Bloomsbury Publishing PLC
Annual Report & Accounts 2007

BLOOM 21 SBURY

"This is a good set of results, substantially ahead of last year. We saw strong growth from our Adult and Children's publishing and also from A&C Black and Berlin Verlag.

We are now well positioned for the post Harry Potter era. We have reduced overhead costs, are successfully developing new business areas in specialist publishing, and have a strong pipeline of titles. We will continue to do what Bloomsbury does best - discovering new talent and developing it both in the UK and overseas.

The first quarter of 2008 has started strongly and we have a number of new database projects under development."

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

02 Five Year Financial Summary
04 Chairman's Statement

Directors' Report - Business Review
06 Chief Executive's Statement
16 Financial Review
20 Risk Management
21 Corporate Responsibility

Directors' Report - Corporate Governance
25 Board of Directors
26 Corporate Governance
30 Other Statutory Information
35 Statement of Directors' Responsibilities

36 Directors' Remuneration Report

42 Independent Auditor's Report

Financial Statements
44 Consolidated Income Statement
45 Consolidated Balance Sheet
46 Company Balance Sheet
47 Consolidated Statement of Changes in Equity
48 Company Statement of Changes in Equity
49 Consolidated Cash Flow Statement
50 Company Cash Flow Statement
51 Accounting policies
55 Notes to the Accounts

81 Directors, Secretary and Advisers
82 Financial Calendar
83 Shareholder Information
84 Notice of Annual General Meeting
87 Appendix to Notice

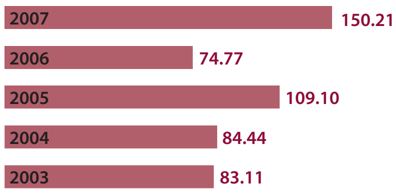
Five Year Financial Summary

2007 was an exceptionally strong year for the Company and this momentum has continued into the first quarter of 2008.

Revenue increased to

£150.21m

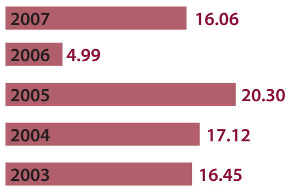
Revenue - £m*



Basic earnings per share increased to

16.06p

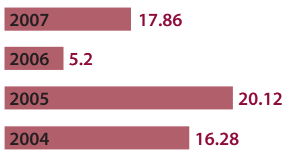
Basic earnings per share before goodwill amortisation and exceptional items - pence*



Pre-tax profit improved to

£17.86m

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



* The Company adopted IFRS with effect from 1 January 2005, and the figures for 2004 onwards are under IFRS. The figures for 2003 are under UK GAAP before goodwill amortisation.

† after 4 for 1 share split in June 2003

Financial highlights

- Revenue increased to £150.21m (2006, £74.77m).
- Pre-tax profit improved to £17.86m (2006, £5.20m).
- Basic earnings per share increased to 16.06p (2006, 4.99p).
- Strong cash generation, particularly in the UK, resulting in net cash of £47.56m (2006, £24.30m).
- Final dividend increased 10% to 3.30p per share (2006, 3.00p). Full year dividend increased by 9.3% to 4.00p (2006, 3.66p).
- Strong balance sheet which positions the Group for future growth.
- Good start to the current year with a strong pipeline of new titles, in line with the Board's expectations.
- Acquisition of Featherstone Education Limited, a specialist educational publisher, on 31 March 2008.

Operating highlights

- Record breaking performance from adult and children's titles.
- Continued reduction in the Group's cost base following overhead reviews in UK and USA.
- Strong sales of Khaled Hosseini's *The Kite Runner* and *A Thousand Splendid Suns* and of *Harry Potter and the Deathly Hallows*.
- Substantial growth in Berlin Verlag, where *Harry Potter and the Deathly Hallows* in the English language sold over one million copies. Both Khaled Hosseini's books enjoyed strong success. Current trading has also been boosted by the launch of Jonathan Littell's controversial book *Die Wohlgesinnten* resulting in hardcover sales exceeding 100,000 copies.
- Future revenue streams generated by deals with existing and new partners on database content, including *Qatar Finance – The Ultimate Resource*, a book and online service.

Chairman's Statement

This is the first Chairman's statement for Bloomsbury since the Group split the role of Chairman and Chief Executive in September 2007.

Bloomsbury is a group of businesses, many with a long history, spanning trade and specialist publishing. Last year Bloomsbury completed 21 years, and much has been done in 2007 to position the Group for growth in a new stage of its development. The historic success of Bloomsbury, in which Harry Potter has played a key role, has unquestionably positioned it well for the future.

The strategy of the Group has therefore been re-defined, and changes have been made to the Board. The Chief Executive and his executive team have organised the business to take advantage of opportunities in areas where it has growing strength. They have also rationalised its businesses where needed.

There is now a real momentum behind the Bloomsbury Group. The focus of the Group's strategy has seen a drive to improve performance and eliminate some of the inherent risk of the publishing industry. Notable achievements in 2007 included the seventh and final Harry Potter book and a significant licensing deal with Qatar Financial Centre Authority. The detailed strategy of the Group and the structure to deliver that strategy are dealt with in the Chief Executive's statement.

As far as the Board is concerned, Nigel Newton, the Founder and Chief Executive of Bloomsbury, has achieved what few founders of a successful company achieve - transformation of a team where he played a dominant role in making it what it is today into a business where his leadership allows the interaction of the non-executive directors and the executive team for constructive, balanced debate and decision taking.

The clearer reorganised roles of the Board and some significant structural reorganisation within the Group since those basic changes are evidence of that. In addition to the split of the roles of Chairman and Chief Executive, the changes have been helped by further re-composition of the Board. Richard Charkin, appointed as Executive Director in October 2007, brings a wealth of experience, leadership and industry knowledge to Bloomsbury, and an injection of fresh blood into a stable, long-established management team. Liz Calder stepped down from the Board on 1 April 2008 after twenty one years but she will very much remain with Bloomsbury, looking after her list of authors. She has made a huge contribution to the Board, and we are tremendously grateful to her.

There is, as a result of these changes, a growing distinction between Board and Executive management, and these changes have introduced a different dynamic into the Group.

The Combined Code on Corporate Governance issued by the Financial Services Authority is designed to enhance Board effectiveness and to improve investor confidence by raising standards of corporate governance. It has been valuable in giving Bloomsbury a framework against which to assess its own governance requirements. However, it is deliberately not prescriptive but rather provides a framework of principles against which Bloomsbury must set the needs of the Group and its shareholders.

My job, as Non-Executive Chairman, in the year ahead, will be to oversee the continued development of the Board and its committees, so that they support the Chief Executive and his Executive team in the realisation of the Group's strategy and exploitation of the opportunities it brings.

Profitable new publishing opportunities are emerging. Such times as these have great potential for far-sighted, experienced and nimble businesses with vision and a strong capital base, and with the organisational capacity to get things done. Bloomsbury is well placed to realise that potential.

None of Bloomsbury's ambitions would be possible without the commitment of its entire staff. This Group employs some of the finest and most experienced people in the industry; it lives by their professionalism, commitment and dedication. Without them it would not have its distinguished history and unique brand and, critically, it would not have the opportunity to realise its ambitions for the future. On behalf of the Board, of Bloomsbury's authors, of all their readers, of all the Group's business partners, and - critically - of all the shareholders, I would like to thank each and every one of them - they have done an outstanding job.

Jeremy J O'B Wilson
Non-Executive Chairman

Business Review

Chief Executive's Statement

Overview

I am pleased to report excellent results, substantially ahead of last year.

2007 was a landmark year for Bloomsbury Publishing. There were a number of changes made to the structure of the Group. In September, we split the roles of Chairman and Chief Executive and Jeremy Wilson was appointed as Non-Executive Chairman alongside me as Chief Executive. In October, Richard Charkin joined as an Executive Director bringing a wealth of experience, leadership and industry knowledge.

The Group has conducted a thorough internal strategic review to examine how best to position the business and maximise returns. As a result, the Board has decided to divide the Group into two overarching divisions: Trade and Specialist. We are seeking to maintain our strong position in the UK, US and German consumer trade publishing sectors whilst expanding organically and through acquisition our specialist publishing in the educational, academic and reference fields. I will have responsibility for the Specialist Division and Richard Charkin for the Trade Division, reporting to me.

Following the review, we are driving reductions in our cost base directly and through our supply chain. We have completed a thorough overhead review and have made annualised cost savings to date of £1.75m the principal benefit of which will be felt in 2008. We are continuing the process and expect to make another £0.78m of annualised cost savings this year.

Financial performance

Revenue increased by 100.9% to £150.21m (2006, £74.77m), reflecting strong performances from a number of our key authors including JK Rowling, Khaled Hosseini, Hugh Fearnley-Whittingstall and William Boyd. Revenues from Continental Europe, which were generated by Berlin Verlag, increased 45.1% to £8.53m (2006, £5.88m). Revenues from the US operations reduced by 10.8% to £13.39m (2006, £15.01m) although in local currency the underlying reduction was only 3.6% to £14.47m.

Profit before tax increased 243.5% to £17.86m (2006, £5.20m). Basic earnings per share rose by 221.8% to 16.06 pence (2006, 4.99 pence). Diluted earnings per share increased by 219.0% to 15.63 pence (2006, 4.90 pence).

At the end of the year the Group had increased its net cash balances to £47.56m (2006, £24.30m) before the half-yearly royalty payments made on 31 March 2008. We continue to invest in future growth through acquiring new authors, new titles and specialist publishing acquisitions. Our strong balance sheet supports this strategy. At 31 December 2007, the Group had under contract 1,240 titles (2006, 1,149) for future publication, with a gross investment of £27.58m (2006, £30.77m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £16.32m (2006, £18.48m). This is a good time for acquisitions.

Specialist Publishing Division

This is a growth area for us in a publishing sector with lower volatility and strong margins.

A Thousand Splendid Suns
by Khaled Hosseini

Directors' Report

Business Review

Chief Executive's Statement

Reference

In 2007 we undertook a number of significant initiatives as part of our strategy to exploit our content in a wide variety of different formats, in print and online.

A new publishing agreement was signed with Oxford University Press to produce an online version of *Who's Who*. Launched in December 2007, this specially designed website will join *The Oxford Dictionary of National Biography*, thus creating the country's best online biographical source. A major licensing agreement was also made with Microsoft for a new database.

Also, in conjunction with Microsoft and Ingram/Lightning Source, Bloomsbury is digitising the Group's entire worldwide backlist thereby becoming fully digitally ready to exploit the emerging marketing, sales and rights opportunities in print and digital editions of our titles, including e-books. The digital archive will bring operational efficiencies enabling print on demand where appropriate, thereby unleashing the long tail potential of our content to niche markets. By participating in Microsoft's Live Search programme, Bloomsbury Group titles will benefit from controlled search on the internet leading to increased sales.

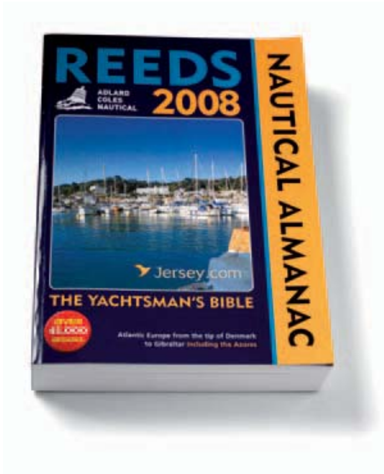
A&C Black's backlist sales have always been a core strength. In 2007 print on demand technology, combined with a new system at our distributor, enabled us to republish out of print backlist titles using print on demand. Over 500 previously out of print titles were republished in 2007, generating approximately £126,000 of additional sales.

