our titles which helped ensure their sell-through in the shops. Our picture books competed well, with titles by Mike Terry, *Ellie & Elvis* and *The Selfish Crocodile and Other Animals*, performing particularly strongly.

Our strategy was to publish into new areas for Bloomsbury Children’s Books. Traditionally strong in the area of literary fiction, we focused on the continued development of our pre-school list and co-editions, as well as launching new series in the commercial 5 – 9 year-old fiction area. These included a twelve book series, *Mermaids SOS*, of which we published the first six titles in 2006. The next six titles are scheduled for publication in the first half of 2007.

We also published *Open Season*, our first series of film tie-in titles, which performed well. *Surf’s Up* is the next series planned for the Summer, an animated adventure starring Jeff Bridges, James Woods and Shia LaBeouf which should be a big Summer family film for young children.

We have had a number of children’s best-sellers in 2006. *Harry Potter and the Half-Blood Prince*, as well as the other titles in the series, has been in the paperback bestseller lists. Other titles that have appeared on the lists are Richard Horne’s very successful *101 things to do…* books and the *Septimus Heap* series in both hardback and paperback, as well as *Araminta Spook*, both by Angie Sage.

Small Steps by Louis Sachar was a hardback bestseller for us in 2006, and in the Summer of 2007 we will publish the paperback edition. His previous novel, *Holes*, has been one of our key backlist titles for many years.

Our long-standing strategy to acquire world rights resulted in a large number of translation sub-licence deals being concluded during the year. Highlights include *Larklight* by Philip Reeve which was sold to twelve countries, *The Declaration* sold in eleven, *Tanglewreck* in seventeen, as well as a very strong deal for film rights for *Larklight* with Warner. This is the first in a three-book series by the multi-award winning, bestselling author Philip Reeve. We will publish *The Declaration* by Gemma Malley in September 2007 simultaneously in the UK, Germany and America. One of our lead titles for 2007, this debut novel is by a very exciting new author in the world of young adult literature.

We will also continue to develop our commercial series fiction as well as continue to build our already established authors like Angie Sage, Philip Reeve, Sue Limb, Benjamin Zephaniah and Mary Hoffman into household names.

2007 will also see the publication of the hugely anticipated final instalment in the *Harry Potter* series, *Harry Potter and the Deathly Hallows*, which we will be publishing in hardback. For the first time there will be a simultaneous audio release which we will be publishing in a joint venture with Helen Nicoll.

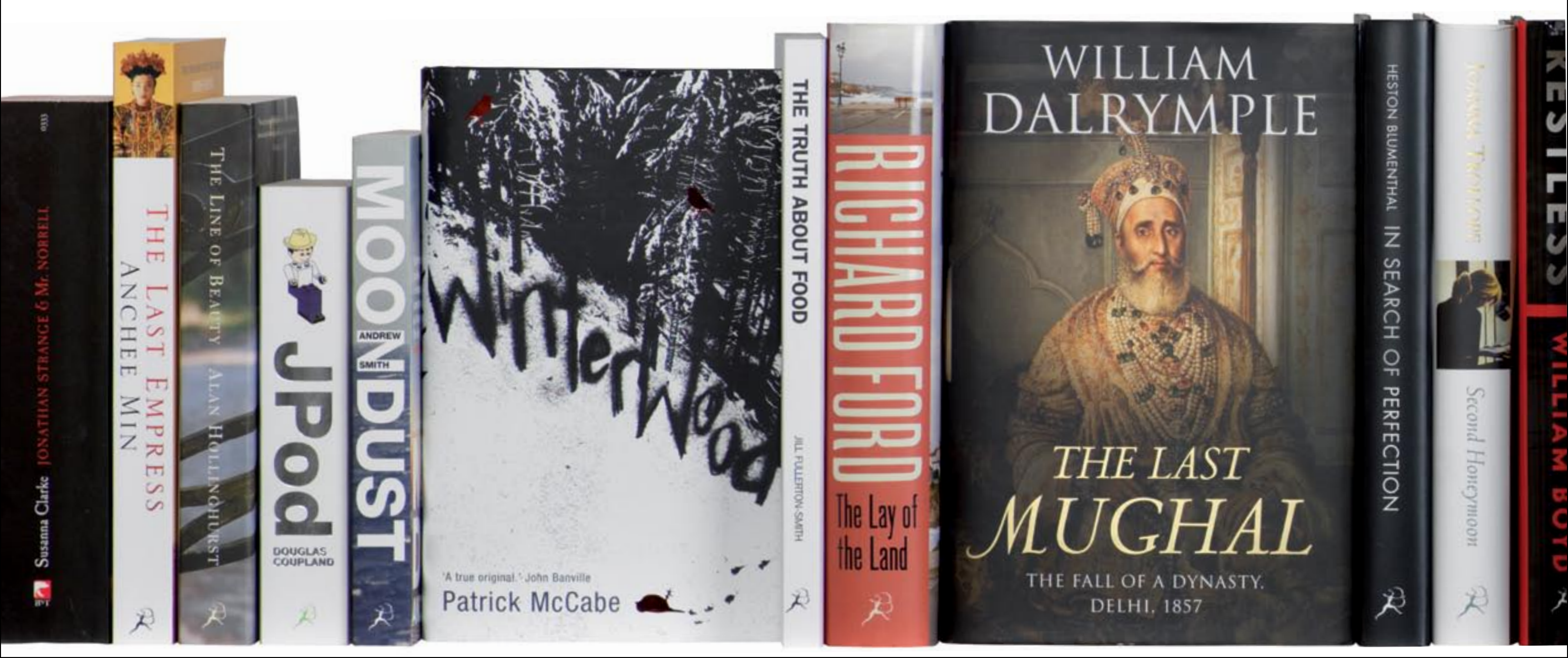
Adult

In fiction, the year began with a No 1 bestseller, Joanna Trollope's *Second Honeymoon*, and ended with William Boyd's *Restless* winning the Costa Novel of the Year Award and being chosen by Richard & Judy for their 2007 Book Club. Douglas Coupland joined Bloomsbury in the UK with *J Pod*, as did Richard Ford with *The Lay of the Land*. Other Autumn highlights included a new book by Susanna Clarke, author of *Jonathan Strange & Mr Norrell*, and twice Booker short-listed Patrick McCabe's new novel, his first for Bloomsbury, *Winterwood*, which has won the Irish Novel of the Year Award.

2006 was a particularly good year for non-fiction. We published Gordon Brown, Al Gore's bestselling *An Inconvenient Truth* (the film of which won an Oscar), *My Take*, the autobiography of Gary Barlow (a top ten bestseller), and the tie-in book to chef Heston Blumenthal's successful television series *In Search of Perfection*. Two new non-fiction editors at Bloomsbury brought with them writers including William Dalrymple and Hugh Fearnley-Whittingstall. Ben Schott's successful second *Almanac* was also published.

The list for 2007 is consistently strong with big titles being published throughout the year. Bloomsbury is expanding its list with TV tie-ins and food and cookery books. Following on from Heston Blumenthal we published two television tie-ins, *The Truth about Food* and *Don't Die Young*, in the early Spring. These will be followed with David Dimbleby's major series *How We Built Britain* and a tie-in to the new series from Heston Blumenthal. The Autumn will also see important new books by Germaine Greer and Hugh Fearnley-Whittingstall. In fiction we have the new novel by Booker Prize winning Michael Ondaatje, author of *The English Patient*, while *A Thousand Splendid Suns*, the new novel by Khaled Hosseini, author of the bestselling *The Kite Runner*, will be a major publishing event of the year.

We continue to strengthen our international ties. We published William Boyd in all three of our territories and he has become a bestseller in Germany for the first time. We are also to publish a major thriller by Ronan Bennett in our territories in the Autumn of this year, as well as *Schott's 2008 Almanac*.



Reference

A&C Black celebrates its 200th anniversary in 2007. The longevity of the business and the properties it owns, such as *Who's Who* and *Whitaker's Almanack*, demonstrates that this is an operation that can, and will, continue to generate strong recurring revenues and profits for many years to come.

The natural history list had a particularly strong year, with a number of successful books published in association with the RSPB, a photographic book on *The World of the Polar Bear* and a superbly illustrated book on *Global Warning* by Guardian journalist, Paul Brown. Notable successes in other areas included a new range of media yearbooks, the publication of *The Ultimate Teen Book Guide* and the launch of the second edition of *Business: The Ultimate Resource*, now generating significant electronic revenues and published in seven languages, including Chinese and Japanese.

In June 2006 we acquired Methuen Drama, a highly prestigious and established list which includes plays by top contemporary authors such as Caryl Churchill, Michael Frayn and Mark Ravenhill, as well as established classics by Bertolt Brecht, Oscar Wilde and Dario Fo. The list is an excellent fit with A&C Black's existing Theatre and Drama books and the combination of the two lists gives A&C Black the largest Theatre and Drama list in the UK. The operation has now been fully integrated with our existing Theatre and Drama business and a backlist re-issue and publicity programme is already underway which is generating a healthy increase in revenues.

Prospects for 2007 are good, with strong growth predicted for the Methuen Drama list in all English language markets. New books will include an innovative new *Shakespeare in Performance* series with recordings of well known productions packaged with the plays, and the first anthology of Noel Coward's letters, many of them previously unpublished, edited by leading Coward scholar Barry Day. Other A&C Black highlights for 2007 will include *Young Wisden*, a cricket anthology for children in association with Wisden; *Left for Dead*, the dramatic story of the last survivor of Britain's most disastrous yacht race; *Stolen*, an illustrated history of the 200 most important stolen art masterpieces; and the launch of a new range of educational books to fit the newly revised Primary National Curriculum.

During 2006 we started the development of our fourth major electronic database called *Finance - the Ultimate Resource*. The database plans are international in scope, reflecting the need for organisations to be aware of the global implications of financial decisions, as well as the impact of international corporate governance changes on business practices. The database will offer finance professionals up-to-date financial advice in print and online together with compelling additional daily content updates and functionality (e.g. video streaming, podcasts, online events) targeted at the global financial community. This is a truly exciting project for us that has already generated considerable interest from third parties eager to participate in its development, branding and launch.

Rights deals for a number of our major reference projects are under negotiation, some of which were scheduled for completion in 2006 and, if they are executed in 2007 as we hope, will contribute to 2007. These include both exclusive and non-exclusive deals for electronic publication of a number of the Company's existing databases.

One of the most exciting digital projects with which Bloomsbury became involved in 2006 is a new web-based initiative. While YouTube, MySpace and Bebo have grabbed the digital headlines and created the definitive music and video online community space, no one has yet done the same for books, especially in a way which will benefit all the main players in the book business, namely readers, writers, booksellers and publishers. Bloomsbury has made a small initial investment for a controlling interest in this start-up operation. The project is being developed by a small team based in San Francisco. As this is not core to our business, further third party funding is being sought to take the business through to launch towards the end of 2007 or early 2008.

Bloomsbury.com has continued to operate successfully as a marketing tool and as a revenue generator. The site had over 7.5 million visitors in 2006, and they viewed over 50 million pages. Books have been sold on the site for many years but more recently we have been looking at other ways to monetise the site and take advantage of the UK online ad revenue market which is currently growing at 40% annually. We have appointed an advertising sales agent to generate additional revenues on our websites.

International publishing

Bloomsbury USA

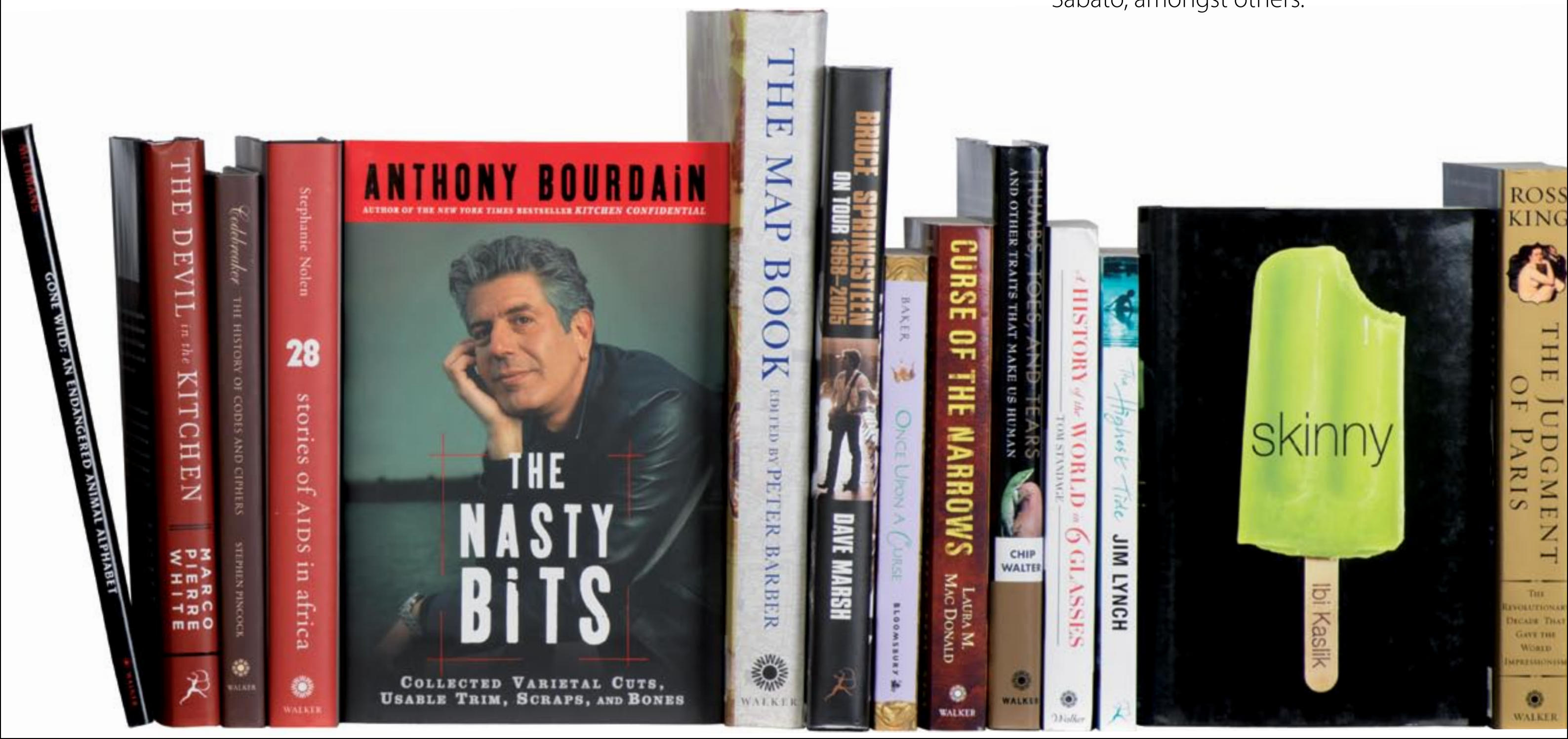
2006 was a year characterised by significant sales across the list, with growth as planned in both frontlist and backlist titles. Net revenues increased 36.1% to £15.01m (2005, £11.03m). We increased our expense base during the year to fuel future organic growth. This included the addition of new commissioning editors and expansion of our office space. Revenues associated with this expansion programme are not expected to start coming on-stream until the end of 2007. As a result, the operation made a loss before investment income in 2006 of £0.26m (2005, £0.48m profit).