To mark A&C Black's 200th anniversary, we published editions of two books from our archive: *Don'ts for Wives* and *Don'ts for Husbands*. First published in 1913, these little books of wise and witty advice for married couples caught the media and the public imagination and were bestsellers selling nearly half a million copies. They continue to sell strongly and, for Fathers' Day 2008, we will also publish another book in the same series, *Don'ts for Golfers*.

In the last days of 2007 we finalised a significant new agreement to publish online the annual compendium of navigational data, *Reeds Nautical Almanac*. The new website, *Reeds Online Almanac*, will be aimed at the growing number of recreational sailors who wish to access navigation and port information online. Launching in May 2008, it will provide the current navigational information in the print version, updated in real time, and other enhanced features including weather forecasting, dynamic synoptic charts as well as a powerful database to aid quick retrieval of information.

On 31 March 2008 we acquired Featherstone Education Limited. Featherstone focuses on publishing to support teachers and of education of children up to seven years old, a rapidly expanding part of the UK market. Responding to the government's increased emphasis on, and funding for, this sector, Featherstone is now a market leader in this niche. Sales are likely to be boosted by schools' implementation of the new 'Early Years Foundation Stage' in September 2008 which requires teachers and educators to follow a 'joined up' learning programme from years 0-8. Education is core to A&C Black and this acquisition extends our reach to the 0-7 ages, and to a wider range of customers. Featherstone has a highly effective direct mail system which will be of considerable benefit in increasing our direct sales to customers for educational and children's products. A&C Black will be able to add value to the list with our current sales and marketing operations to schools, including our school rep force and with our editorial expertise, particularly in the area of children's music.

In 2008 we will continue to develop and exploit the range of electronic formats now available for our products, the publication of new mixed media and whiteboard products for the educational market and website developments such as an enhanced *Writers' and Artists' Yearbook* website.



Databases

The creation and ongoing exploitation of content databases in which Bloomsbury owns all IP rights has been an important element in Bloomsbury's long-term strategy and these IP projects have contributed good revenue streams and profits to the Group.

2007 saw significant new activity in this area. We completed new deals with existing partners, including Microsoft, and we also agreed partnerships with several new customers.

Foremost among these is the Qatar Financial Centre Authority with whom we concluded a significant deal in August. *Qatar Finance - The Ultimate Resource* will be a new information resource aimed at financial professionals from CEOs and CFOs to junior accountants. Unique in the breadth and depth of information and including particular emphasis on best practice and thought leadership, the project, being written by over 300 high level contributors, will be launched in 2009. The first revenue from this source will occur in 2008.

We are also working on a major new database for licensing, and a number of parties have expressed interest. We will seek to develop more partnerships and associations with established websites in our niche areas where we see both marketing and publishing opportunities for our mutual benefit.

Trade Publishing Division

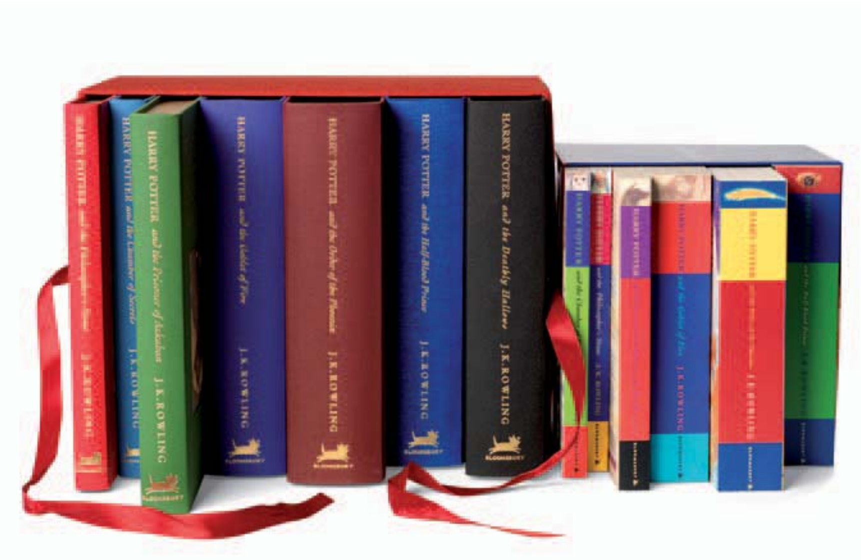
2007 has been an outstanding year for our Trade Publishing Division, both in terms of sales and profit growth. The continuing success of *Harry Potter*, and individual titles and initiatives are described below. During the year several key strategic initiatives have also been pursued:

1 maximising the benefits of individual copyrights through publication wherever possible throughout the English- and German-speaking worlds with new books by Khaled Hosseini, Ben Schott, William Boyd and Elizabeth Gilbert.

2 recognition of the need to embrace fully the opportunities offered by digital technology - the Microsoft Live Search Programme, the development of www.bloomsbury.com.

3 the need to address continuously the cost base of our publishing operations.

4 a sharper approach to pricing and margins and careful review of distribution costs in response to tougher trading conditions.

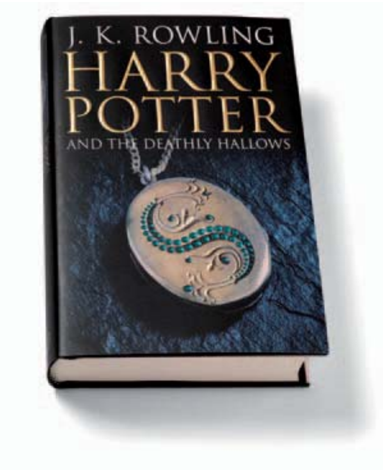


> 'With 2,652,656 copies sold out of UK bookshops on the first day of release, the book exceeded all expectations.'

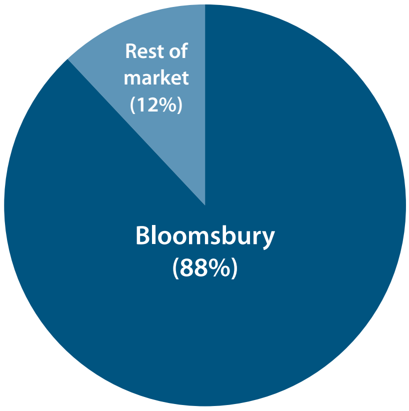
UK
Children's

2007 saw the publication of *Harry Potter and the Deathly Hallows*, the final title in the Harry Potter series. With 2,652,656 copies sold out of UK bookshops on the first day of release, the book exceeded all expectations. With all seven books in the series now published, the books are available in a range of box sets and formats. The series will remain a children's classic for years to come.

In 2007 we further established ourselves in the area of series fiction with the launch of the successful *Mermaids SOS* series, and we will continue to grow in this area with the launch in 2008 of *The Glitterwings Academy*, another series aimed at young, primarily female, readers. We will launch in 2008 with eight titles featuring this magical school and one special Christmas volume.



Harry Potter and the Deathly Hallows



Total revenues week ended 21st July 2007

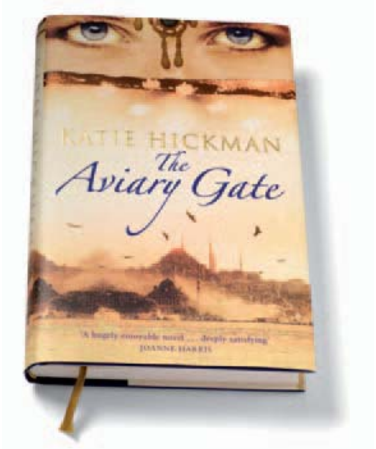
Group	Total value
Bloomsbury	**22,718,380**
Transworld	582,463
Random House CHA	510,152
HarperCollins	441,573
Hodder Headline	392,721
Penguin	392,309
Pan Macmillan	340,068
Orion	188,279
Random House CCV	167,724
Quadrille	71,572
Little, Brown	57,191
Ebury Press	23,811

Chief Executive's Statement

Adult

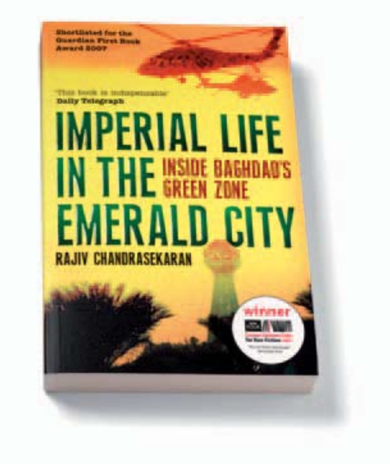
In 2007 we reduced the number of new titles in the publishing programme, but committed more time and energy to ensure that each title generated a higher contribution to revenues and profits.

We continue to develop new talent and to pursue a vigorous marketing strategy on some promising titles that are not an immediate success. *The Kite Runner* and Elizabeth Gilbert's *Eat, Pray, Love* are notable examples of such 'slow burn' titles.

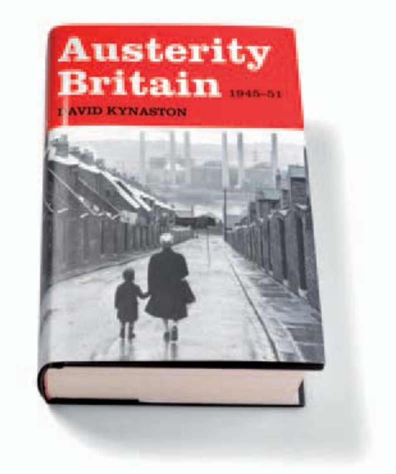


We also continue to develop our strategy of buying titles internationally. Khaled Hosseini and Elizabeth Gilbert are two authors we share with Berlin Verlag, and we share Katie Hickman's *The Aviary Gate* with Bloomsbury USA. We continue to buy world rights where possible, and gain revenue from the sale of some translation rights where appropriate.

Established Bloomsbury authors with new books coming include David Guterson, whose *Snow Falling on Cedars* sold over one million copies, Margaret Atwood, Justin Cartwright, Anne Michaels (author of *Fugitive Pieces*) and Ben Schott.

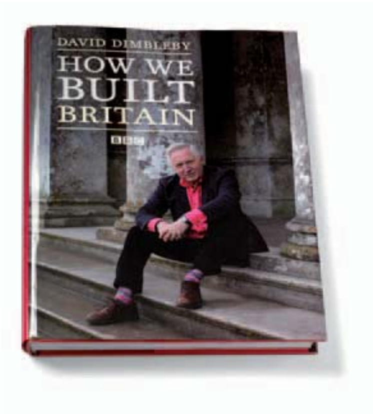


Our strategy to develop our list of serious non-fiction came to fruition in 2007. Bloomsbury won the Samuel Johnson prize with Rajiv Chadresekeran's *Imperial Life in the Emerald City*. We had a paperback bestseller with Ben McIntyre's *Agent Zigzag*, and his new book about James Bond is published in 2008. We also had a hardback bestseller, *The Last Fighting Tommy*, and the first volume of a history of post-war Britain, David Kynaston's *Austerity Britain*, was published to spectacular acclaim in 2007.



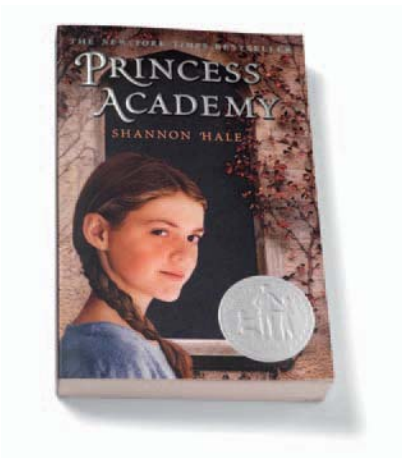
David Dimbleby's
How We Built Britain

Our series of highly illustrated food and television tie-in books continues, and 2007 saw the further success of this list with David Dimbleby's TV tie-in *How We Built Britain*, Heston Blumenthal's *Further Adventures in Search of Perfection* and Hugh Fearnley-Whittingstall's *River Cottage Fish Book*.