As part of our expansion programme we have started a new imprint headed by Peter Ginna, former Editorial Director of the Oxford University Press trade division in the US. The imprint will focus on history, science, economics and business. Peter's talent lies in the ability to spot award-winning, high-end non-fiction books with crossover trade appeal. We also hired Nick Trautwein, formerly of HarperCollins, who will be developing titles in the areas of sports and commercial men's non-fiction. As the operation grows and achieves greater critical mass we continue to look for further economies of scale. During 2006 we renegotiated our printing contracts and restructured the way we create production components, both of which will contribute to more efficient manufacturing in 2007 and beyond.

On the adult side, *The Nasty Bits* by Anthony Bourdain led the list, with other strong titles following close behind: *Schott's Almanac*, *Restless* by William Boyd, *Field Notes from a Catastrophe* by Elizabeth Kolbert and *Theories of Everything* by Roz Chast. Strong backlist sales include the paperbacks *The Highest Tide*, *History of the World in Six Glasses*, *The Line of Beauty* and the hardbacks *Don't Try This at Home* , *Kitchen Confidential* and *The Map Book*. Half of them are shared with Bloomsbury UK and two with Germany, with four out of the six originated in the US.

Although the US operation performed well on the revenue line, margins were hurt by pricing pressure from retailers and upward pressure on author advances.

For 2007 we have a strong publishing programme across the adult and children's operations. On the children's side we have *Freckle Face Strawberry* by the actress Julianne Moore, *Princess Academy* in paperback, and our bestseller *Gone Wild*, which just won a Caldecott Prize. On the adult side we have a strong list throughout the year, anchored by the Autumn titles: *How Life Imitates Chess* by Gary Kasparov, *No Reservations* by Anthony Bourdain, Jacques Cousteau's last book and *The US Constitution Revised* by Larry Sabato, amongst others.



Berlin Verlag

Berlin performed well in 2006. Turnover increased 7.5% to £5.88m (2005, £5.47m) and the company made an operating profit of £0.20m (2005, £0.64m). Despite the increase in the underlying business, it was a challenging year. The company has had to operate in an increasingly complex German retail market. Our success in 2006 drew from across all four lists, which shows that the company as a whole has achieved much greater stability under Bloomsbury's ownership.

Our paperback list performed well in the year. A strong list was enhanced by the impact of a better focused monthly output and excellent and more commercial cover designs. The star performer was the German language edition of *The Kite Runner*.

Growth in the children's area was encouraging as the list continued to establish itself in the market. We now publish a number of important German children's authors, especially Zoran Dvrenker. Particularly encouraging was the new non-fiction list, which launched in Autumn 2006. *101 Dinge*, our bestselling children's title in the year, came from this new list and was a title shared across the Bloomsbury Group.

Berlin Verlag, our flagship hardback imprint, showed an improved performance over 2005. Among a number of titles which performed well was *Erbin des Verlorenen Landes*, the German edition of Kiran Desai's Booker Prize winning novel, *Inheritance of Loss*.

The success of our more commercial hardback imprint, Bloomsbury Berlin, continued with the works of Ben Schott. Other important titles for this list included *Unentschlossen* (*Indecision*) by Benjamin Kunkel, one of America's most important new writers, and American bestselling health guru Dr Andrew Weil's *Gesund Älter Werden*.

2006 was a year of consolidation in the German book trade with book-selling chains gaining in market share at the expense of the independent sector. Our decision in 2005 to increase the number of publication dates across the programme has continued to bring benefits as we are able to position lead titles more successfully across the range of customers and also to achieve excellent levels of publicity and press coverage.

Prospects for 2007 are good. The year got off to a very positive start when William Boyd's *Ruhelos* (*Restless*), another title and author shared across the Bloomsbury Group, was featured on the important German TV show Lesen! just two weeks after it was published in January. It immediately entered the *Spiegel* bestseller list. Berlin Verlag's most prestigious German author Ingo Schulze's new short story collection has won the important Leipzig Book Fair Literary Prize and is currently also in the *Spiegel* bestseller list.

Our strategy to add more German authors to our lists, which had previously been dominated by works in translation, is bearing fruit and we have two TV tie-ins on Bloomsbury Berlin's Spring list. The first of these, *Die Flucht* by Gabriela Sperl and Tatjana Gräfin Dönhoff, went into the *Spiegel* bestseller list at Number 6 in mid-March.

In the Autumn the lead title will be the second novel by Khaled Hosseini, author of *The Kite Runner*, for which a major campaign is in preparation.

Dividend

The directors are recommending a final dividend of 3.00 pence per share (2005, 3.00 pence per share) making a total of 3.66 pence per share (2005, 3.60 pence per share) for the year. The final dividend will be payable on 5 July 2007 to Ordinary Shareholders on the register at the close of business on 25 May 2007.

Management and staff

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

Current trading, developments and prospects

These are exciting times for the book publishing industry. Digitisation of consumer books will continue to gather momentum as new generation e-readers become available.

We are continually looking at ways of improving the revenue-generating capabilities of our intellectual property. We are currently working on a number of preferred partner arrangements with UK TV and production companies. The relationship works two ways: firstly, Bloomsbury can sub-license TV and film rights of books direct to them, and secondly, Bloomsbury can acquire book publishing rights to up-coming TV programmes and films.

2006 saw considerable investment in established authors for our future publishing programme, and we expect this investment to bear fruit over the next ten years. We will continue to invest in outstanding authors, but we will not forget that our roots lie in identifying first-time authors and building their books into bestsellers. With the continuing upward pressure on author advances this will be a vital part of our strategy to manage our working capital in the most efficient manner.

2007 has got off to a good start with a number of books already in the bestseller lists. The seventh and highly anticipated Harry Potter will be published on 21 July. Maximising our backlist income and celebrating our 21st birthday, we have re-released 21 of our bestselling titles. 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 into the future.

Nigel Newton
Chairman

Results

Turnover for the Group decreased 31.5% to £74.77m (2005, £109.11m). Bloomsbury's primary segmental analysis is by geographic breakdown, which follows our international publishing strategy. Turnover in the UK decreased 41.8% to £53.88m (2005, £92.62m). US turnover increased 36.1% to £15.01m (2005, £11.03m) on the back of a strong publishing programme. Some of the key performing titles were *The Nasty Bits* by Anthony Bourdain, *Schott's Almanac 2007* and *Princess Academy* by Shannon Hale. For Continental Europe, revenues, which were generated by Berlin Verlag, increased 7.5% to £5.88m (2005, £5.47m).

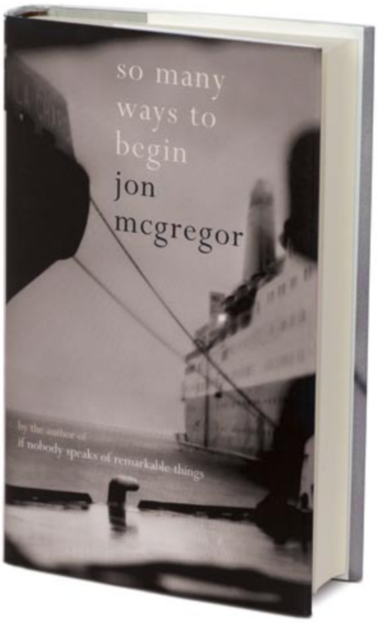
The Group's secondary segmental disclosure is by division, which is split into three main operating areas: Children's, Adult and Reference publishing. These divisions are a combination of the UK, US and German operations. In addition to the provision of turnover by division which has been disclosed in previous years, we are providing additional disclosure on gross profit and contribution to divisional operating profit before administrative expenses. For 2006 the breakdown of turnover between the three areas was: Children's 37% (2005, 63%), Adult 44% (2005, 25%) and Reference 19% (2005, 12%).

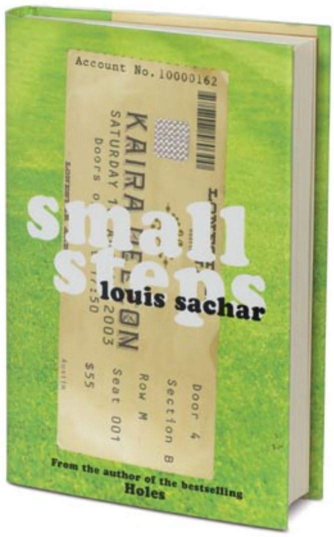
Revenues in the Children's division decreased 60.3% to £27.37m (2005, £69.01m). *Harry Potter and the Half-Blood Prince* was published in hardback in 2005. The gross profit for 2006 was down 61.0% to £13.25m (2005, £33.96m) with a contribution to administrative expenses down 62.9% to £9.39m (2005, £25.30m). The reduction in contribution was due to *Harry Potter and the Half-Blood Prince* being published in hardback in 2005.

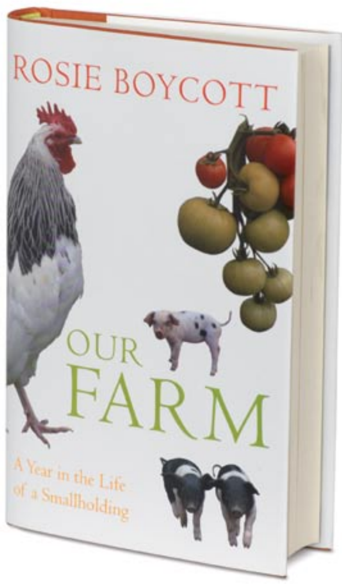
In the Adult division, revenues increased 18.9% to £32.67m (2005, £27.47m). The revenue increase was driven by a number of strong selling titles including *The Kite Runner* (UK and Germany), *Schott's Almanac 2007* (UK, US and Germany), *My Take* (UK), *The Nasty Bits* (US) and *In Search of Perfection* (UK). The gross profit for 2006 was down 0.2% to £16.04m (2005, £16.07m) due to higher royalty costs both in the UK and the US. Contribution to administrative expenses was down 5.3% to £9.10m (2005, £9.61m).

Revenues in the Reference division increased 16.7% to £14.74m (2005, £12.63m) due to a combination of the acquisition of Methuen Drama during the year, increased revenues from the existing publishing list and stronger rights sales. The gross profit for 2006 was up 23.5% to £6.88m (2005, £5.57m) with a contribution to administrative expenses up 29.6% to £3.33m (2005, £2.57m).

Rights sales and other income increased 26.8% to £4.82m (2005, £3.80m).







Overall gross profit decreased 34.9% to £36.17m (2005, £55.59m). Gross profit margin decreased to 48.4% (2005, 51.0%) due to the lower than expected number of bestselling higher-margin books during the year and also the absence of a book on the scale of the hardback edition of *Harry Potter and the Half-Blood Prince*.

Marketing and distribution costs decreased by 20.8% to £14.35m (2005, £18.11m). The difference was due to the lower turnover during 2006 and also the fact that we incurred higher costs on the launch of *Harry Potter and the Half-Blood Prince* in 2005. Administrative expenses decreased 2% to £18.31m (2005, £18.68m). Although there was significant investment in the Group's overhead infrastructure to continue the rate of organic growth, these were offset by costs incurred in the launch of *Harry Potter and the Half-Blood Prince* in 2005 and the absence of performance related bonuses in 2006. Profit before investment income decreased 81.3% to £3.51m (2005, £18.81m).

Investment income increased by 24.5% to £1.73m (2005, £1.39m) as a result of increased average cash balances during the year and higher interest rates. Finance costs reduced to £0.05m (2005, £0.07m).

The effective corporation tax rate for the year is 29.7% (2005, 27.2%), just below the UK statutory rate of 30%. The increase from 2005 mainly reflects the absence in 2006 of any recognition of prior period deferred tax assets, which in 2005 reduced the Group's effective tax rate by 2.5%.

Basic earnings per share decreased by 75.4% to 4.99 pence (2005, 20.30 pence). Diluted earnings per share decreased by 75.4% to 4.90 pence (2005, 19.93 pence).