Bloomsbury USA

In spite of tough market conditions in 2007, our US Children's lists have performed well with several awards and bestsellers, including Newberry winner Shannon Hale's *Princess Academy*, and a number of titles are selling well into 2008. The Adult list has proved difficult with fewer books breaking through than expected. The level of book returns has been high as customers continue to reduce stock levels. The new publishing lists started in 2006 and launched in 2007 have yet to build critical mass and, to accelerate the US's move back into profit, we reduced staff and office overheads.

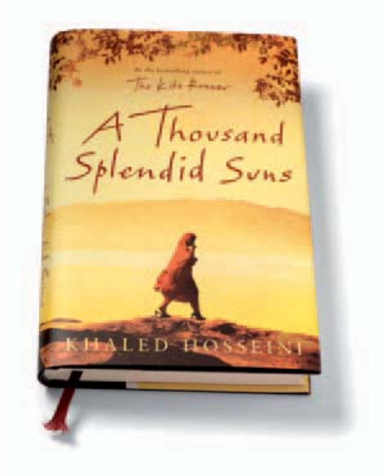


Chief Executive’s Statement

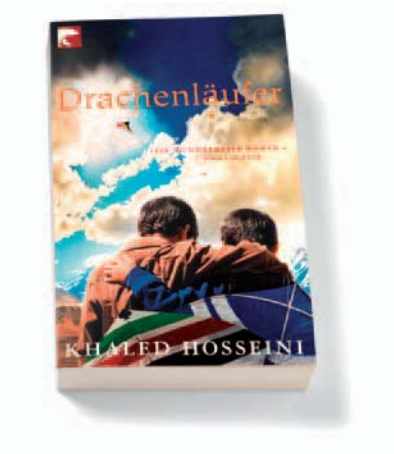
Berlin Verlag

2007 saw substantial growth across all of Berlin Verlag’s lists.

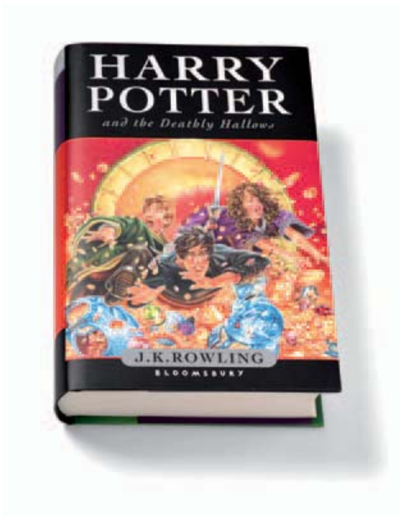
In the Spring Ingo Schulze’s short story collection, *Handy*, won the Leipzig Book Fair Prize. Building on the successes of the Bloomsbury Berlin list in the Spring, we had several bestsellers including *Die Flucht* by Tatjana Gräfin Dönhoff, a tie-in to a prime time TV series. Khaled Hosseini’s new novel, *1000 Strahlende Sonnen* (*A Thousand Splendid Suns*), entered the bestseller charts immediately on publication.



The paperback list continued to do well, with several titles performing well and turnover exceeding budget. The main success was the continuing backlist sales of Khaled Hosseini’s *Drachenläufer* (*The Kite Runner*). Originally published in paperback in November 2004, sales have grown significantly each year, initially through word of mouth but also, in 2007, backed by a targeted marketing campaign. Consequently the book climbed the bestseller lists steadily throughout the year.



Publication of the English language edition of *Harry Potter and the Deathly Hallows* in July was a major event in Germany where for the first time many shops stayed open till 1:00AM so that German children could buy the book in English at the same time as the rest of the world.



The prospects for 2008 are positive. Berlin’s lead title *Die Wohlgesinnten* by Jonathan Littell was published in late February. Sales are strong, and the press and publicity campaign has already ensured massive coverage in important broadsheets including the *Frankfurter Allgemeine Zeitung*, which had not only covered the book extensively but has also created a microsite devoted exclusively to the book. It created a furore when it was initially published in France, where Jonathan Littell, an American author, became the first foreigner to win the Prix Goncourt.

Dividend

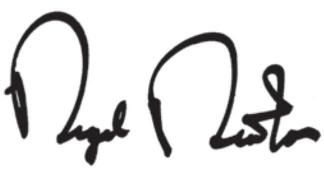
The Directors are recommending a final dividend of 3.30 pence per share (2006, 3.00 pence) making a total of 4.00 pence per share (2006, 3.66 pence) for the year. This represents a 9.3% increase in the full year dividend. The final dividend will be payable on 1 July 2008 to Ordinary Shareholders on the register at the close of business on 23 May 2008.

Management and staff

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

Current trading, developments and prospects

The major agreement just signed with Microsoft to digitise Bloomsbury's entire backlist will enable e-book sales and print on demand orders. The paperback edition of *Harry Potter and the Deathly Hallows* will be published in July. Sales across the Group in the first quarter have been encouraging and we are looking to build on this through the rest of the year.



Nigel Newton
Chief Executive

Results

Revenue for the Group increased 100.9% to £150.21m (2006, £74.77m). Bloomsbury's primary segmental analysis is by geographic breakdown, which follows our international publishing strategy. Revenue in the UK increased 138.1% to £128.29m (2006, £53.88m) driven by contributions from key authors including JK Rowling, Khaled Hosseini, Hugh Fearnley-Whittingstall and William Boyd. US revenue reduced by 10.8% to £13.39m (2006, £15.01m) as a result of a tough market and a higher than expected level of book returns, though at 2006 exchange rates the reduction in US revenue was only 3.6% to £14.47m. For Continental Europe, revenue, which was generated by Berlin Verlag, increased 45.1% to £8.53m (2006, £5.88m) on the back of strong performances from authors including Khaled Hosseini, William Boyd, Ingo Schulze and Zeruya Shalev.

The Group's secondary segmental disclosure is split into three main operating areas: Children's, Adult and Reference publishing. Under the new Group structure Children's and Adult form the Trade Publishing Division, and Reference the Specialist Publishing Division. Children's is a combination of the UK, US and German lists. For 2007 the breakdown of revenue between the three areas was: Children's 66% (2006, 37%), Adult 24% (2006, 44%) and Reference 10% (2006, 19%).

Revenue in Children's increased 261.4% to £98.92m (2006, £27.37m). *Harry Potter and the Deathly Hallows*, published in July 2007, was the main contributor to the increase. Gross profit for Children's for 2007 increased 198.9% to £39.60m (2006, £13.25m) with the contribution to administrative expenses up 219.6% to £30.01m (2006, £9.39m).

Hugh Fearnley-Whittingstall's
River Cottage Fish Book

Adult revenue increased 9.7% to £35.85m (2006, £32.67m). The revenue increase was driven by a number of strong selling titles including *The Kite Runner* (UK and Germany), *A Thousand Splendid Suns* (UK and Germany), *The River Cottage Fish Book* (UK) and *Restless* (UK, USA and Germany). Gross profit for Adult for 2007 was down 17.3% to £13.26m (2006, £16.04m) with contribution to administrative expenses down 34.0% to £6.01m (2006, £9.10m) which is primarily as a result of additional advance and stock provision made.

Reference revenue increased 4.8% to £15.45m (2006, £14.74m) due to the full year results of Methuen Drama, acquired during 2006, and the success of a number of titles including *Don'ts for Husbands* and *Don'ts for Wives*. The gross profit for 2007 was down 8.3% to £6.31m (2006, £6.88m) with contribution before administrative expenses down 20.7% to £2.64m (2006, £3.33m), which is primarily as a result of £0.75m (2006, £0.09m) of database development costs carried in inventories in previous financial years being written down to nil value.

Rights revenue, which includes subsidiary rights, electronic database income and income derived from third party agencies, increased 8.7% to £5.24m (2006, £4.82m). The profit attributable to this revenue was £2.95m (2006, £2.67m). £1.92m (2006, £1.42m) of the profit was generated in the Specialist Publishing Division and £1.03m (2006, £1.25m) was generated in the Trade Publishing Division.

Gross profit for the Group increased 63.6% to £59.17m (2006, £36.17m). Gross profit margin decreased to 39.4% (2006, 48.4%). The decrease was due to a combination of increased royalty costs, the high level of book returns experienced and expected in future periods in the UK, US and Germany and increased stock and advance provisions in Adult across all territories on books published in previous financial years. Royalty costs increased to £44.00m (2006, £8.17m) and represented 29.3% of revenues (2006, 10.9% of revenues). Provisions on unearned advances increased to £9.23m (2006, £2.46m) and represented 6.1% of revenues (2006, 3.3% of revenues). Stock provisions increased to £4.30m (2006, £1.59m) and represented 2.9% of revenues (2006, 2.1% of revenues). The additional stock and advance provisions were made to cover returns of books into stock during the year and a valuation of advances on titles at their recoverable amount. In addition to the normal amortisation policy, in the Specialist Publishing Division £0.75m (2006, £0.09m) of database development costs carried in inventories in previous financial years have been written down to nil value.

Marketing and distribution costs increased by 42.9% to £20.51m (2006, £14.35m). The variable element of these costs increased in line with revenue. Administrative expenses increased 21.1% to £22.18m (2006, £18.31m). The increase included a dilapidation accrual of £0.63m (2006, £nil) on the Group's offices in Soho Square, three of which have leases expiring in 2010, the fourth with a break in 2011. In addition, performance bonuses were also accrued for the first time since 2005.

Profit before investment income increased 369.5% to £16.48m (2006, £3.51m). Profit before investment income for the UK increased 388.2% to £18.16m (2006, £3.72m). The US loss before investment income for the year was £1.64m (2006, loss £0.26m). Germany's profit before investment income for the year was £0.28m (2006, £0.20m).

Investment income decreased by 14.5% to £1.48m (2006, £1.73m) primarily as a result of lower average cash balances during the year.

The effective corporation tax rate for the year is 33.9% (2006, 29.7%). The increase in the rate from 2006 mainly reflects partial recognition of current year US tax losses as an increased deferred tax asset, the inability to recognise an increased deferred tax asset for share based payment charges, for which tax relief will not be given until the relevant options are exercised, and certain expenses that are permanently disallowable for tax purposes. The Group continues to recognise deferred tax assets in respect of tax losses of Bloomsbury USA and Berlin Verlag which we expect will be utilised in the foreseeable future.

Basic earnings per share rose by 221.8% to 16.06 pence (2006, 4.99 pence). Diluted earnings per share increased by 219.0% to 15.63 pence (2006, 4.90 pence).

BALANCE SHEET

Current assets

Inventories decreased 8.9% to £14.41m (2006, £15.82m). Work in progress remained consistent with 2006 levels. Stocks of finished goods decreased 11.9% to £10.94m (2006, £12.42m), due to a combination of improved stock control and increased provisions.

Trade and other receivables increased 54.8% to £76.21m (2006, £49.22m). Trade receivables increased 169.9% to £47.53m (2006, £17.61m) as a result of the increase in revenue. Since books sold are generally returnable by customers, the Group makes a provision against books sold in the accounting period. The unused provision at the year end is then carried forward as an offset to trade receivables in the balance sheet, in anticipation of further book returns subsequent to the year end. A provision for the Group of £13.03m (2006, £5.51m) for future returns relating to 2007 and prior sales including *Harry Potter and the Deathly Hallows* has been carried forward in trade receivables in the balance sheet at 31 December 2007. This provision at margin represents 8.7% (2006, 7.4%) of revenues. Within trade and other receivables, prepayments and accrued income decreased 4.9% to £27.91m (2006, £29.34m) due to increased advance provisions of £9.23m (2006, £2.46m) against titles published in previous financial years.

Equity and liabilities

At 31 December 2007 total equity stood at £100.07m (2006, £89.33m). The increase was due to retained earnings of £9.11m (2006, £0.98m), less the increase in share-based payment reserve due to the share-based payment charge for the year of £1.01m (2006, £0.65m) and share options exercised during the year.

Current liabilities increased 176.5% to £58.9m (2006, £21.3m). Accruals and deferred income, which is included in trade and other payables, increased to £47.04m (2006, £12.23m). Accruals and deferred income includes royalty payments to authors, which vary from year to year depending on turnover and authors' royalty rates which typically escalate on triggered thresholds as volume sales increase. In 2007 the Group published the highest selling book in its history. The royalties due to authors, accrued at 31st December 2007, were paid on 31 March 2008. Corporation tax payable increased to £3.10m (2006, £0.52m).

Cash Flow

The Group had a net cash inflow from operating activities before tax of £26.60m for the year (2006, outflow of £19.92m). Cash generation was particularly strong for the UK operation by the publication of *Harry Potter and the Deathly Hallows*. Corporation tax paid during the year was £1.93m (2006, £5.20m). The amount paid in 2007 included the impact of a claw-back of corporation tax over-paid on account for the 2006 financial year. During the year £1.35m (2006, £1.73m) of interest was received from deposits, and £2.72m (2006, £2.67m) of dividends was paid. The Group's net cash on the balance sheet as at 31 December 2007 was £47.56m (2006, £24.30m).

Colin Adams ACA
Group Finance Director

Risk Management

The Group 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. Actions are taken and processes are put in place to manage and mitigate exposure. The Group's Risk Register setting out the risks facing the business and the controls in place is reviewed by the Audit Committee which reports its findings to the Board.

Principal Risks and Uncertainties

The Group, like all businesses, faces a number of risks and uncertainties as it conducts its operations. There are a number of risks that could impact the Group's long- term performance and steps are taken to understand and evaluate these in order to achieve our objective of creating long-term, sustainable returns for shareholders.

Details on financial risk management are given in note 22.

Principal risks to the business fall into the following three categories:

Title Acquisition Risk

Advances to authors have the potential to reduce margins when portions of 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 protect and grow revenues are as outlined in the Chief Executive's Review.

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.

Corporate Responsibility

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 responsibility 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.

Corporate Responsibility

Social Responsibility

The Company recognises the importance of respecting and supporting the communities in which it operates, 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. The Company has an Employee and Business Protection Policy which allows 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 £3,000 were made by the Group during the year (2006, £34,000). 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.

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 Gases

Opposite, we report our consumption of natural gas, vehicle fuel and electricity in kWh, converted to CO2 following the protocols provided by the Department for Environment Food and Rural Affairs (Defra). Emissions have been categorised against the Greenhouse Gas Protocol scopes of reporting.

The Company has liaised with the Carbon Trust to seek advice on how to reduce carbon emissions in the short to medium term through energy efficiency, which we hope will at the same time deliver energy cost savings.

Scope 2 Supply Chain Impacts (Purchased Electricity)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity			
			Absolute Tonnes CO_2		Normalised Tonnes CO_2 per £m Turnover	
			2006	2007	2006	2007
Electricity Use	Directly purchased electricity, which generates Greenhouse Gases including CO2 emissions	Yearly consumption of directly purchased electricity in kWh collected for UK and German offices. Data scaled up by number of employees to estimate emissions for operations in the US. KWhs converted according to Defra and national emission factor values.	294	326	3.08	2.17

Scope 1 Direct Impacts (Operational)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity			
			Absolute Tonnes CO_2		Normalised Tonnes CO_2 per £m Turnover	
			2006	2007	2006	2007
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 German offices.	103	109	1.08	0.72
Company Cars	Emissions from petrol consumption	Expense claims, converted using yearly average price for petrol in the UK. No fleet in the US and Germany.	n/a	94	n/a	0.63
Total Scope 1				203		1.35

Waste

Waste	Definition	Data Source and Calculation Methods	Quantity			
			Absolute Tonnes		Normalised Tonnes per £m Turnover	
			2006	2007	2006	2007
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 German offices.	54.0	53.1	0.56	0.35
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 German offices.	36.1	39.6	0.38	0.26

Above 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.

There is systematic recycling of paper at all of our offices and we continue to make strenuous efforts to reduce our landfill waste by ensuring that waste both from our offices and remaindered books is recycled wherever possible. In 2007 approximately 40% of the Company's waste was recycled.

Corporate Responsibility

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 *Forest Stewardship Council A.C. (FSC) accreditation and use FSC certified papers. The majority of our UK and European suppliers are now FSC Chain of Custody certified, along with one of our main Far Eastern colour printers.

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 *FSC certified mixed sources papers from well managed forests and other controlled sources. We have been phasing in the use of FSC accredited papers for our mass market paperbacks, and from August 2008 all our mass market paperbacks which are manufactured at Clays Ltd will be printed on FSC accredited papers and boards. During 2007 we were able to extend the use of FSC accredited stocks to many colour titles from both our Adult and Children's lists and this will continue in 2008. Where possible, the Company also seeks to use paper produced from 100% post consumer waste recycled pulp (PCW).

For *Harry Potter and the Deathly Hallows*, which was published in hardback in the UK on 21 July 2007, we used 100% ancient-forest friendly papers for the text, jackets and printed paper cases. The papers used for these were *FSC certified and were made from a mixture of FSC and PCW pulps. The case boards were 100% recycled and the endpapers were 100% FSC mixed sources.

For the *Harry Potter and the Deathly Hallows* paperback editions, to be published on 10 July 2008, we will again be using a 100% ancient-forest friendly paper for the text, it will be an *FSC certified stock made of a mixture of FSC pulp and PCW pulp with FSC certified cover boards.

Board of Directors

Non-Executive Chairman

Jeremy Wilson joined the Bloomsbury Board as a non-executive director in November 2005 and was appointed non-executive Chairman on 27 September 2007. 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, and has been responsible for major corporate and institutional client business.

Executive Directors

Nigel Newton is the founder of Bloomsbury, and is Chief Executive, having relinquished his role as Chairman on 27 September 2007. 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.

Colin Adams ACA 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. In 2007 he was appointed to the Investment Committee of the Creative Capital Fund, an equity fund that provides seed capital investment to entrepreneurs and businesses in London's creative industries. 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.

Richard Charkin joined the Bloomsbury board as an Executive Director in October 2007 with responsibility for operations worldwide, with particular focus on spearheading growth through acquisitions, new publishing areas and international expansion. He began his career in 1972 as Science Editor of Harrap & Co. He has since held senior roles at Pergamon Press, Oxford University Press, Reed International/Reed Elsevier, Current Science Group and has been Chief Executive Officer of Macmillan Publishers Limited, Executive Director of Verlagsgruppe Georg von Holtzbrinck, Chairman of Macmillan India Ltd, a company listed on the Madras and Bombay Stock Exchanges, and the National Stock Exchange of India. Other publishing interests of Richard include being Non-Executive Director of Melbourne University Publishing, Non-Executive Director of Wisden Group, Member of the Strategy Advisory Board of the British Library, Chair of the Society of Bookmen and he was President of the Publishers Association.

Non-Executive Directors

Charles Black 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 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 more than 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 then Price Waterhouse.

Board Committees

Audit Committee

Charles Black (Chairman)
Michael Mayer
Jeremy Wilson

Nomination Committee

Nigel Newton (Chairman)
Michael Mayer
Charles Black
Liz Calder *
Jeremy Wilson

Remuneration Committee

Charles Black (Chairman)
Michael Mayer
Jeremy Wilson

***Liz Calder**, co-founder of Bloomsbury and Publisher was a member of the Nomination Committee until she stood down from the Board on 1 April 2008.

Ian Portal FCIS
Group Company Secretary

Corporate Governance

Application of the Principles of Good Governance

The Board has reviewed the requirements of the Combined Code 2006, 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 36 to 41.

The Board

At 31 December 2007, the Board consisted of four Executive Directors and three Non-Executive Directors, including a Non-Executive Chairman. The names of the six current Directors and their respective responsibilities are shown on page 25. Liz Calder retired as an Executive Director on 1 April 2008.

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

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

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

The Board formally approves the appointment of all new Directors on the recommendation of the Nomination 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 on page 30 and in the Notice of the Annual General Meeting on page 84.

Board Committees

Remuneration Committee

The current composition of the Remuneration Committee is shown on page 25 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 36 to 41. The terms of reference of the Remuneration Committee are available on the Company's website.

Audit Committee

The current composition of the Audit Committee is shown on page 25. 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.

Nomination Committee

The current composition of the Nomination Committee is shown on page 25. The Committee meets as required and operates under terms of reference agreed by the whole Board, which are available on the Company's website.

Director	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Nomination Committee Meetings
	Max 12	Max 5	Max 5	Max 5
Jeremy Wilson	12	4	5	5
Nigel Newton	12	–	–	4
Colin Adams	11	–	–	–
Liz Calder	8	–	–	1
*Richard Charkin	4	–	–	–
Charles Black	12	5	5	4
Michael Mayer	12	5	5	4

*Richard Charkin was appointed to the Board in October 2007

Board and Committee Attendance

The table above sets out the attendance of directors at Board and Committee meetings during 2007.

Board Evaluation

During the year the Board carried out a formal Board evaluation. Designed to provide a mechanism to assess individual director and overall Board and Committee performance, the evaluation had 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.

Stage Two: Board/Committee Evaluation and Communication

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

Shareholder Communications

The Board's assessment of the Group's position and prospects are set out in the Chief Executive's Statement on pages 6 to 15 and the Financial Review on pages 16 to 19.

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

Compliance with the Combined Code

The Board considers that the Company has complied throughout the year ended 31 December 2007 with the Combined Code except in relation to the following matters:

- Provision A.2.1 - The Chairman was also the Chief Executive of the Group until the roles were split and Jeremy Wilson was appointed non-executive Chairman on 27 September 2007.

- Provision C.3.4 - During 2007 the Company put in place arrangements for staff to raise concerns about financial reporting or other matters for consideration by the Company as necessary.

Corporate Governance Internal Control

Internal Control

The Combined Code requires 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. 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 on 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.

Since their appointment in December 2006, an experienced external provider of internal audit services, KPMG LLP, has worked with the Company to develop a risk-based internal audit programme for the Group for 2007 and beyond. A representative of KPMG LLP attended all audit committee meetings during the year and submitted their reports.

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 misstatement or loss. The key procedures include:

- detailed budgeting and forecasting programme with annual budget and forecast 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.

Auditor Independence

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

- confirmation of the external auditor's 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 auditor 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 auditor's 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 auditor 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.

Other Statutory Information

The Company is a public limited company, incorporated in England and quoted on the London Stock Exchange.

Principal activities

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

Review of developments and the Business Review

The Chairman's Statement, Chief Executive'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 44 to 80. In November 2007, an interim dividend of 0.70 pence (net) per Ordinary Share was paid. The directors recommend the payment of a final dividend of 3.30 pence (net) per Ordinary Share payable on 1 July 2008 to Ordinary Shareholders on the register at the close of business on 23 May 2008.

Directors

The directors who held office at any time during the year were:

J J O'B Wilson	Non-Executive Chairman
J N Newton	Chief Executive
C R Adams ACA	Group Finance Director
R D P Charkin	Executive Director
E N Calder	Publishing Director
C A A Black	Vice Chairman and Senior Independent Director
M J Mayer	Independent Non-Executive Director

Biographical details of current Board directors are shown on page 25.