Balance sheet

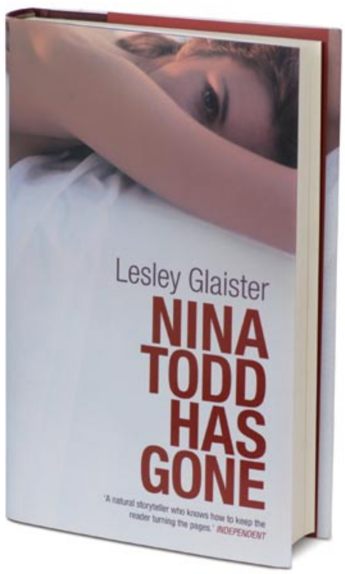
Non current assets

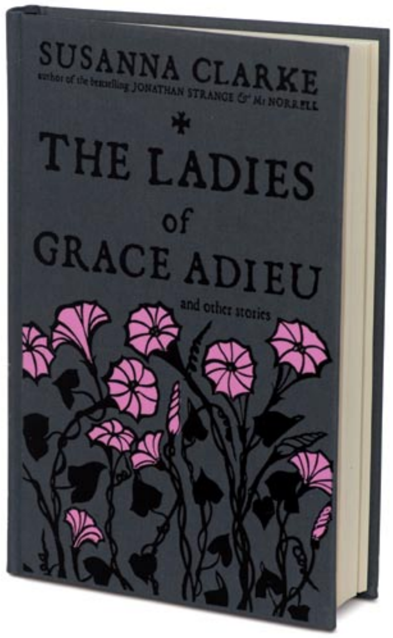
Property, plant and equipment increased 43.8% to £2.33m (2005, £1.62m) reflecting the final phase of improvements to the Group's offices in Soho Square. These costs are being amortised over the remaining life of the property leases. Intangible assets, which comprise goodwill and publishing relationships, increased to £17.67m (2005, £15.51m). Of this, goodwill has increased to £17.40m (2005, £15.16m), which is primarily due to the goodwill arising on the acquisition of Methuen Drama.

Current assets

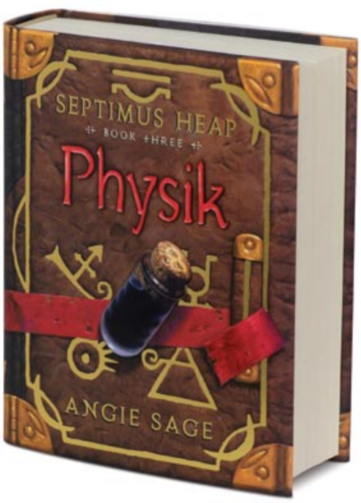
Inventories increased 4.6% to £15.82m (2005, £15.13m), of which work in progress decreased by 20.1% to £3.07m (2005, £3.84m) due to the timing of titles at the work in progress stage. Stocks of finished goods increased 11.8% to £12.42m (2005, £11.11m) due to a combination of the stock holding of an increased number of titles published by the Group during the year and the timing of the release of titles at the end of the financial year.

Trade and other receivables increased 1.2% to £49.22m (2005, £48.63m), of which trade receivables decreased 17.2% to £17.61m (2005, £21.27m). At the end of 2005 there were still receivables from the publication of the hardback of *Harry Potter and the Half-Blood Prince* which were received in 2006.





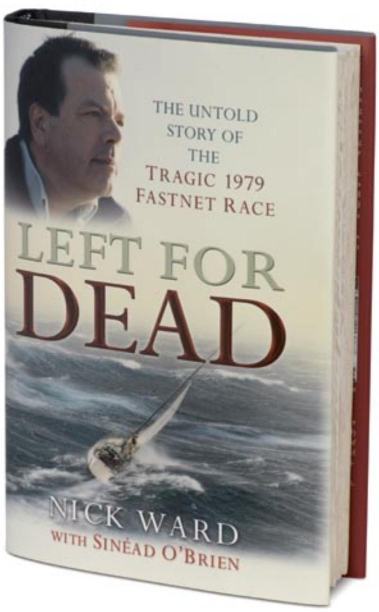
Within trade and other receivables, prepayments and accrued income increased 10.3% to £29.34m (2005, £26.59m) reflecting the increase in investment in titles across all three divisions. As books are returnable by customers, the Group makes a provision against books sold in the accounting period which is then carried forward in trade debtors in the balance sheet in anticipation of book returns received subsequent to the year end. A provision of £7.9m for future returns relating to 2005 and prior sales including *Harry Potter and the Half-Blood Prince* was carried forward in trade debtors in the balance sheet at 31 December 2005 and returns received in 2006 were offset against this provision. This provision relates to the UK trade operation (excluding A&C Black, Bloomsbury USA and Berlin Verlag). Given the lower turnover in 2006 and as there was no new *Harry Potter* during the year, the closing provision carried forward in trade debtors in the balance sheet at 31 December 2006 was £1.6m for this part of the business.



Equity and liabilities

At 31 December 2006 total equity stood at £89.33m (2005, £88.78m). The increase was principally due to retained earnings of £0.98m (2005, £12.43m) and share options exercised during the year.

Trade and other payables decreased 52.7% to £20.79m (2005, £43.97m). Trade payables increased by 15.6% to £6.29m (2005, £5.44m), 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, decreased to £12.23m (2005, £36.36m). Accruals and deferred income includes royalty payments to authors, which vary from year to year depending on turnover and the authors' royalty rates which typically escalate on triggered thresholds as volume sales increase. In 2005 the Group published the highest selling book in its history.



The royalties due to authors accrued at 31 December 2005 were paid on 31 March 2006. The absence of a book published on this scale gave rise to a lower royalty liability at 31 December 2006. Corporation tax payable decreased to £0.52m (2005, £2.58m) primarily due to lower profits generated.

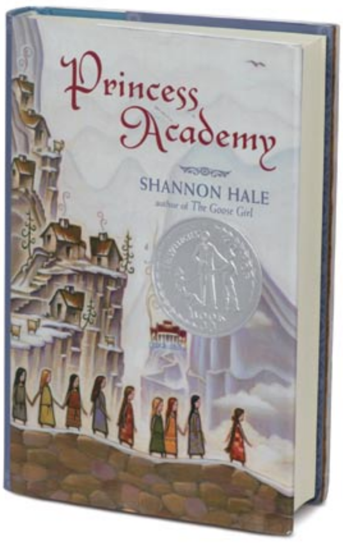
Overseas operations

Turnover for Berlin increased 7.5% to £5.88m (2005, £5.47m). The strategy to have German translation rights published through Berlin is working well with titles such as *Restless*, *The Kite Runner* and the *Schott* series appearing on the German bestseller lists. Profit before investment income for the year was £0.20m (2005, £0.64m).

Turnover for Bloomsbury USA increased 36.1% to £15.01m (2005, £11.03m) on the back of a strong publishing programme. Higher royalty costs relating to the books published during the year were incurred and, as part of the Group's organic growth strategy, there was additional investment in new commissioning editors and related support and service costs. As a result of the increased investment, Bloomsbury USA made a loss before investment income for the year of £0.26m (2005, £0.48m profit).

Cash flow

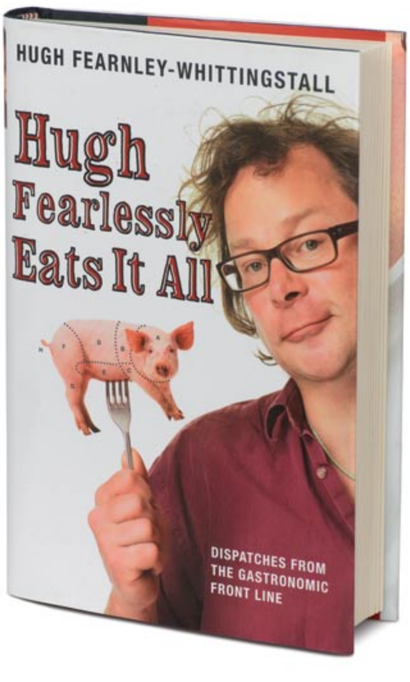
The Group had a cash outflow from operating activities before tax of £19.92m for the year (2005, £31.14m inflow). The cash inflow in 2005 was a result of the higher revenues generated during the year. The decline in cash during the year is the result of working capital movements, primarily payment of royalties from 2005 publications, which were paid to authors on 31 March 2006, and investments in new titles for publication in 2006 and beyond. Corporation tax paid during the year was £5.20m (2005, £5.90m). Included in the purchase of property, plant and equipment cost of £1.38m (2005, £1.27m) is the final refurbishment cost of the Group's offices in Soho Square. £2.42m purchase of businesses was for the acquisition of Methuen Drama (2005, £0.03m). During the year £0.80m (2005, £1.80m) was received from the exercise of share options, and £2.67m of dividends were paid (2005, £2.22m).



Future investment and strategy

Corporate acquisitions remain an important part of our growth strategy. We have reviewed a number of 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



Directors

Executive

Nigel Newton (51) 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.

Liz Calder (69) 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 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 (46) 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 as Finance Director. 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 (70) 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 (55) joined the Bloomsbury Board in January 2002. He is a San Francisco-based venture capitalist. Mr Mayer was actively involved in the early development of AOL and has worked with a broad range of companies during his 20 years in venture capital. 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 the then Price Waterhouse.

Jeremy Wilson (57) 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.

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 27 to 34.

The Board

At 31 December 2006, the Board consisted of three executive directors and three non-executive directors, including a senior independent 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. 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 neither his holding the chairmanship of the literary agency nor his length of service ever impaired his independence.

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 submit themselves for re-election 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 35 and in the Notice of the Annual General Meeting on page 86.

Board Committees

Remuneration Committee

The current composition of the Remuneration Committee is shown on page 27 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 27 to 34. The terms of reference of the Remuneration Committee are available on the Company's website.

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 external auditors to consider the Company's financial reporting in advance of its publication, and with the internal auditors to consider the internal audit programme, feedback and reports. The terms of reference of the Audit Committee are available on the Company's website.

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, and which are available on the Company's website.

Corporate governance

Board and Committee Attendance

The following table sets out the attendance of directors at Board and Committee meetings during 2006.

Director	Board Meetings (Maximum 13)	Remuneration Committee (Maximum 3)	Audit Committee (Maximum 5)
Nigel Newton	13	-	-
Colin Adams	12	-	-
Liz Calder	8	-	-
Charles Black #	13	3	5
Michael Mayer #	13	3	5
Jeremy Wilson #	11	3	5
Paul Scherer # *	5	-	1

Non-executive director
* For Paul Scherer, who retired as a non-executive director on 3 April 2006, please note that the maximum number of meetings that he could have attended is five Board meetings, one Audit Committee meeting, but no Remuneration Committee meetings.

There were no meetings of the Nominations Committee during the year.

Board Evaluation

During the year a formal Board evaluation process was initiated. 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 follow-up action 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. Commenced in December 2006, Stage One was completed in Spring 2007.

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. Stage Two was also completed in Spring 2007.

Shareholder Communications

The Board's assessment of the Company's position and prospects are set out in the Chairman's Statement on pages 3 to 15, the Financial Review on pages 16 to 19 and where not covered in those reports, the Business Review as contained in the Directors' Report on pages 35 to 41.

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 ended 31 December 2006 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, it is considered that there is a benefit not to have these roles divided. The Board believes that, given the presence of a Vice Chairman, who is also senior independent non-executive director, an equal 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 sole decision making powers. The balance and composition of the Company's Board, however, is periodically considered in formal monthly Board meetings, strategic reviews and as part of the Board Evaluation process set out above.

Provision C.3.4
During 2007 the Company is putting in place, as required by the Combined Code, arrangements for staff to raise questions about financial reporting, and for the Company to look into and follow these up as necessary.

Corporate governance internal control

The Combined Code introduced the requirements 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. 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 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 external auditors and reviewing reports prepared by the external auditors and management relating to accounts and internal control systems;
- appointing internal auditors, agreeing the internal audit plan and meeting with them to review reports and consider future internal audit strategy; and
- making recommendations to the Board in respect of external auditor appointment and remuneration.

The effectiveness of the internal controls 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 programme during the year, the accounting functions were subject to periodic internal review.

Given the increasing size of the Group, the Audit Committee took the decision during 2005 to implement a formal internal audit programme. Initial steps were taken in 2005, including reviewing the resource necessary, following which the Audit Committee decided to engage an experienced external provider of internal audit services. KPMG LLP were appointed to the role in December 2006. Since their appointment they have worked with the Company to develop a risk-based internal audit programme for 2007 and beyond.

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;
- appointing experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance; and
- an internal audit programme for 2007 and beyond (see page 24).

Auditor Independence

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

- confirmation of the external 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 external 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 external 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 external 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. A full review of the Group's Risk Register setting out the risks facing the business and the controls in place was conducted by the Risk Management Committee during 2006. Consequently the directors believe that the Group was compliant with the Turnbull Guidelines throughout the year and since the year end.

Principal Risks and Controls

As described above, the Company understands the important role Risk Management plays in underpinning the Group's current performance and future success. The total avoidance of risk in a business environment is impossible, however actions are taken and processes are put in place to manage and mitigate exposure. Material risks to the business fall into the following three categories:

Title Acquisition Risk
Increased pressures from authors' agents for higher advances have the potential to reduce margins when those advances remain unearned. When considering a title acquisition, an initial purchase evaluation process is carried out and signed off at a senior level. There is also a system of continuous review, analysis and feedback on title performance to better inform future acquisitions.

Market Risk
The principal market risk in book publishing is that consumers may not buy a book which has been sold to retailers, and that such unsold books are returned for credit. Also customers are seeking to price promote many titles which can reduce margins. The steps taken to grow revenues are as outlined in the Chairman's Statement.

Business Continuity Risk
The security and robustness of our systems, in particular our IT systems, are important in all aspects of our business, whether in respect of the editorial and production processes, publicity, marketing and sales, or in respect of stock monitoring and order fulfilment. IT processes are continually updated and security improved, with daily offsite backup of electronic files. The performance of our key print and distribution suppliers is regularly monitored.

The Remuneration Committee comprised at 31 December 2006 the three non-executive directors, Charles Black (its Chairman), Michael Mayer and Jeremy Wilson. Paul Scherer retired from the Board of the Company, and therefore from this Committee, on 3 April 2006.

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 Companies Act 1985 Schedule 7A (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 28 June 2007 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 2006 and 2007.

From information available on the public record at Companies House in published Remuneration Reports, the Committee was able to assess during 2005 that the remuneration levels of the executive directors were at a level comparable to other media companies of a similar size and commensurate with their duties and responsibilities. In 2006 the Remuneration Committee took economic and business forecasts into consideration in determining the executive directors' remuneration levels

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 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 final level of pre-tax profit achieved in the year against the budgeted pre-tax profit ("the Profit Related 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 Profit Related Element and performance targets for her publishing list.

For 2006 the bonus for each of the directors, which is not pensionable, was limited to 100% of basic salary at the end of the financial year. No bonuses were paid to the directors in respect of 2006.