The directors' interests, including any changes in those interests occurring between 31 December 2007 and 12 May 2008, are set out in the Directors' Remuneration Report on pages 39 to 41.

At the Annual General Meeting, Nigel Newton and Michael Mayer will retire by rotation in accordance with the articles of association of the Company and, being eligible, offer themselves for re-election. Richard Charkin joined the Board on 1 October 2007 and also retires, in accordance with the articles of association and, being eligible, offers himself for election. The Chairman confirms that Michael Mayer, an independent Non-Executive Director 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 Mayer's valued contribution, the Board believes it is in the Company's best interest that he be re-elected. Liz Calder retired from the Board on 1 April 2008.

Details of the service contract of Nigel Newton and Richard Charkin, the executive directors who are standing for re-election, are set out in the Director's Remuneration Report on page 37. Both Mr Newton and Mr Charkin's service contracts are terminable by either party on giving not less than 12 months notice.

Directors' Remuneration

The Directors' Remuneration Report is set out on pages 36 to 41.

Substantial Shareholdings

The directors have been notified of the following holding of Ordinary Shares in excess of 3% of the issued share capital at 14 May 2008:

	Number	Percentage
Aberdeen Asset Management PLC	8,824,284	12.01
Standard Life Investments Limited	6,625,180	9.02
Capital Research Management Co	6,030,000	8.21
Capital Group Companies, Inc	5,365,683	7.29
Schroders Investment Management Limited	4,911,385	6.69
JP Morgan Chase & Co	4,566,890	6.21
Ameriprise Financial, Inc and its group	3,618,000	4.93
Legal & General Group Plc	2,980,067	4.05
Nigel Newton	2,758,488	3.75

Special Business – Annual General Meeting

Resolution 8 – On 28 June 2007, 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 8 to be proposed at the forthcoming Annual General Meeting that this authority should be extended so that it applies until the conclusion of the next Annual General Meeting of the Company. If Resolution 8 is approved by shareholders, the directors will have the authority to allot up to 18,438,201 Ordinary Shares, representing 25.06% of the Ordinary Shares currently in issue, of which 3,435,778 (4.67% 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 15,002,423 Ordinary Shares, representing 20.39% 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 conclusion of the next Annual General Meeting of the Company after the passing of the proposed Resolution 8, unless previously varied, revoked or renewed by the Company in the general meeting.

Resolution 9 – In addition, the directors were given authority under Section 95 of the Companies Act 1985, until the conclusion of the 2007 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 the 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 10 – This resolution renews the existing authority for the Company to make purchases of its own shares. The maximum number of Ordinary Shares which may be purchased pursuant to the authority is 3,678,090 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 1,169,376 being equal to 1.59% of the issued share capital. The total number of share awards currently outstanding granted under the performance share plan is 2,386,402 being equal to 3.24% of the issued share capital. If the full authority to buy back shares is used, the options and awards will represent 3.42% of the equity share capital. The minimum 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 five business days immediately preceding the date of purchase.

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

The directors consider that the authority proposed to be granted by Resolution 10 may be necessary in order to increase the earnings per share of the Group. They have no intention of exercising the authority at the present time but, if they do, the directors will neither be encouraging nor recommending shareholders to buy or sell shares in the Company nor in any way suggesting that it is an appropriate time to deal in such shares. This authority, if conferred, will only be exercised if to do so would result in an increase in the earnings per share and is in the best interests of shareholders generally.

Resolution 11 – The existing articles of association of the Company do not reflect all the provisions of the Companies Act 2006. By Resolution 11 to be proposed at the forthcoming Annual General Meeting, it is proposed that the Company's articles of association be altered to reflect such provisions.

An explanation of the main changes between the proposed and existing articles of association is set out in the Appendix to the notice.

The directors recommend that shareholders vote in favour of Resolutions 8, 9, 10 and 11 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 suppliers, 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 2007, the number of days credit taken for purchases by the Group was 42 days (2006, 43 days).

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.

Share Capital and Rights Attaching to the Company's Shares

Under the Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

At 31 December 2007, the Company's issued share capital consists of a single class of ordinary shares with nominal value of 1.25p. At a general meeting of the Company every member has one vote on a show of hands and on a poll one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting. Details of the authorised and issued share capital of the Company can be found in note 14 together with details of the shares issued during the year.

No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other rights conferred by being a shareholder if he or she or any person with an interest in shares has been sent a notice under Section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or she or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt of the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 notice, whichever is earlier. The Directors may refuse to register any transfer which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealing in the shares of that class from taking place on an open proper basis. The Directors may likewise refuse any transfer of a share in favour of more than four persons jointly.

Other Statutory Information

The Company is not aware of any other restrictions in the transfer of ordinary shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of the securities or voting rights.

Resolutions will be proposed at the 2008 Annual General Meeting to authorise the Directors to exercise all powers to allot shares and approve a limited disapplication of statutory pre-emption rights. Details are set out in the Notice of Meeting as contained on pages 84 to 86.

Directors appointments and replacements

The procedure for the appointment of new directors is given on page 26 under the heading 'The Board'. A director may be removed from office by the passing of an ordinary resolution at a general meeting of the Company for which special notice is given.

Amendments to the Articles of Association

The Articles of the Company may be amended by the passing of a special resolution at a general meeting of the Company.

Share Schemes

The Bloomsbury Employee Benefit Trust 2005, as Trustee of the Bloomsbury Employee Benefit Trust, as at 6 May 2008 held 0.12% of the share capital of the Company for employee share schemes. The Trustee may vote on shares held by the trust at its discretion, but waives its right to a dividend.

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.

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP as auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board
I Portal FCIS, Secretary, 20 May 2008

Statement of Directors' Responsibilities

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;

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.

Directors’ Remuneration Report

The Remuneration Committee comprised at 31 December 2007 the three non-executive directors, Charles Black (its Chairman), Michael Mayer and Jeremy Wilson.

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 27 June 2008 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 2007 and 2008.

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 budgeted EPS. For Liz Calder the amount payable was determined by reference to a combination of the Profit Related Element and performance targets for her publishing list. No bonus was paid to Richard Charkin who joined in October 2007.

For 2007 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 for Nigel Newton and Colin Adams and 75% for Liz Calder.

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 received 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. The 10 year life of the Schemes has now expired and no new options have been granted under either of the Schemes since 2004.

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 78.

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, 8 May 2007 and 12th May 2008 of the awards to directors and the conditions attached to those awards are set out on page 40.

The Remuneration Committee has no present intention of granting awards greater than 100% of base salary per annum, save for an initial grant to Richard Charkin on joining the Company of 150% of base salary to be awarded during 2008. The Remuneration Committee 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 grant of 100,421 options on 8 June 2007 and a third invitation to participate in the Sharesave Scheme was issued to eligible staff on 12 May 2008, with grants of options expected to be made at the beginning of June 2008.

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' and Richard Charkin's contracts are dated 24 September 2004 and 10 October 2007 respectively. Liz Calder's contract was dated 1 July 2004 and ended on 1 April 2008.

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 confirmed that the term of appointment was until the 2007 Annual General Meeting when the letters of appointment were renewed for a further period of twelve months.

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

Policy on Remuneration of Non-Executive Directors

The remuneration of the non-executive directors is set by the executive directors. The non-executive directors do not participate in the Company's pension, annual bonus or equity plans and their fees are paid entirely in cash.

Directors' Emoluments (audited)

	2007 £'000	2006 £'000
Salaries	749	657
Fees	136	123
Profit related bonus	589	–
Other emoluments (1)	41	39
	1,515	819
Pension contributions	77	74
Gain on exercise of share options	–	693
	1,592	1,586

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

	Basic salary or fees 2007 £'000	Profit related bonus 2007 £'000	Other benefits (1) 2007 £'000	Total 2007 £'000	Gain on Share options exercised 2007 £'000	Pension contributions 2007 £'000
Chief Executive						
J N Newton	362	364	14	740	–	37
Executive directors						
E N Calder	112	19	14	145	–	20
C R Adams	204	206	13	423	–	20
R D P Charkin	71	–	–	71	–	–
Non-Executive directors						
C A A Black	38	–	–	38	–	–
M J Mayer	46	–	–	46	–	–
J J O'B Wilson	52	–	–	52	–	–
	885	589	41	1,515	–	77

(1) Benefits - the Company offers 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 until date of resignation in respect of Mr Scherer, are shown below:

	Basic salary or fees	Profit related bonus	Other benefits (1)	Total	Gain on Share options exercised	Pension contributions
	2006 £'000	2006 £'000	2006 £'000	2006 £'000	2006 £'000	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 offers 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 £32,833 (2006, £31,802) paid by A&C Black Publishers Limited.

Three directors (2006, three) were accruing benefits under defined contribution 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 2007	Granted during the year	Lapsed during the year	At 31 December 2007	Exercise Price	Date from which exercisable	Expiry Date
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
J N Newton	Sharesave	–	5,432	–	5,432	148.20p	8 June 2010	8 December 2010
E N Calder	Sharesave	2,718	–	–	2,718	275.20p	1 June 2009	1 December 2009
E N Calder	Sharesave	–	1,096	–	1,096	148.20p	8 June 2010	8 December 2010
C R Adams	Sharesave	–	4,336	–	4,336	148.20p	8 June 2010	8 December 2010

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 2007	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2007
J N Newton	4 November 2005	100,621	–	–	–	100,621
	26 October 2006	59,818	–	–	–	59,818
	8 May 2007	–	120,466	–	–	120,466
E N Calder	4 November 2005	23,439	–	–	–	23,439
	26 October 2006	13,935	–	–	–	13,935
	8 May 2007	–	31,179	–	–	31,179
C R Adams	4 November 2005	42,616	–	–	–	42,616
	26 October 2006	25,336	–	–	–	25,336
	8 May 2007	–	56,690	–	–	56,690

(1) On 12 May 2008 there were further PSP awards to the executive directors as follows: J N Newton 194,706 shares, R D P Charkin 295,848 shares and C R Adams 83,563 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 either the average middle-market price of a Share during the five dealing days immediately preceding the award date or the middle-market price on the dealing day before 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. For the 2008 award under the PSP the middle-market price was 144.5p and the closing middle-market price on the date of the award was 146p.

(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 1.25p each 31 December 2007 Number	Ordinary Shares 1.25p each 1 January 2007 (or date of appointment if later) Number
J N Newton	2,758,488	2,758,488
E N Calder	27,019	27,019
C R Adams	50,000	50,000
*R D P Charkin	8,333	–
C A A Black	159,000	126,000
M J Mayer	19,380	19,380
**J J O'B Wilson	783	100

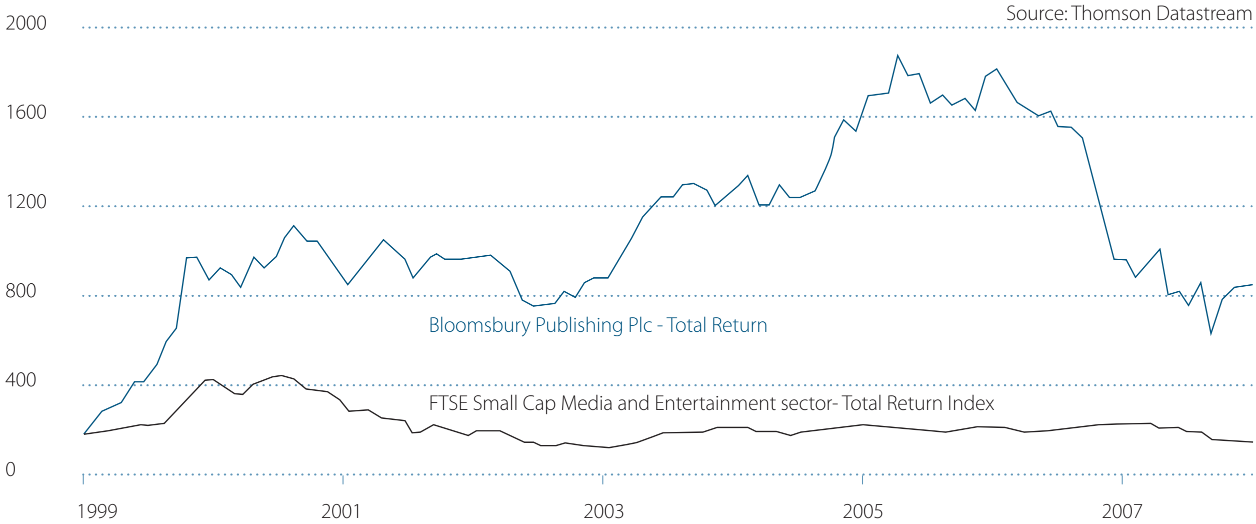
*Since the year-end RDP Charkin's holding has increased to 12,000 Ordinary Shares.
**Since the year-end JJ O'B Wilson's holding has increased to 3,347 Ordinary Shares.

The market price of an Ordinary Share at 31 December 2007 was 151.1p (2006, 256.0p) and the range from 1 January 2007 to the end of the year was 256.0p to 118.0p (2006, 372.0p to 220.0p).

b) Other interests

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



The graph above shows the Group's Total Shareholder Return from April 1999 to 31 December 2007 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, 20 May 2008

Independent Auditor's Report

Independent Auditor's Report to the Members of Bloomsbury Publishing Plc

We have audited the Group and Parent Company financial statements on pages 44 to 80. We have also audited the information in pages 38 to 40 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.

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 Combined Code 2006 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 only the Five Year Financial Summary, the Chairman's Statement, the Directors' Report, the Statement of Directors' Responsibilities and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the 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 2007 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 2007;
- 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
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
20 May 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	1	**150,211**	74,773
Cost of sales		**(91,042)**	(38,602)
Gross profit		**59,169**	36,171
Marketing and distribution costs		**(20,513)**	(14,354)
Administrative expenses		**(22,181)**	(18,308)
Profit before investment income	2	**16,475**	3,509
Investment income	3a	**1,480**	1,734
Finance costs	3b	**(99)**	(47)
Profit before taxation		**17,856**	5,196
Income tax expense	5	**(6,052)**	(1,544)
Profit for the year		**11,804**	3,652
Basic earnings per share	7	**16.06p**	4.99p
Diluted earnings per share	7	**15.63p**	4.90p

Consolidated Balance Sheet

at 31 December 2007

	Notes	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**1,877**	2,332
Intangible assets	9	**17,716**	17,672
Deferred tax assets	11	**1,848**	1,700
Total non-current assets		**21,441**	21,704
Current assets			
Inventories	12	**14,406**	15,818
Trade and other receivables	13	**76,213**	49,217
Cash and cash equivalents		**47,558**	24,304
Total current assets		**138,177**	89,339
Total Assets		**159,618**	111,043
Equity and Liabilities			
Capital and reserves attributable to equity holders of the parent company			
Ordinary shares	14	**920**	918
Share premium		**39,191**	38,915
Capital redemption reserve		**20**	20
Share-based payment reserve		**2,114**	1,104
Translation reserve		**(899)**	(1,236)
Retained earnings		**58,723**	49,612
Total Equity		**100,069**	89,333
Liabilities			
Non-current liabilities			
Deferred tax	11	**135**	36
Retirement benefit obligations	15	**77**	144
Other payables		**390**	223
Total non-current liabilities		**602**	403
Current liabilities			
Trade and other payables	16	**55,852**	20,786
Current tax liabilities		**3,095**	521
Total current liabilities		**58,947**	21,307
Total liabilities		**59,549**	21,710
Total Equity and Liabilities		**159,618**	111,043

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2008.

J N Newton **Director**

C R Adams **Director**

Financial Statements

Financial Statements

Company Balance Sheet

at 31 December 2007

	Notes	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**1,544**	1,993
Investments in subsidiary companies	10	**29,067**	25,448
Deferred tax assets	11	**261**	305
Total non-current assets		**30,872**	27,746
Current assets			
Inventories	12	**3,147**	5,941
Trade and other receivables	13	**74,199**	48,701
Cash and cash equivalents		**42,438**	22,148
Total current assets		**119,784**	76,790
Total Assets		**150,656**	104,536
Equity and Liabilities			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	14	**920**	918
Share premium		**39,191**	38,915
Capital redemption reserve		**20**	20
Share-based payment reserve		**2,114**	1,104
Retained earnings		**58,268**	48,080
Total Equity		**100,513**	89,037
Liabilities			
Non-current liabilities			
Other payables		**390**	223
Total non-current liabilities		**390**	223
Current liabilities			
Trade and other payables	16	**46,854**	14,926
Current tax liabilities		**2,899**	350
Total current liabilities		**49,753**	15,276
Total liabilities		**50,143**	15,499
Total Equity and Liabilities		**150,656**	104,536

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2008.

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	Retained earnings £'000	Translation reserve £'000	Total £'000
Balances at 1 January 2006	911	38,123	20	453	642	48,634	88,783
Exchange differences on translating foreign operations	-	-	-	-	(1,878)	-	(1,878)
Income recognised directly in equity	-	-	-	-	**(1,878)**	-	**(1,878)**
Profit for the year	-	-	-	-	-	3,652	3,652
Total recognised income and expense for the year	-	-	-	-	**(1,878)**	**3,652**	**1,774**
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**
Exchange differences on translating foreign operations	-	-	-	-	337	-	337
Deferred tax on share-based payment charges	-	-	-	-	-	25	25
Income recognised directly in equity	-	-	-	-	**337**	**25**	**362**
Profit for the year	-	-	-	-	-	11,804	11,804
Total recognised income and expense for the year	-	-	-	-	**337**	**11,829**	**12,166**
Share-based payment charges	-	-	-	1,010	-	-	1,010
Dividends	-	-	-	-	-	(2,718)	(2,718)
Share issues	2	276	-	-	-	-	278
Balances at 31 December 2007	**920**	**39,191**	**20**	**2,114**	**(899)**	**58,723**	**100,069**

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 2006	911	38,123	20	453	48,010	87,517
Profit for the year	-	-	-	-	2,744	2,744
Total recognised income and expense 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**
Deferred tax on share-based payment charges	-	-	-	-	28	28
Income recognised directly in equity	-	-	-	-	**28**	**28**
Profit for the year	-	-	-	-	12,878	12,878
Total recognised income and expense for the year	-	-	-	-	**12,906**	**12,906**
Share-based payment charges	-	-	-	1,010	-	1,010
Dividends	-	-	-	-	(2,718)	(2,718)
Share issues	2	276	-	-	-	278
Balances at 31 December 2007	**920**	**39,191**	**20**	**2,114**	**58,268**	**100,513**

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	2007 £'000	2006 £'000
Cash flows from operating activities		
Net profit before tax	**17,856**	5,196
Adjustments for:		
Depreciation of property, plant and equipment	**680**	661
Amortisation of publishing relationships	**35**	36
Loss / (profit) on sale of property, plant and equipment	**1**	(1)
Share-based payment charges	**1,010**	651
Investment income	**(1,480)**	(1,734)
Finance costs	**99**	47
	18,201	4,856
Decrease / (increase) in inventories	**1,540**	(971)
Increase in trade and other receivables	**(28,113)**	(1,126)
Increase / (decrease) in trade and other payables	**34,971**	(22,682)
Cash generated from / (used in) operations	**26,599**	(19,923)
Income taxes paid	**(1,928)**	(5,195)
Net cash inflow / (outflow) from operating activities	**24,671**	(25,118)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(230)**	(1,379)
Proceeds from sale of property, plant and equipment	**9**	-
Purchase of businesses	**(75)**	(2,419)
Interest received	**1,349**	1,734
Net cash generated from / (used in) investing activities	**1,053**	(2,064)
Cash flows from financing activities		
Issue of share capital	**278**	799
Equity dividends paid	**(2,718)**	(2,674)
Interest paid	**(99)**	(47)
Net cash used in financing activities	**(2,539)**	(1,922)
Net increase / (decrease) in cash and cash equivalents	**23,185**	(29,104)
Cash and cash equivalents at beginning of period	**24,304**	53,511
Exchange gain / (loss) on cash and cash equivalents	**69**	(103)
Cash and cash equivalents at end of period	**47,558**	24,304

Company Cash Flow Statement

for the year ended 31 December 2007

	2007 £'000	2006 £'000
Cash flows from operating activities		
Profit before tax	**18,786**	3,704
Adjustments for:		
Depreciation of property, plant and equipment	**539**	508
Share-based payment charges	**1,010**	651
Investment income	**(2,367)**	(2,558)
Finance costs	**9**	-
	17,977	2,305
Decrease in inventories	**2,794**	196
Increase in trade and other receivables	**(27,017)**	(4,119)
Increase / (decrease) in trade and other payables	**32,095**	(22,495)
Cash generated from / (used in) operations	**25,849**	(24,113)
Income taxes paid	**(1,637)**	(4,745)
Net cash inflow / (outflow) from operating activities	**24,212**	(28,858)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(90)**	(1,177)
Purchase of subsidiaries	**-**	(36)
Additional investment in subsidiaries	**(3,619)**	-
Interest received	**2,236**	2,558
Net cash (used in) / generated from investing activities	**(1,473)**	1,345
Cash flows from financing activities		
Issue of share capital	**278**	799
Equity dividends paid	**(2,718)**	(2,674)
Interest paid	**(9)**	-
Net cash used in financing activities	**(2,449)**	(1,875)
Net increase / (decrease) in cash and cash equivalents	**20,290**	(29,388)
Cash and cash equivalents at beginning of period	**22,148**	51,536
Cash and cash equivalents at end of period	**42,438**	22,148

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.

IFRS 7 'Financial Instruments: Disclosures', and the related amendment to IAS 1 on capital disclosures, is mandatory for the Group's accounting periods beginning on or after 1 January 2007. This Standard requires additional disclosures on capital and financial instruments given in the notes to these financial statements.

The following Standards and Interpretations, which were effective for this financial period, 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).

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 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.

There were no other Standards and Interpretations which were in issue but not effective at the date of authorisation of these financial statements that the directors anticipate will have a material impact on the financial statements of the Group.

(b) Goodwill and intangible assets
Goodwill, being the excess of the cost of acquisition over the fair value of assets acquired, is recognised as an intangible asset.

Goodwill is not amortised, but instead is subject to annual impairment reviews. Any impairment losses are recognised immediately in the income statement and are not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing.

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) Revenue
Revenue 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. Revenue from book publishing is recognised on delivery. Revenue from the sale of publishing and distribution rights, including film, paperback, electronic, overseas publishing rights and sponsorship, is recognised on the delivery of the related content. Revenue from database contracts is recognised in accordance with the stages of completion of contractual services provided and accepted by customers.

(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. Cost is determined using the weighted average cost method.

(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 an asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(f) Royalty advances to authors
Advances to authors are included within prepayments and accrued income and are written off to the extent that they are not covered by anticipated future sales or firm contracts for subsidiary rights receivable.

(g) Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Foreign currencies
Transactions in currencies other than sterling, the presentation and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions. 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 are dealt with as movements in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. All other exchange differences are charged or credited to the income statement.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. The Group's financial assets and liabilities are as below:

Trade receivables

Trade receivables do not carry any interest and are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group, repayable on demand.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Operating leases

Operating leases are leases where substantially all the risks and rewards incidental to ownership of the related asset are not transferred to the Group. 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 benefit pension scheme. The liability in respect of the defined benefit pension scheme is the present value of the defined benefit obligations, calculated using the projected unit credit method at each balance sheet date by the scheme actuary, less the fair value of the scheme's assets.