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 granted on or before 2 June 2000 had the same exercise pre-condition as for Approved options, however Unapproved options granted after this date 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 financial years immediately preceding the date of exercise of the option. The 10 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 the setting up of 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 80).

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 prior to award). The first awards under the PSP were made on 4 November 2005, since when there have been further awards on 26 October 2006 and 8 May 2007. Details of the awards to directors and the conditions attaching to those awards are set out on page 32.

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. A second invitation to participate in the Sharesave Scheme was issued to eligible staff on 9 May 2007, with grants of options expected to be made at the beginning of June 2007.

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 and continues to be terminable by either party giving to the other not less than twelve months' written notice as recommended by the Combined Code.

Colin Adams's 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. Each letter of appointment is dated 7 July 2006, and all confirm that the term of appointment is until the 2007 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, 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 (audited)

	2006 £'000	2005 £'000
Salaries	657	600
Fees	123	107
Profit-related bonuses	-	530
Other emoluments	39	37
	819	1,274
Pension contibutions	74	68
Benefit on exercise of share options	693	936
	1,586	2,278

Directors' emoluments including benefits in kind and pension contributions paid by the Group during the financial year, or until date of resignation in respect of Mr Scherer, are as follows:

	Basic salary or fees 2006 £'000	Profit-related bonus 2006 £'000	Other benefits (1) 2006 £'000	Total 2006 £'000	Share options exercised 2006 £'000	Pension contributions 2006 £'000
Chairman						
J N Newton	350	-	13	363	569	35
Executive directors						
E N Calder	108	-	14	122	124	19
C R Adams	198	-	12	210	-	20
Non-executive directors						
C A A Black	41	-	-	41	-	-
P J Scherer	9	-	-	9	-	-
M J Mayer	37	-	-	37	-	-
J J O'B Wilson	37	-	-	37	-	-
	780	-	39	819	693	74

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

The comparative directors' emoluments including benefits in kind and pension contributions for the previous financial year, or from the date of appointment in respect of Mr Wilson, are shown below:

	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	37	-	-	37	-	-
P J Scherer	33	-	-	33	-	-
M J Mayer	33	-	-	33	-	-
J J O'B Wilson	4	-	-	4	-	-
	707	530	37	1,274	936	68

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

Colin Adams serves as an executive director of A&C Black Publishers Limited. Included above is a salary to Colin Adams of £31,802 (2005, £29,590) paid by A&C Black Publishers Limited. During the year Charles Black received a consultancy fee of £4,000 (2005, £4,000) from A&C Black Publishers Limited; this sum is included in Charles Black's basic salary figures above. The payment of this consultancy fee to Mr Black, which ceased on 31 December 2006, was not considered to impact his independence as a non-executive director.

Three directors (2005, three) were accruing benefits under defined contributions pension arrangements during the year.

Directors' Interests in Share Options (audited)

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

	Scheme	At 1 January 2006	Granted during the year	Exercised during the year	At 31 December 2006	Exercise price	Date from which exercisable	Expiry Date
J N Newton	Unapproved	220,000	-	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
J N Newton	Sharesave	-	3,397	-	**3,397**	275.20p	1 June 2009	1 December 2009
E N Calder	Unapproved	139,389	-	139,389	**-**	220.25p	4 October 2003	3 October 2007
E N Calder	Sharesave	-	2,718	-	**2,718**	275.20p	1 June 2009	1 December 2009

On 4 July 2006, the day Nigel Newton exercised options, the market value of each of the Company's Ordinary Shares was 325p, at which price they were sold.

On 26 October 2006, the day Liz Calder exercised options, the market value of each of the Company's Ordinary Shares was 309.25p, at which price they were sold.

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.

Directors' Long-Term Incentive: the Performance Share Plan (audited)

The following awards have been made to the directors over ordinary shares in the Company under the Bloomsbury Performance Share Plan 2005 ("the PSP"):

	Date of award	At 1 January 2006	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2006
J N Newton	4 November 2005	100,621	-	-	-	**100,621**
	26 October 2006	-	59,818	-	-	**59,818**
E N Calder	4 November 2005	23,439	-	-	-	**23,439**
	26 October 2006	-	13,935	-	-	**13,935**
C R Adams	4 November 2005	42,616	-	-	-	**42,616**
	26 October 2006	-	25,336	-	-	**25,336**

(1) On 8 May 2007 there were further PSP awards to the executive directors as follows: J N Newton 120,466 shares, E N Calder 31,179 shares and C R Adams 56,690 shares.

(2) 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 and the closing middle market price on the date of award was 342p. For the 2006 awards under the PSP the average price was 315.25p and the closing middle market price on the date of award was 312p. For the 2007 award under the PSP the average price was 181.4p and the closing middle market price on the date of award was 185.25p.

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

(4) For all awards made to the directors, there are two performance conditions which need to be satisfied if awards are to vest at the end of the three year performance period (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 full financial years immediately preceding the end of the relevant Performance Period. 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 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 relevant Performance Period 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.

(5) There will be no opportunity to retest performance if the performance conditions are not satisfied over the relevant Performance Period.

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 2006 Number	Ordinary Shares of 1.25p each 1 January 2006 Number
J N Newton	2,758,488	2,758,488
E N Calder	27,019	29,367
C R Adams	50,000	50,000
C A A Black	126,000	126,000
M J Mayer	19,380	19,380
J J O'B Wilson	100	-

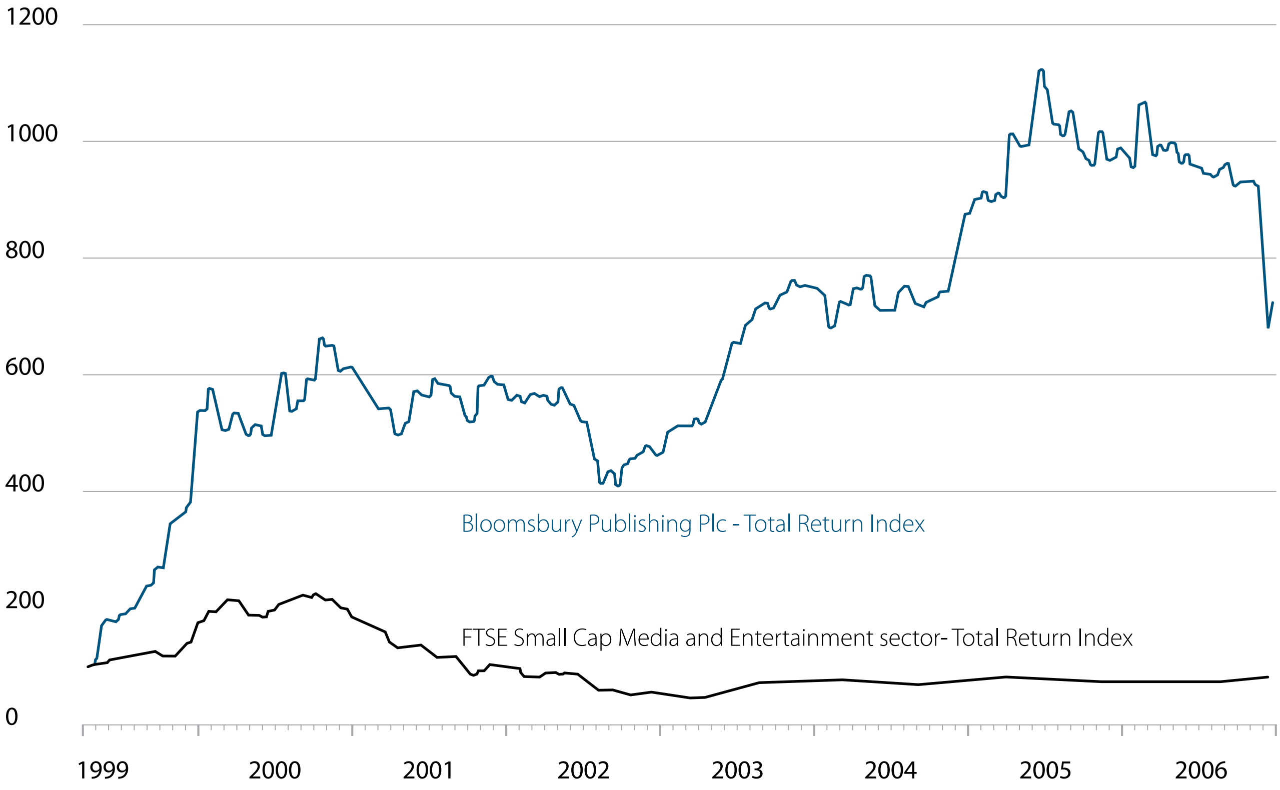
The market price of an Ordinary Share at 31 December 2006 was 256.0p (2005, 336.5p) and the range from 1 January 2006 to the end of the year was 372.0p to 220.0p (2005, 301.5p to 392.5p).

(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 2006 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, 16 May 2007

Principal Activities

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

Review of Developments and Business Review

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. The elements covered in these reports, as well as in the sections dealing with Corporate Governance and Internal Control, which are covered by the Business Review, are incorporated into the Directors' Report by reference.

Results and Dividends

The results of the Group for the year are set out on pages 45 to 82. On 17 November 2006, an interim dividend of 0.66 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 5 July 2007 to Ordinary Shareholders on the register at the close of business on 25 May 2007.

Directors

The directors at the date of this report, all of whom served throughout the year 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 Independent Non-executive Director and Vice Chairman
M J Mayer, Independent Non-executive Director
J J O'B Wilson, Independent Non-executive Director

Paul Scherer retired as a non-executive director on 3 April 2006.

The directors' interests, including any changes in those interests occurring between 31 December 2006 and 16 May 2007, are set out in the Directors' Remuneration Report on pages 27 to 34.

At the Annual General Meeting, Chares Black and Liz Calder will retire by rotation in accordance with the articles of association of the Company and, being eligible, offer themselves for re-election. The Chairman confirms that Charles Black, the senior independent non executive director and Vice Chairman retiring by rotation, continues to be effective and to demonstrate his commitment to the role and value to the Company, as evidenced by the results of his recent formal evaluation and his attendance at Board and Board Committee Meetings. Given Mr Black's valued contribution, the Board believes it is in the Company's best interest that he be re-elected.

Details of the service contract of Liz Calder, the executive director who is putting herself forward for re-election, are set out in the Directors' Remuneration Report on page 29. Liz Calder's service contract is terminable by either party on giving not less than 12 months' notice. Charles Black does not have a service contract.

Directors' Remuneration

The Directors' Remuneration Report is set out on pages 27 to 34.

Substantial Shareholdings

The directors have been notified or are aware of the following holdings of Ordinary Shares in excess of 3% of the issued share capital at 16 May 2007:

	Number	Percentage
The Capital Group Companies, Inc	10,476,087	14.27%
Standard Life Investments	6,999,625	9.53%
Schroder Investment Management Limited	4,911,385	6.89%
Aberdeen Asset Management PLC	4,086,778	5.57%
Legal & General Group Plc	3,923,961	5.34%
Ameriprise Financial, Inc and its group	3,618,000	4.93%
Nigel Newton	2,758,488	3.76%
J P Morgan Fleming Mercantile Investment Trust Plc	2,395,642	3.26%

Special Business – Annual General Meeting

Resolution 7

On 29 June 2006, 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 2007 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 7 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 7 is approved by shareholders, the directors will have authority to allot up to 18,565,429 Ordinary Shares, representing 25.3% of the Ordinary Shares currently in issue, of which 3,118,557 (4.3% 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 15,446,872 Ordinary Shares, representing 21.0% 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 and 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 7, unless previously varied, revoked or renewed by the Company in general meeting.

Resolution 8

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 8 will then apply also to a sale of treasury shares. Apart from potentially acquiring shares 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.

Resolution 9

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 3,671,729 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 1,437,497 being equal to 2.0% of the issued share capital. The total number of share awards currently outstanding granted under the performance share plan is 1,681,060 being equal to 2.3% of the issued share capital. If the full authority to buy back shares is used, the options and awards will represent 4.5% 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 9 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.

Resolution 10

The existing articles of association of the Company do not permit the Company to communicate electronically with shareholders. By Resolution 10 to be proposed at the forthcoming Annual General Meeting, it is proposed that the Company's articles of association be altered to allow the Company to communicate electronically with its shareholders subject to relevant statutes. The proposed changes will enable the Company to take advantage of the new provisions of the Companies Act 2006 relating to electronic communications, which came into force in January 2007. If Resolution 10 is passed, the Company will be able to ask each shareholder individually to agree that the Company may send out or supply documents or information by means of a website. If the Company makes such a request and the Company does not receive a response to such a request within 28 days beginning with the date of the relevant request, the relevant shareholder would be deemed to have agreed to receive documents or information by means of a website. The Company would, however, notify shareholders when a document or information is made available on its website, and a shareholder may also "opt- in" again at any time to receive hardcopy documents and information.

The directors recommend that shareholders vote in favour of Resolutions 7, 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 does not follow a standard code for dealing with the payment of creditors, but aims to pay all its suppliers within pre-agreed credit terms, provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 December 2006, the number of days' credit taken for purchases by the Group was 43 days (2005, 25 days). The increase in the number of days was due to the timing of supplier payments at the year end.

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. Our commitment in this area is recognised by our continued inclusion in the FTSE4Good Index, FTSE's responsible investment index.

Employees

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.

Health and Safety

The Company takes 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.

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.

The Company continues its work with the Arts Council in their Diversity in Publishing Positive Action Traineeship Scheme. Designed to encourage diversity in the publishing industry, the scheme gives a graduate from an ethnic minority background the opportunity over six months to gain experience in the publishing industry with three major UK publishers, of which Bloomsbury is one.

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.

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. This support has continued through 2007, with the contribution this year of one of our titles to the ten specially created £1 books offered by the World Book Day Organisation to children in the UK through their schools and pre-schools.

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. Bloomsbury also expects all relationships with customers, suppliers and other third parties to be conducted on a sound ethical footing. As noted on page 23, the Company is currently finalising an Employee and Business Protection Policy which will allow employees to raise, in confidence, concerns about possible improprieties in such matters.