The current service cost, interest on scheme liabilities and all actuarial gains and losses are recognised in the income statement.

(l) Share-based payment

The Group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is charged to the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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.

Awards granted under the Group's performance share plan are equity settled. Due to 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.

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

(m) Employee share ownership plans

The Company operates an Employee Benefit Trust and has de facto control of shares held by the trust and bears their benefits and risks. The Company records certain assets and liabilities of the Trust as its own. Finance costs and administrative expenses are charged as they accrue.

(n) 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.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(o) Segmental reporting

A business segment is a group of assets and operations that provide a product or service and that is subject to risks and returns that are different from other business segments. A geographic segment is a group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different economic environments.

(p) 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 receivables 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 titles 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 income statement for the difference between the carrying value and the anticipated recoverable amount from future earnings.

Notes to the Accounts

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 2007	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations & unallocated £'000	Total £'000
Revenue					
External sales	128,290	13,392	8,529	-	150,211
Inter-segment sales *	-	-	911	(911)	-
Total revenue	**128,290**	**13,392**	**9,440**	**(911)**	**150,211**
Result					
Segment result	18,160	(1,644)	283	-	16,799
Unallocated central costs	-	-	-	(324)	(324)
Profit / (loss) before investment income	18,160	(1,644)	283	(324)	16,475
Investment income	2,492	14	4	(1,030)	1,480
Finance costs	(196)	(632)	(301)	1,030	(99)
Profit / (loss) before taxation	20,456	(2,262)	(14)	(324)	17,856
Income tax expense	(6,440)	412	(24)	-	(6,052)
Profit / (loss) for the year	**14,016**	**(1,850)**	**(38)**	**(324)**	**11,804**
Other Information					
Capital additions	198	5	27	-	230
Depreciation and amortisation	650	45	20	-	715
(Loss) on sale of property, plant and equipment	(1)	-	-	-	(1)
Share-based payment charges	1,010	-	-	-	1,010
Balance Sheet					
Assets					
Segment assets	149,279	18,759	13,534	(23,802)	157,770
Unallocated assets – tax assets	-	-	-	1,848	1,848
Total assets	**149,279**	**18,759**	**13,534**	**(21,954)**	**159,618**
Liabilities					
Segment liabilities	53,991	17,896	8,234	(23,802)	56,319
Unallocated liabilities – tax liabilities	-	-	-	3,230	3,230
Total liabilities	**53,991**	**17,896**	**8,234**	**(20,572)**	**59,549**

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

Year ended 31 December 2006	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations & unallocated £'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 on sale of property, plant and equipment	1	-	-	-	1
Share-based payment charges	651	-	-	-	651
Balance Sheet					
Assets					
Segment assets	103,599	16,689	8,342	(20,955)	107,675
Unallocated assets – tax assets	-	-	-	3,368	3,368
Total assets	**103,599**	**16,689**	**8,342**	**(17,587)**	**111,043**
Liabilities					
Segment liabilities	21,744	13,232	7,132	(20,955)	21,153
Unallocated liabilities – tax liabilities	-	-	-	557	557
Total liabilities	**21,744**	**13,232**	**7,132**	**(20,398)**	**21,710**

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

External sales by destination

Year ended 31 December 2007	United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
United Kingdom	74,598	-	-	74,598
North America	8,494	13,392	-	21,886
Continental Europe	24,992	-	8,529	33,521
Australasia	10,060	-	-	10,060
Rest of the world	10,146	-	-	10,146
Total external sales	**128,290**	**13,392**	**8,529**	**150,211**

Year ended 31 December 2006	United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
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**

Business segments

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

Year ended 31 December 2007	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
Revenue	35,845	98,916	15,450	-	150,211
Cost of sales	(22,585)	(59,316)	(9,141)	-	(91,042)
Gross profit	13,260	39,600	6,309	-	59,169
Marketing and distribution costs	(7,248)	(9,595)	(3,670)	-	(20,513)
Segment result	6,012	30,005	2,639	-	38,656
Administrative expenses	-	-	-	(22,181)	(22,181)
Profit before investment income	6,012	30,005	2,639	(22,181)	16,475

Year ended 31 December 2006	Adult £'000	Children's £'000	Reference £'000	Unallocated £'000	Total £'000
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)
Segment result	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

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

Carrying amount of segment assets	2007 £'000	2006 £'000
Adult	**33,095**	31,954
Children's	**46,515**	20,956
Reference	**19,453**	19,088
Unallocated central assets	**60,555**	39,045
	159,618	111,043

Capital additions are not specific to business segments.

2. Profit before investment income

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

	2007 £'000	2006 £'000
Auditor's remuneration (see below)	**321**	279
Depreciation of property, plant and equipment	**680**	661
Loss / (profit) on disposal of property, plant and equipment	**1**	(1)
Amortisation of publishing relationships	**35**	36
Exchange (gain) / loss	**(42)**	59
Staff costs (see note 4)	**15,778**	13,241

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:

	2007 £'000	2007 %	2006 £'000	2006 %
Audit services				
- statutory audit of parent company and consolidated financial statements	**85**	**26**	81	29
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	**70**	**22**	62	22
- work performed by associates of Baker Tilly UK Audit LLP in respect of consolidation returns or local legislative requirements	**7**	**2**	10	4
- pension scheme audit	**3**	**1**	3	1
Other services supplied pursuant to such legislation				
- interim results	**35**	**11**	32	11
Tax services				
- compliance services	**88**	**27**	46	16
- advisory services	**33**	**11**	35	13
Services relating to corporate finance transactions*	-	-	10	4
	321	**100**	279	100

*Costs in relation to the acquisition of Methuen Drama which have been included in the cost of acquisition.

3a. Investment income

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

	2007 £'000	2006 £'000
Interest on bank deposits	**1,227**	1,651
Other interest receivable	**175**	69
Expected return on pension plan assets	**22**	14
Actuarial gains on defined benefit pension plan	**56**	-
	1,480	1,734

3b. Finance costs

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

	2007 £'000	2006 £'000
Interest cost on pension obligations	**30**	25
Other interest payable	**69**	-
Actuarial losses on defined benefit pension plan	**-**	22
	99	47

4. Directors and employees

Staff costs during the year were:

	2007 £'000	2006 £'000
Salaries	**12,538**	10,741
Social security costs	**1,666**	1,318
Other pension costs	**564**	531
Share-based payment charge	**1,010**	651
	15,778	13,241

The average number of employees during the year was:

	2007 Number	2006 Number
Editorial, production and selling	**240**	232
Finance and administration	**73**	71
	313	303

Full details concerning directors' emoluments, shareholdings, options and other interests are shown in the Directors' Remuneration Report on pages 36 to 41.

Staff costs are charged to administrative expenses.

Pension costs

The pension costs summarised above of £564,000 (2006, £531,000) 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 £545,000 (2006, £511,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2007, contributions of £19,000 (2006, £30,000) due in respect of the current reporting period had not been paid over to the schemes and are accrued in the balance sheet.

Defined benefit plan

A subsidiary company operates a defined benefit scheme for some staff. Accrual of benefits ceased in 1997, with the scheme now operated as a closed fund. A full actuarial valuation was carried out as at 1 January 2007 and updated to 31 December 2007 by a qualified independent actuary.

At the date of the last completed independent actuarial valuation, which was 1 January 2007, the market value of the assets of the scheme was £424,000. The actuary advised that at that date the actuarial valuation of the assets of the scheme was sufficient to cover 73% 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 2010.

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 (2006, £19,000). The directors' best estimate of the contribution to be paid in 2008 is £19,000.

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 2007	31 December 2006	31 December 2005	31 December 2004	31 December 2003
Rate of increase in salaries	**n/a**	n/a	n/a	n/a	n/a
Rate of increase in pensions in payment (LPI)	**0.0%**	0.0%	0.0%	0.0%	0.0%
Discount rate	**5.9%**	5.2%	4.8%	5.3%	5.4%
Inflation assumption	**3.2%**	3.3%	2.9%	2.9%	2.9%
Expected return on plan assets *	**5.8%**	5.1%	3.5%	3.8%	3.8%

* The expected return on plan assets has been determined by reference to the scheme's current investment strategy.

Mortality rate assumptions are based on publicly available data in the UK, such as mortality tables. The mortality assumptions adopted at 31 December 2007 imply the following remaining life expectancies at age 65:

	31 December 2007 Life expectancy at age 65	31 December 2006 Life expectancy at age 65
Male currently aged 40	**23.2**	19.4
Female currently aged 40	**26.0**	22.4
Male currently aged 65	**21.9**	19.4
Female currently aged 65	**24.8**	22.2

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

	2007 £'000	2006 £'000
Interest cost	**30**	25
Expected return on scheme assets	**(22)**	(14)
Actuarial (gains) / losses	**(56)**	22
	(48)	33

The net (credit) / 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 £26,000 (2006, £29,000).

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

	2007 £'000	2006 £'000
Total value of assets (with profit policy)	**471**	430
Present value of scheme liabilities	**(548)**	(574)
Retirement benefit obligations	**(77)**	(144)
Deferred taxation	**22**	43
	(55)	(101)
Analysis for reporting purposes:		
Non-current liabilities	**(77)**	(144)
Deferred tax assets	**22**	43

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

	2007 £'000	2006 £'000
At 1 January	**(144)**	(130)
Interest cost	**(30)**	(25)
Expected return on scheme assets	**22**	14
Contributions	**19**	19
Actuarial gains / (losses)	**56**	(22)
At 31 December	**(77)**	(144)

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

	2007 £'000	2006 £'000
At 1 January	**430**	387
Expected return on scheme assets	**22**	14
Actuarial gains and losses	**4**	15
Contributions	**19**	19
Benefits paid	**(4)**	(5)
At 31 December	**471**	430

The history of experience adjustments is as follows:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Present value of defined benefit obligations	**(548)**	(574)	(517)	(461)	(451)
Fair value of scheme assets	**471**	430	387	359	359
Deficit in scheme	**(77)**	(144)	(130)	(102)	(92)
Experience gains / (losses) on scheme assets:					
amount (£'000)	**4**	15	(3)	(2)	(16)
percentage of scheme assets	**1%**	4%	(1%)	(1%)	(4%)
Experience gains / (losses) on scheme liabilities:					
amount (£'000)	**9**	(59)	12	11	(3)
percentage of the present value of the scheme liabilities	**2%**	(10%)	2%	2%	(1%)

5. Taxation

(a) Tax charge for the year

		2007 £'000	2006 £'000
Based on the profit for the year:			
UK corporation tax at 30%		**6,493**	1,745
(Over) / under provision in respect of prior year		**(277)**	9
Overseas taxation – current year		**(39)**	42
		6,177	1,796
Deferred tax	- UK	**159**	(50)
	- Overseas	**(284)**	(202)
		6,052	1,544

(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:

	2007 £'000	2006 £'000
Profit before taxation	**17,856**	5,196
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**5,357**	1,559
Effects of:		
Reduction in tax rates	**190**	-
Non-deductible revenue expenditure	**254**	(31)
Share-based payments	**348**	-
Different rates of tax on overseas results	**(247)**	(86)
Tax losses not utilised	**549**	93
Adjustment to tax charge in respect of previous periods		
current tax	**(277)**	9
deferred tax	**(122)**	-
Tax charge for the year	**6,052**	1,544

(c) Factors affecting tax charge for future years

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

On 19 July 2007 the UK Finance Bill 2007 received Royal Assent. The Bill included a reduction of the full corporation tax rate from 30% to 28% with effect from 1 April 2008. Accordingly, UK deferred tax assets and liabilities at the balance sheet date have been calculated at 28%. In the year ending 31 December 2008, the current tax charge will reflect an effective UK corporation tax rate of 28.5%.