Charitable and Political Donations

The Group is a strong supporter of, and participant in, various charities and initiatives. Charitable donations of £34,000 were made by the Group during the year (2005, £126,215). In addition the Group was able to support numerous schools, libraries and other organisations, including charities such as Barnados and Shelter, with significant donations of books.

In September 2006 the Group paid £35,000 to Book Aid International (2005, £100,000) 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.

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 emissions as areas we shall be monitoring going forward, and therefore in accordance with the 2006 Government Guidelines, Environmental Key Performance Indicators: Reporting Guidelines for UK Businesses. These measurements, carried out by Trucost, are set out below:

Greenhouse Gasses

Below we report our consumption of purchased natural gas and electricity in kWh, converted to CO2 following the protocols provided by the Department for Environment Food and Rural Affairs (Defra). We have also normalised the data to turnover in order to show our proportionate performance.

Direct Impacts (Operational):

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity Absolute Tonnes CO_2 2006	Quantity Normalised Tonnes CO_2 Per £m Turnover 2006
Building Operations	Emissions from natural gas consumption in utility boilers	Yearly consumption in kWh collected from fuel bills, converted according to Defra Guidelines for UK operations. Data scaled up by number of employees to estimate emissions for operations in the US and Germany offices.	103.47	1.08

Indirect Impacts (Supply Chain):

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity Absolute Tonnes CO_2 2006	Quantity Normalised Tonnes CO_2 Per £m Turnover 2006
Energy Use	Directly purchased electricity, which generates Greenhouse Gases including CO_2 emissions	Yearly consumption of directly purchased electricity in kWh collected for UK offices. Data scaled up by number of employees to estimate emissions for operations in the US and Germany offices. KWhs converted according to Defra and national emission factor values.	294.65	3.08

Note that information in relation to the emissions from the small number of Company vehicles has not been captured for 2006, however it is the intention of the Company to capture this information in the future.

For reference, in respect of direct impacts, the average normalised tonnes of CO_2 per £m turnover in the banking sector, which, because of its office based functions, bears similarities to the publishing sector in terms of its direct impacts on the environment, is approximately 2.1 tonnes.

It should also be noted that in London we have commenced discussions with the Carbon Trust to seek advice on how we might reduce carbon emissions in the short to medium term through energy efficiency, which we hope will at the same time deliver energy cost savings.

Waste

Below we report our waste disposal by method of disposal in metric tonnes per annum. Once again we have also normalised the data to turnover in order to show our proportionate performance.

Direct Impacts:

			Quantity	
Waste	Definition	Data Source and Calculation Methods	Absolute Tonnes 2006	Normalised Tonnes Per £m Turnover 2006
Landfill	General office waste (which includes a mixture of paper, card, wood, plastics and metals) sent to landfill sites	Volume of waste generated per annum as calculated by waste hauler in the UK operations. Data scaled up by number of employees to estimate emissions for operations in the US and Germany offices.	54.00	0.56
Hazardous Waste (Incinerated)	General office hazardous waste sent to incineration facilities	Volume of waste generated per annum as calculated by waste hauler in the UK operations. Data scaled up by number of employees to estimate emissions for operations in the US and Germany offices.	0.61	0.006
Recycled	General office waste sent to recycling facilities	Volume of waste generated per annum as calculated by waste hauler in the UK operations. Data scaled up by number of employees to estimate emissions for operations in the US and Germany offices.	36.12	0.38

There is systematic recycling of paper and cardboard at all of our offices and we continue to make strenuous efforts to reduce our landfill waste by ensuring waste both from our offices and remaindered books is recycled wherever possible. In 2006 approximately 40% of the Company's waste was recycled.

The Supply Chain

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. During the year there has been significant progress in this respect with an increase in the number of our suppliers becoming FSC Chain of Custody certified.

Our policy is to spread the use of FSC certified papers across our lists. Since December 2005 the majority of our mono hardback and trade format paperbacks, manufactured by our UK supplier Clays Ltd, have been printed on © 1996 FSC certified mixed sources papers from well managed forests and other controlled sources. We have recently extended this to colour books such as Al Gore's *An Inconvenient Truth*, published in the UK in August 2006. This year other colour titles will follow from both our Adult and Children's lists.

Where possible, the Company is seeking to use paper produced from 100% post consumer waste recycled pulp (PCW) – this is being phased in for use in our longer length mass market paperbacks, starting with *So Many Ways to Begin* by Jon McGregor, to be published in the UK in May 2007.

For *Harry Potter and the Deathly Hallows*, which is published in hardback in the UK on 21 July 2007, we will be using 100% ancient-forest friendly papers for the text, jackets and printed paper cases. The papers used for these are © 1996 FSC certified and will be a mixture of FSC pulp and post-consumer waste recycled pulp. The case boards will be 100% recycled and the endpapers will be 100% FSC mixed sources.

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.

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989 Section 26(5). A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board
R Cordeschi ACIS, Secretary, 16 May 2007

Statement of directors' responsibilities

Responsibilities relating to consolidated financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and company 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 they have been prepared in accordance with IFRSs adopted by the EU; and

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board
R Cordeschi ACIS, Secretary, 16 May 2007

Independent auditor's report
to the members of Bloomsbury Publishing Plc

We have audited the Group and Parent Company financial statements on pages 45 to 82. We have also audited the information in pages 30 to 32 of the Directors' Remuneration Report that is described as having been audited.

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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Financial Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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. The other information comprises the 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.

Independent auditor's report
to the members of Bloomsbury Publishing Plc

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 part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's 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 part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the 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 2006 and of the Group's profit for the year then ended;
- 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 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditor and Chartered Accountants
2 Bloomsbury Street, London WC1B 3ST
16 May 2007

Consolidated income statement
for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Revenue	1	74,773	109,108
Cost of sales		(38,602)	(53,514)
Gross profit		36,171	55,594
Marketing and distribution costs		(14,354)	(18,107)
Administrative expenses		(18,308)	(18,681)
Profit before investment income	2	3,509	18,806
Investment income	3a	1,734	1,392
Finance costs	3b	(47)	(71)
Profit before taxation		5,196	20,127
Income tax expense	5	(1,544)	(5,481)
Profit for the year		3,652	14,646
Basic earnings per share	7	4.99p	20.30p
Diluted earnings per share	7	4.90p	19.93p

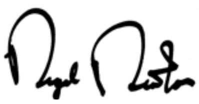
Consolidated statement of recognised income and expense
for the year ended 31 December 2006

	2006 £'000	2005 £'000
Profit for the year	3,652	14,646
Exchange adjustments recognised in reserves	(1,878)	640
Total recognised income and expense for the year	1,774	15,286

Consolidated balance sheet
at 31 December 2006

	Notes	2006 £'000	2005 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	2,332	1,615
Intangible assets	9	17,672	15,511
Deferred tax assets	11	1,700	1,238
Total non-current assets		21,704	18,364
Current assets			
Inventories	12	15,818	15,129
Trade and other receivables	13	49,217	48,630
Cash and cash equivalents		24,304	53,511
Total current assets		89,339	117,270
Total assets		111,043	135,634
Equity and liabilities			
Capital and reserves attributable to equity holders of the parent			
Ordinary shares	14	918	911
Share premium		38,915	38,123
Capital redemption reserve		20	20
Share-based payment reserve		1,104	453
Translation reserve		(1,236)	642
Retained earnings		49,612	48,634
Total equity		89,333	88,783
Liabilities			
Non-current liabilities			
Deferred tax	11	36	-
Retirement of benefit obligations	15	144	130
Other payables		223	163
Total non-current liabilities		403	293
Current liabilities			
Trade and other payables	16	20,786	43,974
Current tax liabilities		521	2,584
Total current liabilities		21,307	46,558
Total liabilities		21,710	46,851
Total equity and liabilities		111,043	135,634

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2007.



J N Newton **Director**

C R Adams **Director**

Company balance sheet
at 31 December 2006

	Notes	2006 £'000	2005 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,993	1,324
Investments in subsidiary companies	10	25,448	25,412
Deferred tax assets	11	305	130
Total non-current assets		27,746	26,866
Current assets			
Inventories	12	5,941	6,137
Trade and other receivables	13	48,701	42,961
Cash and cash equivalents		22,148	51,536
Total current assets		76,790	100,634
Total assets		104,536	127,500
Equity and liabilities			
Capital and reserves attributable to equity holders of the parent			
Ordinary shares	14	918	911
Share premium		38,915	38,123
Capital redemption reserve		20	20
Share-based payment reserve		1,104	453
Retained earnings		48,080	48,010
Total equity		89,037	87,517
Liabilities			
Non-current liabilities			
Other payables		223	163
Total non-current liabilities		223	163
Current liabilities			
Trade and other payables	16	14,926	37,481
Current tax liabilities		350	2,339
Total current liabilities		15,276	39,820
Total liabilities		15,499	39,983
Total equity and liabilities		104,536	127,500

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2007.

J N Newton **Director**

C R Adams **Director**

Consolidated statement of changes in equity

	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 2005	894	35,763	20	217	2	36,206	73,102
Exchange differences on translating foreign operations	-	-	-	-	640	-	640
Profit for the year	-	-	-	-	-	14,646	14,646
Share-based payment charges	-	-	-	236	-	-	236
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**
Exchange differences on translating foreign operations	-	-	-	-	(1,878)	-	(1,878)
Profit for the year	-	-	-	-	-	3,652	3,652
Share-based payment charges	-	-	-	651	-	-	651
Dividends	-	-	-	-	-	(2,674)	(2,674)
Share issues	7	792	-	-	-	-	799
Balances at 31 December 2006	**918**	**38,915**	**20**	**1,104**	**(1,236)**	**49,612**	**89,333**

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balances at 1 January 2005	894	35,763	20	217	37,202	74,096
Profit for the year	-	-	-	-	13,026	13,026
Share-based payment charges	-	-	-	236	-	236
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**
Profit for the year	-	-	-	-	2,744	2,744
Share-based payment charges	-	-	-	651	-	651
Dividends	-	-	-	-	(2,674)	(2,674)
Share issues	7	792	-	-	-	799
Balances at 31 December 2006	**918**	**38,915**	**20**	**1,104**	**48,080**	**89,037**

Consolidated cash flow statement
for the year ended 31 December 2006

	2006 £'000	2005 £'000
Cash flows from operating activities		
Net profit before tax	5,196	20,127
Adjustments for:		
Depreciation of property, plant and equipment	661	400
Amortisation of publishing relationships	36	35
Profit on sale of property, plant and equipment	(1)	(3)
Share-based payment charges	651	236
Investment income	(1,734)	(1,392)
Finance costs	47	71
	4,856	19,474
Increase in inventories	(971)	(3,442)
Increase in trade and other receivables	(1,126)	(6,353)
(Decrease) / increase in trade and other payables	(22,682)	21,460
Cash (used in) / generated from operations	(19,923)	31,139
Income taxes paid	(5,195)	(5,898)
Net cash (outflow) / inflow from operating activities	(25,118)	25,241
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,379)	(1,268)
Proceeds from sale of property, plant and equipment	-	33
Purchase of businesses	(2,419)	(33)
Interest received	1,734	1,392
Net cash (used in) / generated from investing activities	(2,064)	124
Cash flows from financing activities		
Share options exercised	799	1,796
Equity dividends paid	(2,674)	(2,218)
Interest paid	(47)	(118)
Repayment of loans	-	(445)
Net cash used in financing activities	(1,922)	(985)
Net (decrease) / increase in cash and cash equivalents	(29,104)	24,380
Cash and cash equivalents at beginning of period	53,511	29,120
Unrealised exchange (loss) / gain on cash and cash equivalents	(103)	11
Cash and cash equivalents at end of period	24,304	53,511

Company cash flow statement
for the year ended 31 December 2006

	2006 £'000	2005 £'000
Cash flows from operating activities		
Net profit before tax	3,704	18,311
Adjustments for:		
Depreciation of property, plant and equipment	508	252
Share-based payment charges	651	236
Investment income	(2,558)	(1,850)
Finance costs	-	11
	2,305	16,960
Decrease / (increase) in inventories	196	(1,399)
Increase in trade and other receivables	(4,119)	(6,503)
(Decrease) / increase in trade and other payables	(22,495)	20,109
Cash (used in) / generated from operations	(24,113)	29,167
Income taxes paid	(4,745)	(5,617)
Net cash (outflow) / inflow from operating activities	(28,858)	23,550
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,177)	(1,084)
Purchase of subsidiaries	(36)	(33)
Interest received	2,558	1,850
Net cash generated from investing activities	1,345	733
Cash flows from financing activities		
Share options exercised	799	1,796
Equity dividends paid	(2,674)	(2,218)
Interest paid	-	(58)
Repayment of loans	-	(317)
Net cash used in financing activities	(1,875)	(797)
Net (decrease) / increase in cash and cash equivalents	(29,388)	23,486
Cash and cash equivalents at beginning of period	51,536	28,050
Cash and cash equivalents at end of period	22,148	51,536

Accounting policies

(a) Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. 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. These accounting policies comply with applicable IFRS standards and IFRIC interpretations issued and effective at the time of preparing these statements.

IAS 19 (Amendment) 'Employee Benefits' is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses, adds additional recognition requirements for multi employer plans where insufficient information is available to apply defined benefit accounting and extends disclosure requirements. So far as the Group is concerned, the adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

IFRS 6 'Exploration for and evaluation of mineral resources' is mandatory for accounting periods beginning on or after 1 January 2006 but is not relevant to the Group's operations.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures', and the related amendment to IAS 1 on capital disclosures (effective for annual periods beginning on or after 1 January 2007); this Standard will require additional disclosures on capital and financial instruments; and
- IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009); this Standard replaces IAS 14 'Segment Reporting' and requires segmental information reported to be based on that which management uses internally for evaluating performance of operating segments and requires increased disclosure relating to reportable segments.

The directors anticipate that the following Standards and Interpretations, which were also in issue but not effective at the date of authorisation of these financial statements, will have no material impact on the financial statements of the Group:

- IFRIC 7 'Applying the Restatement Approach under IAS 29 'Reporting in Hyperinflatory Economies" (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 8 'Scope of IFRS 2' (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006);
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007); and
- IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after 1 January 2008).

(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) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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.

(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 of overseas subsidiary companies 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) Cash and cash equivalents
Cash and cash equivalents comprise cash and short-term deposits.

(j) Operating leases
Operating lease rentals are charged to the income statement as they fall due.

(k) 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.

(l) 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 and Sharesave scheme are equity settled, as are awards granted under the Group's share appreciation rights scheme. The fair values of such options has been calculated using the Black Scholes model or a modified version of the same, based on publicly available market data, and are charged to the income statement over the vesting periods.

Awards granted under the Group's performance share plan are 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.

Awards granted under the Group's share appreciation rights scheme are equity settled.

(m) 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.

(n) Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The resultant estimates will, by definition, not necessarily equal the related actual results and may require adjustment in subsequent accounting periods. The estimates and assumptions that may cause a material adjustment to the carrying amount of assets and liabilities in the next financial year are:

Book returns
As books are returnable by customers, the Group makes a provision against books sold in the accounting period which is then carried forward in trade debtors in the balance sheet in anticipation of book returns received subsequent to the year end.

Author advances
A provision is made by the Group against published advances which may not be covered by anticipated future sales, paperback editions or contracts for subsidiary rights receivable. At the end of each financial year a review is carried out on all published title advances. If it is unlikely that royalties from future sales, paperback sales or subsidiary rights will fully earn down the advance, a provision is made to the profit and loss account for the difference between the carrying value and the recoverable amount from future earnings.

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 2006	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations £'000	Total £'000
Revenue					
External sales	53,880	15,011	5,882	-	74,773
Inter-segment sales *	145	-	110	(255)	-
Total revenue	**54,025**	**15,011**	**5,992**	**(255)**	**74,773**
Result					
Segment result	3,724	(260)	199	-	3,663
Unallocated central costs	-	-	-	(154)	(154)
Profit / (loss) before investment income	3,724	(260)	199	(154)	3,509
Investment income	2,595	10	-	(871)	1,734
Finance costs	(143)	(538)	(237)	871	(47)
Profit / (loss) before taxation	6,176	(788)	(38)	(154)	5,196
Income tax expense	(1,732)	286	(98)	-	(1,544)
Profit / (loss) for the year	**4,444**	**(502)**	**(136)**	**(154)**	**3,652**
Other Information					
Capital additions	1,311	32	41	-	1,384
Depreciation and amortisation	638	44	15	-	697
Profit / (loss) on sale of property, plant and equipment	(1)	-	-	-	(1)
Balance Sheet					
Assets					
Segment assets	105,572	17,290	9,136	(20,955)	111,043
Liabilities					
Segment liabilities	22,300	13,233	7,132	(20,955)	21,710

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

1. Segmental analysis (continued)

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 / (loss) before taxation	19,598	267	432	(170)	20,127
Income tax expense	(5,567)	(197)	283	-	(5,481)
Profit / (loss) 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.

External sales by destination

	United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
Year ended 31 December 2006				
United Kingdom	42,365	-	-	42,365
North America	1,852	15,011	-	16,863
Continental Europe	3,797	-	5,882	9,679
Australasia	3,637	-	-	3,637
Rest of the world	2,229	-	-	2,229
Total external sales	**53,880**	**15,011**	**5,882**	**74,773**
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**

Business segments

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

	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
Year ended 31 December 2006					
Revenue	32,669	27,366	14,738	-	74,773
Cost of sales	(16,627)	(14,115)	(7,860)	-	(38,602)
Gross profit	16,042	13,251	6,878	-	36,171
Marketing and distribution costs	(6,947)	(3,859)	(3,548)	-	(14,354)
Contribution before administrative expenses	9,095	9,392	3,330	-	21,817
Administrative expenses	-	-	-	(18,308)	(18,308)
Profit before investment income	9,095	9,392	3,330	(18,308)	3,509

	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
Year ended 31 December 2005					
Revenue	27,468	69,013	12,627	-	109,108
Cost of sales	(11,400)	(35,056)	(7,058)	-	(53,514)
Gross profit	16,068	33,957	5,569	-	55,594
Marketing and distribution costs	(6,456)	(8,656)	(2,995)	-	(18,107)
Contribution before administrative expenses	9,612	25,301	2,574	-	37,487
Administrative expenses	-	-	-	(18,681)	(18,681)
Profit before investment income	9,612	25,301	2,574	(18,681)	18,806

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

Carrying amount of segment assets	**Year ended 31 December 2006 £'000**	Year ended 31 December 2005 £'000
Adult	**31,954**	31,975
Children's	**20,956**	28,453
Reference	**19,088**	16,707
Unallocated central assets	**39,045**	58,499
	111,043	135,634

Capital additions are not specific to business segments.

2. Profit before investment income

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

	2006 £'000	2005 £'000
Auditors' remuneration (see below)	259	245
Depreciation of property, plant and equipment	661	400
Loss / (profit) on disposal of property, plant and equipment	1	(3)
Amortisation of publishing relationships	36	35
Exchange loss	59	15
Staff costs (see note 4)	13,241	13,243

Amounts payable to Baker Tilly or Baker Tilly UK Audit LLP and their associates in respect of both audit and non-audit services are as follows:

	2006 £'000	2006 %	2005 £'000	2005 %
Audit services				
Statutory audit of parent company	81	31	69	28
Other services				
The auditing of accounts of associates of the company pursuant to legislation				
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	52	20	51	21
Work performed by associates of Baker Tilly UK Audit LLP in respect of consolidation returns or local legislative requirements	10	4	-	-
Other services supplied pursuant to such legislation				
Interim results	32	12	29	12
Pension scheme audit	3	1	3	1
Announcement re IFRS conversion	-	-	5	2
Tax services				
Compliance services	46	18	45	18
Advisory services	35	14	41	17
Other services				
Embargo review	-	-	2	1
	259	100	245	100

In addition to those costs above, Baker Tilly provided services to the Group in relation to the acquisition of Methuen Drama amounting to £10,000 (2005, £nil) which have been included in the cost of acquisition.

3a. Investment income

	2006 £'000	2005 £'000
Interest on bank deposits	1,651	1,323
Other interest receivable	69	55
Expected return on pension plan assets	14	14
	1,734	1,392

3b. Finance costs

	2006 £'000	2005 £'000
Interest on loan notes	-	11
Interest cost on pension obligations	25	24
Actuarial losses on defined benefit pension plan	22	36
	47	71

4. Directors and employees

Staff costs during the year were:

	2006 £'000	2005 £'000
Salaries	10,741	11,196
Social security costs	1,318	1,396
Other pension costs	531	415
Share-based payment charge	651	236
	13,241	13,243

The average number of employees during the year was:

	2006 Number	2005 Number
Editorial, production and selling	232	236
Finance and administration	71	56
	303	292

Full details concerning directors' emoluments, shareholdings, options and other interests are shown in the Directors' Remuneration Report on pages 27 to 34.

Pension costs
The pension costs summarised above of £531,000 (2005, £415,000) 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 £511,000 (2005, £397,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2006, contributions of £30,000 (2005, £14,000) 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 2006 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 £19,000 (2005, £18,000).

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 2006	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	not applicable
Rate of increase in pensions in payment (LPI)	**0.0%**	0.0%	0.0%	0.0%	0.0%
Discount rate	**5.2%**	4.8%	5.3%	5.4%	5.4%
Inflation assumption	**3.3%**	2.9%	2.9%	2.9%	2.4%
Expected return on plan assets	**5.1%**	3.5%	3.8%	3.8%	6.5%

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

	2006 £'000	2005 £'000
Current service cost	**-**	-
Interest cost	**25**	24
Expected return on scheme assets	**(14)**	(14)
Actuarial losses	**22**	36
	33	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 £29,000 (2005, £11,000).

4. Directors and employees (continued)

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

	2006 £'000	2005 £'000
Total value of assets (with profit policy)	430	387
Present value of scheme liabilities	(574)	(517)
Liability before taxation	(144)	(130)
Deferred taxation	43	39
Liability recognised in the balance sheet	(101)	(91)
Analysis for reporting purposes:		
Non-current liabilities	(144)	(130)
Deferred tax assets	43	39

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

	2006 £'000	2005 £'000
At 1 January	(130)	(102)
Interest cost	(25)	(24)
Expected return on scheme assets	14	14
Contributions	19	18
Actuarial losses	(22)	(36)
At 31 December	(144)	(130)

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

	2006 £'000	2005 £'000
At 1 January	387	359
Expected return on scheme assets	14	14
Actuarial gains and losses	15	(3)
Contributions	19	18
Benefits paid	(5)	(1)
At 31 December	430	387

The history of experience adjustments is as follows:

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Present value of defined benefit obligations	**(574)**	(517)	(461)	(451)	(404)
Fair value of scheme assets	**430**	387	359	359	352
Deficit in scheme	**(144)**	(130)	(102)	(92)	(52)
Experience gains and losses on scheme assets:					
Amount (£'000)	**15**	(3)	(2)	(16)	(5)
Percentage of scheme assets	**4%**	(1%)	(1%)	(4%)	(1%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	**(59)**	12	11	(3)	3
Percentage of the present value of the scheme liabilities	**(10%)**	2%	2%	(1%)	1%

5. Taxation

(a) Tax charge for the year

		2006 £'000	2005 £'000
Based on the profit for the year:	UK corporation tax at 30%	**1,745**	5,579
	Under / (over) provision in respect of prior year	**9**	(8)
	Overseas taxation – current year	**42**	386
		1,796	5,957
Deferred tax (notes 11 and 15):	UK	**(50)**	(45)
	Overseas	**(202)**	(431)
		1,544	5,481

(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:

		2006 £'000	2005 £'000
Profit before taxation		**5,196**	20,127
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%		**1,559**	6,038
Effects of:	Permanent differences	**(31)**	(180)
	Tax losses	**93**	(506)
	Different rate of tax on overseas results	**(86)**	137
	Adjustment to tax charge in respect of previous periods	**9**	(8)
Tax charge for the year		**1,544**	5,481

(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 3.00p per share (£2,189,000) was paid to the equity shareholders on 6 July 2006, being the amount proposed by the directors, and subsequently approved by the shareholders at the 2006 Annual General Meeting (2005: 2.478p per share, £1,773,000).

For the current year
On 17 November 2006 an interim dividend of 0.66p per share (£485,000) was paid to the equity shareholders (2005: 0.60p per share, £445,000).

The directors propose that a dividend of 3.00p per share will be paid to the equity shareholders on 5 July 2007. Based on the number of shares currently in issue, the final dividend will be £2,203,000 (2005, £2,189,000). 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 £3,652,000 (2005, £14,646,000) and a weighted average number of Ordinary Shares in issue of 73,115,031 (2005, 72,134,014). The diluted earnings per share has been calculated by reference to a weighted average number of Ordinary Shares of 74,469,114 (2005, 73,493,581) 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:

	2006 Number	2005 Number
Weighted average number of shares for basic earnings per share	73,115,031	72,134,014
Dilutive effect of share options and awards under Performance Share Plan	1,354,083	1,359,567
Weighted average number of shares for diluted earnings per share	74,469,114	73,493,581

8. Property, plant and equipment

The Group Year ended 31 December 2006	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 January 2006	1,016	328	1,994	178	3,516
Additions	1,015	74	270	25	1,384
Disposals	-	-	(737)	(9)	(746)
Exchange differences	(1)	-	(4)	-	(5)
At 31 December 2006	**2,030**	**402**	**1,523**	**194**	**4,149**
Depreciation:					
At 1 January 2006	131	182	1,483	105	1,901
Charge for the year	364	35	223	39	661
Disposals	-	-	(736)	(7)	(743)
Exchange differences	-	-	(2)	-	(2)
At 31 December 2006	**495**	**217**	**968**	**137**	**1,817**
Net book value:					
At 31 December 2006	**1,535**	**185**	**555**	**57**	**2,332**
At 1 January 2006	885	146	511	73	1,615

The Group Year ended 31 December 2005	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	-	-	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

8. Property, plant and equipment (continued)

The Company Year ended 31 December 2006	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Total £'000
Cost:				
At 1 January 2006	1,006	328	794	2,128
Additions	1,003	74	100	1,177
At 31 December 2006	**2,009**	**402**	**894**	**3,305**
Depreciation:				
At 1 January 2006	121	182	501	804
Charge for the year	357	35	116	508
At 31 December 2006	**478**	**217**	**617**	**1,312**
Net book value:				
At 31 December 2006	**1,531**	**185**	**277**	**1,993**
At 1 January 2006	885	146	293	1,324

The Company Year ended 31 December 2005	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

Year ended 31 December 2006	The Group £'000	The Company £'000
Cost:		
At 1 January 2006	19,312	721
Additions	2,678	-
Exchange gain / (loss) on retranslation	(441)	-
At 31 December 2006	**21,549**	**721**
Accumulated impairment losses:		
At 1 January 2006 and 31 December 2006	4,153	721
Carrying amount:		
At 31 December 2006	**17,396**	**-**
At 1 January 2006	15,159	-

Year ended 31 December 2005	The Group £'000	The Company £'000
Cost:		
At 1 January 2005	18,025	721
Additions	983	-
Exchange gain / (loss) 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.

On 1 June 2006 A&C Black acquired the assets of Methuen Drama for a cash consideration of £2,383,000. The goodwill of £2,200,000 arising on this acquisition has been capitalised on the group balance sheet.

On 20 November 2006 the Company acquired the controlling interest of 51% in the issued share capital of Writer's Cafe, Inc. for a cash consideration of £36,000. Writer's Cafe, Inc. is a start-up operation which had no assets or liabilities at the date of acquisition and has not traded since the acquisition. The goodwill of £36,000 arising on this acquisition has been capitalised on the group balance sheet.

9. Intangible assets (continued)

Additions represent the goodwill on the acquisitions during the year and adjustment to the fair value of assets previously acquired, as shown below:

	The Group £'000
Acquisition of Methuen Drama	2,200
Acquisition of Writer's Cafe, Inc.	36
Adjustment to fair value of assets	442
Additions in the year	**2,678**

The table below summarises the book values of the major categories of assets and liabilities of Methuen Drama at the date of acquisition by the Group and their fair values included in the consolidated financial statements at that date.

	Book value £'000	Provisions to reduce to net realisable value £'000	Total fair value to the group £'000
Net assets acquired:			
Current assets	283	100	183
	283	100	183
Consideration			2,383
Goodwill arising on acquisition			**2,200**

The goodwill represents the acquisition of the Methuen name and the significant synergies and economies of scale experienced post acquisition.

The profit before investment income of Methuen Drama since the acquisition was £282,000. Prior to its acquisition by the Group, the business now in Methuen Drama was a division within Methuen Publishing Limited and did not produce audited accounts. It is therefore not possible to provide details of the results of Methuen Drama for the period prior to acquisition.

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

	2006 £'000	2005 £'000
United Kingdom	**13,445**	11,245
North America	**2,754**	3,142
Continental Europe	**1,197**	772
At 31 December 2006	**17,396**	15,159

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 the Board's approved budgets for the year ending 31 December 2007 for all segments and forecasts for subsequent years up to 2008 for Continental Europe and up to 2014 for North America and the United Kingdom.

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

- The discount rates used were 6% for the United Kingdom and 7% for North America and Continental Europe.
- 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 2007	4.0%	7.0%	not applicable
Overhead growth after 2007	4.0%	7.0%	not applicable

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

Publishing relationships

The Group	**2006** £'000	2005 £'000
Cost:		
At 1 January	387	354
Exchange (loss) / gain on retranslation	(40)	33
At 31 December	**347**	387
Amortisation:		
At 1 January	35	-
Charge for the year	36	35
At 31 December	**71**	35
Carrying amount:		
At 31 December	**276**	352
At 1 January	352	354

Total carrying amount of intangible assets

The Group	**2006** £'000	2005 £'000
At 31 December	**17,672**	15,511
At 1 January	15,511	14,226

10. Investments in subsidiary companies

The Company	2006 £'000	2005 £'000
Investments in share capital of wholly owned subsidiaries at cost:		
At 1 January	25,412	23,043
Additions	36	2,369
At 31 December	**25,448**	25,412

The additions represent the Company's acquisition of Writer's Cafe, Inc. for a cash consideration of £36,000.

The subsidiary companies at 31 December 2006 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
Writer's Cafe, Inc.	USA	51%	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
Methuen Drama Limited	England	100%	Non-trading

11. Deferred tax

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

The Group	Tax losses carried forward £'000	Fixed asset timing differences £'000	Short term timing differences £'000	Total £'000
At 1 January 2005	600	79	96	775
Credit / (charge) for the year	365	(113)	224	476
Exchange differences	(13)	-	-	(13)
At 31 December 2005	**952**	**(34)**	**320**	**1,238**
Credit / (charge) for the year	509	57	(74)	492
Exchange differences	(66)	-	-	(66)
At 31 December 2006	**1,395**	**23**	**246**	**1,664**

The Company	Tax losses carried forward £'000	Fixed asset timing differences £'000	Short term timing differences £'000	Total £'000
At 1 January 2005	-	20	65	85
Credit / (charge) for the year	-	(26)	71	45
At 31 December 2005	**-**	**(6)**	**136**	**130**
Credit / (charge) for the year	1	(14)	188	175
At 31 December 2006	**1**	**(20)**	**324**	**305**

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

11. Deferred tax (continued)

The analysis for financial reporting purposes is as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	£'000	£'000	£'000	£'000
Deferred tax assets	**1,700**	1,238	**305**	130
Deferred tax liabilities	**(36)**	-	**-**	-
	1,664	1,238	**305**	130

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

	The Group		The Company	
	2006	2005	**2006**	2005
	£'000	£'000	£'000	£'000
Tax losses carried forward	**188**	188	**-**	1
Short term timing differences	**75**	-	**-**	-
	263	188	**-**	1

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	
	2006	2005	**2006**	2005
	£'000	£'000	£'000	£'000
Raw materials	**330**	185	**62**	66
Work in progress	**3,067**	3,837	**1,864**	2,183
Finished goods for resale	**12,421**	11,107	**4,015**	3,888
	15,818	15,129	**5,941**	6,137

Included above are work in progress of £510,000 (2005, £475,000) and finished goods of £2,866,000 (2005, £2,526,000) carried at net realisable value. The amount included in cost of sales relating to the write down of inventories recognised as an expense is £4,072,000 (2005, £3,480,000). The amount included in cost of sales relating to the cost of inventories sold is £15,838,000 (2005, £20,986,000).

13. Trade and other receivables

	The Group		The Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade receivables	**17,610**	21,271	**8,314**	12,953
Amounts owed by group undertakings	**-**	-	**19,841**	14,539
Income tax recoverable	**1,668**	76	**1,650**	-
Other receivables	**599**	689	**420**	560
Prepayments and accrued income	**25,086**	23,079	**14,222**	11,394
	44,963	45,115	**44,447**	39,446
Amounts falling due after more than one year:				
Prepayments and accrued income	**4,254**	3,515	**4,254**	3,515
	49,217	48,630	**48,701**	42,961

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 £190,000 (2005, £252,000). This allowance has been made by reference to specific debts and past default experience.

As books are returnable by customers, the Group makes a provision against books sold in the accounting period which is then carried forward in trade debtors in the balance sheet in anticipation of book returns received subsequent to the year end. A provision of £7.9m for future returns relating to 2005 and prior sales including *Harry Potter and the Half-Blood Prince* was carried forward in trade debtors in the balance sheet at 31 December 2005 and returns received in 2006 were offset against this provision. This provision relates to the UK trade operation (excluding A&C Black, Bloomsbury USA and Berlin Verlag). Given the lower turnover in 2006 and as there was no new Harry Potter during the year, the closing provision carried forward in trade debtors in the balance sheet at 31 December 2006 was £1.6m for this part of the business.

14. Equity share capital

	2006 £'000	2005 £'000
Authorised:		
92,000,000 Ordinary Shares of 1.25p each (2005, 92,000,000 Ordinary Shares of 1.25p each)	**1,150**	1,150
Allotted, called up and fully paid:		
73,402,571 Ordinary Shares of 1.25p each (2005, 72,857,182 Ordinary Shares of 1.25p each)	**918**	911

Movements in the allotted share capital during the year are:

	Number	£'000
At 1 January 2006	72,857,182	911
Share options exercised	545,389	7
At 31 December 2006	**73,402,571**	**918**

The consideration receivable by the Company for the share options exercised during the year was £799,000.

As at 31 December 2006, 1,362,076 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	84,240	220.25p	2003 – 2010
1994 Approved Executive Share Option Scheme	46,116	175.50p	2004 – 2011
1994 Approved Executive Share Option Scheme	48,688	179.75p	2004 – 2011
1994 Approved Executive Share Option Scheme	22,000	143.50p	2005 – 2012
1994 Approved Executive Share Option Scheme	95,836	178.75p	2006 – 2013
1994 Approved Executive Share Option Scheme	24,000	246.00p	2006 – 2013
1994 Approved Executive Share Option Scheme	58,000	249.50p	2007 – 2014
1994 Unapproved Executive Share Option Scheme	154,020	173.75p	2003 – 2007
1994 Unapproved Executive Share Option Scheme	351,538	220.25p	2003 – 2007
1994 Unapproved Executive Share Option Scheme	85,808	175.50p	2004 – 2008
1994 Unapproved Executive Share Option Scheme	3,312	179.75p	2004 – 2008
1994 Unapproved Executive Share Option Scheme	20,000	143.50p	2005 – 2009
1994 Unapproved Executive Share Option Scheme	196,164	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 2006, 911,576 shares had been 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 three years after the award.

	No. of shares	Strike price at award	Date of award
2005 Performance Share Plan	520,359	337.90p	4 November 2005
2005 Performance Share Plan	391,217	315.25p	26 October 2006

On 8 May 2007 a further 769,484 shares were awarded under the 2005 Performance Share Plan with a strike price of 181.4p per share.

At 31 December 2006, 109,421 options had been granted and were still outstanding under the Bloomsbury Sharesave Plan 2005.

	No. of shares	Exercise price	Exercisable
Bloomsbury Sharesave Plan 2005	109,421	275.2p	June 2009 – Dec 2009

At 31 December 2006, 120,000 appreciation rights had been awarded and were still outstanding under the 2006 Share Appreciation Rights Scheme. Subject to the satisfaction of an Earnings per Share target pre-condition, these awards will be exercisable for a period of four years following the vesting date.

	No. of shares	Base price	Exercisable
2006 Share Appreciation Rights Scheme	40,000	249.50p	Mar 2007 – Mar 2011
2006 Share Appreciation Rights Scheme	40,000	337.90p	Nov 2008 – Nov 2012
2006 Share Appreciation Rights Scheme	40,000	315.25p	Oct 2009 – Oct 2013

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 2006 (2005, £nil).

16. Trade and other payables

	The Group		The Company	
	2006	2005	**2006**	2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade payables	**6,285**	5,437	**3,192**	2,626
Amounts owed to group undertakings	**-**	-	**1,110**	798
Taxation and social security	**275**	757	**185**	622
Other payables	**1,995**	1,425	**1,139**	771
Accruals and deferred income	**12,231**	36,355	**9,300**	32,664
	20,786	43,974	**14,926**	37,481

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for purchases by the Group is 43 days (2005, 25 days). An explanation of the change in the average credit period taken for purchases by the Group can be found in the Directors' Report on page 37.

17. Lease obligations

The Group as a lessee:

	2006 £'000	2005 £'000
Minimum lease payments under operating leases recognised as expense for the period	**1,685**	1,746

At 31 December 2006 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2006 £'000	2005 £'000
Within one year	**1,010**	1,328
Between one and five years	**2,207**	3,424
After more than five years	**-**	145
	3,217	4,897

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 four 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 £153,000 (2005, £165,000).

At 31 December 2006 the Group had contracts with tenants for the following future minimum lease payments receivable:

	2006 £'000	2005 £'000
Within one year	**63**	136
Between one and five years	**14**	76
	77	212

18. Share-based payments

The Company operates five equity-settled share-based payment arrangements, namely the two executive share option schemes, the performance share plan, the sharesave scheme and a share appreciation rights scheme. For the year ended 31 December 2006 the Group recognised total expenses related to equity settled share based payment transactions since 7 November 2002 of £651,000 (2005, £236,000).

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 2006 Number	Weighted average exercise price 2006 Pence	Options 2005 Number	Weighted average exercise price 2005 Pence
Outstanding at 1 January	1,911,465	186.26	3,103,597	176.03
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(545,389)	146.55	(1,096,132)	156.34
Expired during the year	(4,000)	214.63	(96,000)	197.32
Outstanding at 31 December	**1,362,076**	**202.08**	**1,911,465**	**186.26**
Exercisable at 31 December	**1,299,076**	**196.95**	**1,348,465**	**177.13**

The weighted average share price at the date of exercise for share options exercised during the year was 322.58 pence. The options outstanding at 31 December 2006 had a weighted average contractual life of two years and ten 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 six year life.

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.

	Conditional Awards 2006 Number	Conditional Awards 2005 Number
Outstanding at 1 January	528,608	-
Granted during the year	391,217	528,608
Lapsed or forfeited during the year	(8,249)	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**911,576**	**528,608**
Exercisable at 31 December	**-**	**-**

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		26 October 2006	
Performance condition	Increase in EPS over RPI	Total Shareholder Return	Increase in EPS over RPI	Total Shareholder Return
Share price	£3.42	£3.42	£3.12	£3.12
Volatility	20.3%	20.3%	-	20.0%
Performance condition discount	n/a	43.9%	n/a	52.8%
Risk Free Interest Rate	4.4%	4.4%	5.0%	5.0%
Fair Value charge per award	£3.42	£1.92	£3.12	£1.47

For all awards made under the PSP Plan to date, 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. The Sharesave Plan is open to employees based in the UK. A total of 115,671 options were granted on 5 May 2006 at an exercise price of £2.752 per share.

No awards were made under the Sharesave Plan prior to 5 May 2006.

	Sharesave options 2006 Number
Outstanding at 1 January 2006	-
Granted during the year	115,671
Lapsed or forfeited during the year	(6,250)
Exercised during the year	-
Expired during the year	-
Outstanding at 31 December 2006	**109,421**
Exercisable at 31 December 2006	**-**

The outstanding Sharesave options at 31 December 2006 all had an exercise price of £2.752 per share and remaining contractual life of two years and eleven months.

The assumptions and inputs into the modified Black – Scholes calculation by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of grant	5 May 2006
Expected life (years)	3.25
Share price	£3.45
Exercise price	£2.752
Expected volatility	20.4%
Expected dividend yield	1.04%
Risk free interest rate	4.8%
Fair value charge per award	1.073

2006 Share Appreciation Rights Scheme ("The SAR Scheme")

During the year the Company introduced a limited use, equity-settled share appreciation rights scheme. Under the rules of the SAR Scheme, a participant, in respect of the number of shares set out in an award, will be granted the right to acquire for nominal value a number of ordinary shares in the Company with a value equal to the gain in excess of the base price of the award up to the market value of Bloomsbury's ordinary shares on the date of exercise. An award becomes exercisable for a period of four years after the vesting date but only if at the date of exercise the Earnings Per Share pre-condition is satisfied. Any right not exercised after the fourth anniversary of the vesting date will lapse.

No awards were made under the SAR Scheme prior to 17 November 2006.

	SAR Scheme Awards 2006 Number	Weighted average base price 2006 Pence
Outstanding at 1 January 2006	-	-
Granted during the year	120,000	300.88
Lapsed or forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December 2006	**120,000**	**300.88**
Exercisable at 31 December 2006	**-**	**-**

The SAR Scheme awards outstanding at 31 December 2006 had a weighted average contractual life of five years and eight months.

The assumptions and inputs into the modified Black – Scholes calculation by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of award	17 November 2006	17 November 2006	17 November 2006
Expected life (years)	2.33	4	5
Share price	£3.1425	£3.1425	£3.1425
Exercise price	£2.495	£3.379	£3.1525
Expected volatility	21.0%	20.0%	21.0%
Expected dividend yield	1.2%	1.2%	1.2%
Risk free interest rate	5.0%	5.0%	4.8%
Fair value charge per award	£0.9025	£0.5825	£0.7875

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 2006 the trust held £100, representing the initial investment into the EBT. The results and net assets of the EBT are included in the financial statements of the Company and the Group.

19. Commitments and contingent liabilities

The Group is committed to paying royalty advances to authors under publishing contracts during subsequent financial years.
At 31 December 2006 this commitment amounted to £15,366,000 (2005, £11,571,000).

20. Post balance sheet events

The directors have proposed a final dividend of 3.0 pence per share (2005, 3.0 pence per share), which will be paid on 5 July 2007 to Ordinary Shareholders on the register at close of business on 25 May 2007. Based on the number of shares currently in issue, the final dividend will be £2,203,000 (2005, £2,189,000).

21. Parent company result

The Company has taken an advantage of the exemption available under the Companies Act 1985 not to present the company income statement and the statement of recognised income and expenditure. The only movement was profit for the year.

22. 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 £24,304,000 at 31 December 2006 (2005, £53,511,000) comprising cash and short-term deposits. Short-term deposits are at fixed rates, and the maturity terms range between one day and one year. The average rate of interest on cash deposits during the year ended 31 December 2006 was 4.51% (2005, 4.56%).

The Group had no financial liabilities at 31 December 2006 and 31 December 2005.

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

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

Of the total monetary net assets of £51,811,000 (2005, £55,290,000), £8,664,000 is denominated in US dollars (2005, £9,110,000) and £3,058,000 is denominated in euro (2005, £3,763,000). 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 majority of which are secured by credit insurance and letters of credit. 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.

23. Related party transactions

Trading transactions

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

	2006 £'000	2005 £'000
Purchases of goods in the year	145	199
Commission payable	110	594
Interest receivable	871	485
Amounts owed by subsidiaries at year end	19,841	14,539
Amounts owed to subsidiaries at year end	1,110	798

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 30 to 32.

	2006 £'000	2005 £'000
Short-term employee benefits	2,128	3,100
Post-employment benefits	171	157
Share-based payments	386	59
	2,685	3,316

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
Auditor	Baker Tilly UK Audit LLP 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 The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU

Financial calendar

Annual General Meeting	28 June 2007
Results	
Announcement of half year results to 30 June 2007	September 2007
Announcement of annual results to 31 December 2007	March / April 2008
Dividend	
Final dividend - 2006	5 July 2007
Interim dividend - 2007	November 2007
Final dividend - 2007	July 2008

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.

Managing your shareholding online

Capita Registrars provides a wide range of online shareholder services through their Share Portal.

Through the Share Portal you will be able to access and maintain your holding at your own convenience, including the ability to:

- View your holdings and indicative share price and valuation;
- View a full transaction audit trail;
- View your dividend history including payment dates;
- Change your address;
- Register and change bank mandate instructions; and
- Contact Capita's specialised shareholder help-line, or submit email enquiries.

To register to use the Share Portal, simply visit Capita's website at www.capitaregistrars.com/shareholders. Either log-in or register as a new user and follow the instructions. To register for the service you will need your Investor Code which is found on your share certificate or dividend voucher.

If you have any queries contact Capita Registrars on 0870 162 3191 or email them at shareportal@capita.co.uk.

Analysis of registered shareholdings at 16 May 2007

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
5,000,001 +	1	0.07	5,405,000	7.36
1,000,001 - 5,000,000	19	1.33	37,008,519	50.40
500,001 - 1,000,000	17	1.19	12,077,950	16.45
100,001 - 500,000	55	3.84	12,137,497	16.53
50,001 - 100,000	34	2.37	2,442,414	3.33
10,001 - 50,000	105	7.33	2,329,558	3.17
1 - 10,000	1,202	83.87	2,033,633	2.76
	1,433	100.00	73,434,571	100.00

Analysis by number of registered shareholders at 16 May 2007

Shareholder	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
Institutional shareholders / nominee companies	528	36.84	68,738,064	93.61
Directors	6	0.42	2,980,987	4.06
Employees	15	1.05	347,300	0.47
Private shareholders	884	61.69	1,368,220	1.86
	1,433	100.00	73,434,571	100.00

Notice is hereby given that the Annual General Meeting of the Company will be held at 36 Soho Square, London, W1D 3QY on 28 June 2007 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 2006.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2006.
3. To declare a final dividend for the financial year ended 31 December 2006.
4. To re-elect Mr C A A Black as a director of the Company.
5. To re-elect Ms E N Calder as a director of the Company.
6. To reappoint Baker Tilly UK Audit LLP 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 7 will be proposed as an ordinary resolution and resolutions 8, 9 and 10 will be proposed as special resolutions.

7. **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 £232,068 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.

8. **That**, subject to the passing of resolution 7 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 Companies Act 1985("the Act")) wholly for cash pursuant to the authority conferred on them by resolution 7 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 £45,897;

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.

9. **That** the Company be authorised, pursuant to section 166 of the Companies Act 1985 ("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 3,671,729;

(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 2008 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.

10. **That** the Articles of Association of the Company be altered by making the following changes to the existing Articles of Association:

(a) by the insertion in Article 2 of the following definitions:

"address" includes, in the context of electronic communications expressly permitted by or pursuant to these Articles, such number or address for the time being notified to the sender (and if the Company, notified in such manner as has been specified by the Directors) by or on behalf of the recipient as being acceptable to the recipient for the particular manner of electronic communication for the subject or class of subject matter concerned; and

"electronic communication" shall, where the context so admits, have the same meaning as in the Electronic Communications Act 2000 including, without limitation, e-mail, facsimile, CD Rom, audio tape, telephone transmission and publication on a web site and "electronic communications" shall be construed accordingly;

(b) by the deletion of the definition of **"in writing"** and **"written"** in Article 2 and the substitution therefor of the following:

"in writing" and **"written"** in the context of electronic communications and documents contained therein, shall mean a communication or document which can be received in legible form or which can be made legible following receipt in a form which is not legible; and in cases of communications and documents which are not electronic communications, shall mean that which is legible before being sent or otherwise supplied and which does not change form during that process;

(c) by the deletion of the definition of **"Statutes"** in Article 2 and the substitution therefor of the following:

"Statutes" means the Act, the Regulations, the Electronic Communications Act and every other act, order, regulation or other subordinate legislation made pursuant thereto for the time being in force concerning or affecting companies and affecting the Company

(d) by the insertion of the following as a new Article 125.4 (Accounts) and the renumbering of the existing Articles 125.4 and 125.5:

125.4 Any documents required or permitted to be sent by the Company to a person pursuant to Article 125.2 or 125.3 may be sent by electronic communication to an address for the time being notified by that person for that purpose.

(e) by the deletion of Article 127 (Service of notice on members) and the substitution therefor of the following:

127 Service of notice on members

127.1 Any notice or document (including a share certificate) may be served on or delivered to any member by the company either personally or by sending it through the post in a prepaid cover addressed to such member at his registered address, or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the company as his address for the service of notices, or by delivering it to such address addressed to the member, or by serving or sending it by means of electronic communication to an address for the time being notified to the Company for that purpose, or by other means authorised in writing by or on behalf of the member concerned.

127.2 Subject to the provisions of the Statutes, where a notice or other document addressed to a member at his registered address or address for service in the United Kingdom is served or sent by post, service or delivery shall be deemed to be given on the first day following that on which the same is posted if prepaid as first class and on the second day after it is posted if prepaid as second class and in proving such service it shall be sufficient to prove that the envelope containing such note or document was properly addressed, prepaid and posted.

127.3 Any notice or document left at a registered address or address for service in the United Kingdom shall be deemed to have been served or delivered on the day it was so left.

127.4 Where a notice or other document is served or sent to a member by means of electronic communication made in accordance with or pursuant to these Articles the notice or document shall be deemed to be served upon or received by the member 48 hours after the time it was sent. In proving service of a notice or document contained in an electronic communication it shall be sufficient to prove that the notice or document was sent in accordance with guidance from time to time issued by the Institute of Chartered Secretaries and Administrators.

127.5 A member present in person or by proxy at any meeting of the Company or of the holders of any class of shares in the Company shall be deemed to have received due notice of the meeting and, where requisite, of the purposes for which it was called.

127.6 Any notice given to that one of the joint holders of a share whose name stands first in the Register in respect of the share shall be sufficient notice to all the joint holders in their capacity as such. For such purpose a joint holder having no registered address in the United Kingdom and not having supplied an address within the United Kingdom for the service of notices, shall be disregarded.

127.7 A member (or in the case of joint holders, the person named first on the register) who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notices shall not be entitled to receive notices from the Company. Without prejudice to the generality of the foregoing such member shall not be entitled to receive any notice or other document from the Company even if he has supplied an address for the purpose of receiving electronic communications.

127.8 Nothing in these Articles shall affect any requirement of the Statutes that any particular offer, notice or other document be served in any particular manner.

(f) by the deletion of Article 128.1 (Notice in case of death or bankruptcy or mental disorder) and the substitution therefor of the following:

128.1 A person entitled to a share in consequence of the death or bankruptcy of a member, or otherwise by operation of law, upon supplying to the company such evidence as the Directors may reasonably require to show his title to the share and upon supplying also an address within the United Kingdom for the service of notices (which may be an address for the purpose of service by electronic communication), shall be entitled to have served upon or delivered to him at such address any notice or document to which the member but for his death or bankruptcy or other event would be entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

(g) by the deletion of Article 129 (Notice by advertisement) and the substitution therefor of the following:

129 **Notice by advertisement**

If at any time by reason of the suspension or curtailment of postal services within the United Kingdom or of means of electronic communication, or other circumstances beyond the company's control, the company is unable effectively to convene a general meeting by notices sent through the post or (in the case of those members in respect of whom an address has for the time being been notified to the Company for the purpose) by electronic communication, a general meeting may be convened by a notice advertised on the same date in at least one United Kingdom national daily newspaper and one local daily newspaper and such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day when the advertisements appear. In any such case the company shall send confirmatory copies of the notice by post or by electronic communication if at least seven clear days prior to the meeting the posting of notices to addresses throughout the United Kingdom or the sending of notices by electronic communication again becomes practicable.

(h) by the insertion of the following as a new Article 131 and the renumbering of the existing Articles 131 to 135 accordingly:

131 **Web site, other electronic communications and signature**

Notwithstanding anything in these Articles to the contrary, but subject to the Statutes:

131.1 any notice or other document to be given or sent to any person by the Company is also to be treated as given or sent where:

131.1.1 the Company and that person have agreed that any notice or other document required to be given or sent to that person may instead be accessed by him on a web site;

131.1.2 the meeting (in the case of a notice of meeting) or other document (in any other case) is one to which that agreement applies;

131.1.3 that person is notified, in a manner for the time being agreed between him and the Company, of the publication of the notice or (as the case may be) other document on a web site, the address of the web site and the place on that web site where the notice or (as the case may be) other document may be accessed and how it may be accessed;

131.1.4 in the case of a notice of meeting, such notice of meeting is published in accordance with Article 131.2 below and the notification referred to in Article 131.1.3 states that it concerns a notice of a company meeting served in accordance with the Act; specifies the place, date and time of the meeting; and states whether the meeting is to be an annual or extraordinary general meeting; and in any such case the notification referred to above shall be treated as the relevant notice or document for the purposes of these Articles and

131.1.5 in the case of a document referred to in section 238 of the Act, and in the case of a document comprising a summary financial statement referred to in section 251 of the Act, such document is published in accordance with Article 131.2;

and, in the case of a notice of meeting or other document so treated, such notice or other document is to be treated as so given or sent, as the case may be, at the time of the notification mentioned in Article 131.1.3.

131.2 Where a notice of meeting or other document is required by Article 131.1.4 or 131.1.5 to be published in accordance with this Article 131.2, it shall be treated as so published only if:

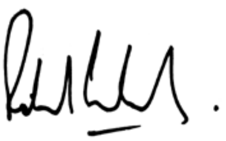
131.2.1 in the case of the notice of meeting, the notice is published on the web site throughout the period beginning with the giving of the notification referred to in Article 131.1.3 and ending with the conclusion of the relevant meeting; and

131.2.2 in the case of a document referred to in Article 131.1.5, the document is published on the web site throughout the period beginning at least 21 days before the date of the relevant meeting and ending with the conclusion of the meeting and the notification referred to in Article 131.1.3 is given not less than 21 days before the date of the meeting, but so that nothing in this Article 131.2 shall invalidate the proceedings of the meeting where the notice or other document is published for part, but not all, of the period mentioned in this article 131.2.1 or, as the case may be, 131.2.2 or is published for any part of that time in a place on the web site concerned which is different to that stated and the failure to publish the notice or other document throughout that period at all or in the stated area of the web site is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

131.3 The Directors may from time to time make such arrangements or regulations (if any) as they may from time to time in their absolute discretion think fit in relation to the giving of notices or other documents by electronic communication by or to the Company and otherwise for the purpose of implementation and/or supplementing the provisions of these Articles and Statutes in relation to electronic communication; and such arrangements and regulations (as the case may be) shall have the same effect as if set out in this Article.

131.4 Where under or pursuant to these Articles a document or communication is required to be signed by a member or other person and the same is contained in or consists of an electronic communication, the Company shall be entitled to treat the same as validly executed and the authentic document or communication of the member or other person and to rely upon the same as such either where the document or other communication incorporates the electronic signature or personal identification details previously allocated by the Company of that member or other person in such form as the Directors may approve or where the document or communication is accompanied by such other evidence as the Directors may require to satisfy themselves as to authenticity.

By order of the board



Richard Cordeschi ACIS
Company Secretary

Dated 16 May 2007

Registered Office:
36 Soho Square
London
W1D 3QY

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 26 June 2007.

4. Copies of all service agreements under which directors of the Company are employed by the Company or any subsidiaries 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.

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