On 6 July 2007 the German federal council approved the Tax Reform 2008 Draft Bill. The Bill included a reduction of the corporate income tax rate from 25% to 15%, and of the municipal business tax rate from 5% to 3.5%, with effect from 1 January 2008. As a result, the total average tax burden will fall from approximately 39% to approximately 30%. Accordingly, German deferred tax assets and liabilities at the balance sheet date have been calculated at approximately 30%.

6. Dividends

For the prior year

A final dividend of 3.00p per share (£2,203,000) was paid to the equity shareholders on 5 July 2007, being the amount proposed by the directors, and subsequently approved by the shareholders at the 2007 Annual General Meeting (2006, 3.00p per share, £2,189,000).

For the current year

On 16 November 2007 an interim dividend of 0.70p per share (£515,000) was paid to the equity shareholders (2006, 0.66p per share, £485,000).

The directors propose that a dividend of 3.30p per share will be paid to the equity shareholders on 1 July 2008. Based on the number of shares currently in issue, the final dividend will be £2,427,000 (2006, £2,203,000). 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 £11,804,000 (2006, £3,652,000) and a weighted average number of Ordinary Shares in issue of 73,518,044 (2006, 73,115,031). The diluted earnings per share has been calculated by reference to a weighted average number of Ordinary Shares of 75,529,183 (2006, 74,469,114) which takes account of share options and awards.

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

	2007 Number	2006 Number
Weighted average number of shares for basic earnings per share	**73,518,044**	73,115,031
Dilutive effect of share options and awards	**2,011,139**	1,354,083
Weighted average number of shares for diluted earnings per share	**75,529,183**	74,469,114

8. Property, plant and equipment

The Group Year ended 31 December 2007	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 January 2007	2,030	402	1,523	194	4,149
Additions	-	1	165	64	230
Disposals	-	-	-	(26)	(26)
Exchange differences	-	-	11	-	11
At 31 December 2007	**2,030**	**403**	**1,699**	**232**	**4,364**
Depreciation:					
At 1 January 2007	495	217	968	137	1,817
Charge for the year	396	31	216	37	680
Disposals	-	-	-	(16)	(16)
Exchange differences	-	-	6	-	6
At 31 December 2007	**891**	**248**	**1,190**	**158**	**2,487**
Net book value:					
At 31 December 2007	**1,139**	**155**	**509**	**74**	**1,877**
At 1 January 2007	1,535	185	555	57	2,332

Depreciation is charged to administrative expenses.

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 Company Year ended 31 December 2007	Short leasehold improvements £'000	Furniture and fittings equipment £'000	Computers and other office £'000	Total £'000
Cost:				
At 1 January 2007	2,009	402	894	3,305
Additions	-	-	90	90
At 31 December 2007	**2,009**	**402**	**984**	**3,395**
Depreciation:				
At 1 January 2007	478	217	617	1,312
Charge for the year	392	31	116	539
At 31 December 2007	**870**	**248**	**733**	**1,851**
Net book value:				
At 31 December 2007	**1,139**	**154**	**251**	**1,544**
At 1 January 2007	1,531	185	277	1,993

The Company Year ended 31 December 2006	Short leasehold improvements £'000	Furniture and fittings equipment £'000	Computers and other office £'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

9. Intangible assets

The Group	2007 £'000	2006 £'000
Total carrying amount of intangible assets:		
Goodwill	**17,479**	17,396
Publishing relationships	**237**	276
At 31 December	**17,716**	17,672
Goodwill	**17,396**	15,159
Publishing relationships	**276**	352
At 1 January	**17,672**	15,511

Goodwill

Year ended 31 December 2007	The Group £'000	The Company £'000
Cost:		
At 1 January 2007	21,549	721
Additions	65	-
Exchange gain on retranslation	18	-
At 31 December 2007	**21,632**	**721**
Accumulated impairment losses:		
At 1 January 2007 and 31 December 2007	4,153	721
Carrying amount:		
At 31 December 2007	**17,479**	-
At 1 January 2007	17,396	-

Year ended 31 December 2006	The Group £'000	The Company £'000
Cost:		
At 1 January 2006	19,312	721
Additions	2,678	-
Exchange (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	-

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 19 December 2007 A&C Black acquired the assets of My Marina Limited for a cash consideration of £75,000. The goodwill of £75,000 arising on this acquisition has been capitalised on the group balance sheet.

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 My Marina Limited	75
Adjustment to fair value of assets of Methuen Drama	(10)
Additions in the year	65

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

	2007 £'000	2006 £'000
United Kingdom	**13,510**	13,445
North America	**2,714**	2,754
Continental Europe	**1,255**	1,197
At 31 December	**17,479**	17,396

In testing goodwill for impairment, the recoverable amount of each geographical segment's assets 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 2008 for all segments and extrapolated forecasts for subsequent years up to 2017 for Continental Europe and up to 2027 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 rate used was 6% for the United Kingdom, 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 £'000	North America £'000	Continental Europe £'000
Revenue growth after 2008	4.0%	8.0%	9.0% - 10.0%
Overhead growth after 2008	4.0% - 11.0%	8.0%	4.0% - 10.0%

Management is 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 that would cause the carrying value of any segment to exceed its recoverable amount.

Publishing Relationships

The Group	2007 £'000	2006 £'000
Cost:		
At 1 January	**347**	387
Exchange (loss) on retranslation	**(4)**	(40)
At 31 December	**343**	347
Amortisation:		
At 1 January	**71**	35
Charge for the year	**35**	36
At 31 December	**106**	71
Carrying amount:		
At 31 December	**237**	276
At 1 January	**276**	352

Amortisation is charged to administrative expenses.

10. Investments in subsidiary companies

The Company	2007 £'000	2006 £'000
Investments in share capital of wholly owned subsidiaries at cost:		
At 1 January	**25,448**	25,412
Additions	**3,619**	36
At 31 December	**29,067**	25,448

The additions represent additional investment of £3,619,000 in BV Berlin Verlag GmbH.

The subsidiary companies at 31 December 2007 are as follows:

	Country of incorporation	Proportion of equity capital held	Nature of business during the year
Subsidiary undertakings held through a subsidiary company:			
A.& C. Black Plc	England	100%	Intermediate holding company
Diana Publishing Inc	USA	100%	Publishing
BV Berlin Verlag GmbH	Germany	100%	Publishing
Peter Collin Publishing Limited	England	100%	Non-trading
Bloomsbury Book Publishing Company Limited	England	100%	Non-trading
Bloomsbury Information Limited	England	100%	Publishing
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
My Marina Limited	England	100%	Non-trading
Walker Publishing Company, Inc.	USA	100%	Publishing

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 temporary differences £'000	Short term temporary differences £'000	Total £'000
At 1 January 2006	952	(34)	320	1,238
Credit for the year	78	57	357	492
Exchange differences	(66)	-	-	(66)
At 31 December 2006	**964**	**23**	**677**	**1,664**
Credit / (charge) for the year	(408)	15	385	(8)
Exchange differences	57	-	-	57
At 31 December 2007	**613**	**38**	**1,062**	**1,713**

The Company	Tax losses carried forward £'000	Fixed asset temporary differences £'000	Short term temporary differences £'000	Total £'000
At 1 January 2006	-	(6)	136	130
Credit / (charge) for the year	1	(14)	188	175
At 31 December 2006	**1**	**(20)**	**324**	**305**
Charge for the year	(1)	(5)	(38)	(44)
At 31 December 2007	**-**	**(25)**	**286**	**261**

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.

The analysis for financial reporting purposes is as follows:

	The Group		The Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Deferred tax assets	**1,848**	1,700	**261**	305
Deferred tax liabilities	**(135)**	(36)	**-**	-
	1,713	1,664	**261**	305

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

	The Group		The Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Tax losses carried forward	**848**	188	**-**	-
Short term temporary differences	**-**	75	**-**	-
	848	263	**-**	-

These deferred tax assets are 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.

The gross tax loss on which no deferred asset has been provided was £2,100,000 (2006, £660,000). This relates to US tax losses that can be carried forward for twenty years.

12. Inventories

	The Group		The Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Raw materials	**410**	330	**23**	62
Work in progress	**3,053**	3,067	**1,123**	1,864
Finished goods for resale	**10,943**	12,421	**2,001**	4,015
	14,406	15,818	**3,147**	5,941

Included above are work in progress of £nil (2006, £510,000) and finished goods of £5,106,000 (2006, £2,866,000) carried at net realisable value.
The amount included in cost of sales relating to the write down of inventories recognised as an expense is £7,321,000 (2006, £4,072,000).
The amount included in cost of sales relating to the cost of inventories sold is £21,556,000 (2006, £15,838,000).

13. Trade and other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Trade receivables	**47,531**	17,610	**36,716**	8,314
Amounts owed by group undertakings	**-**	-	**7,784**	19,841
Income tax recoverable	**-**	1,668	**-**	1,650
Other receivables	**777**	599	**525**	420
Prepayments and accrued income	**24,448**	25,086	**10,818**	14,222
	72,756	44,963	**55,843**	44,447
Amounts falling due after more than one year:				
Amounts owed by group undertakings	**-**	-	**14,899**	-
Prepayments and accrued income	**3,457**	4,254	**3,457**	4,254
	76,213	49,217	**74,199**	48,701

The amounts falling due after more than one year represent loan balances due from the US subsidiary, which are technically repayable on demand. However there is no intention to demand repayment of the loans within the next twelve months.

The Group's financial assets included in trade and other receivables are trade receivables as above and rights income receivable of £1,167,000 (2006, £1,369,000). The Company's financial assets included in trade and other receivables are trade receivables as above and rights income receivable of £1,028,000 (2006, £1,066,000).

Trade receivables comprise amounts receivable from the sale of books. Payments are received on the basis of contracted payment terms with the distributors and for co-editions according to contractual agreements. At 31 December 2007, the average number of days' credit taken for sales of books by the Group was 126 days (2006, 103 days), and the average number of days' credit taken by the Company was 130 days (2006, 103 days). The increase in the number of days was due to the timing of distributor payments at the year end. The majority of trade receivables are secured by credit insurance and letter of credit. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £287,000 (2006, £190,000) by the Group and of £89,000 (2006, £5,000) by the Company. This allowance has been made by reference to specific debts and past default experience. The impairment loss on trade receivables for the year was £112,000 (2006, £43,000) for the Group and £106,000 (2006, £2,000) for the Company.

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 receivables in the balance sheet in anticipation of book returns received subsequent to the year end. A provision for the Group of £13.03m (2006, £5.51m) at margin for future returns relating to 2007 and prior sales including *Harry Potter and the Deathly Hallows* has been carried forward in trade receivables in the balance sheet at 31 December 2007. This included a provision for the Company of £8.40m (2006, £1.58m).

14. Equity share capital

	2007 £'000	2006 £'000
Authorised:		
92,000,000 Ordinary Shares of 1.25p each (2006, 92,000,000 Ordinary Shares of 1.25p each)	**1,150**	1,150
Allotted, called up and fully paid:		
73,561,799 Ordinary Shares of 1.25p each (2006, 73,402,571 Ordinary Shares of 1.25p each)	**920**	918

Movements in the allotted share capital during the year are:

	2007		2006	
	Number	£'000	Number	£'000
At 1 January	**73,402,571**	918	**72,857,182**	911
Share options exercised	**159,228**	2	**545,389**	7
At 31 December	**73,561,799**	920	**73,402,571**	918

The consideration receivable by the Company for the share options exercised during the year was £278,000 (2006, £799,000).

As at 31 December 2007, 824,518 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	Excercisable
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	79,056	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	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	180,944	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 2007, 1,557,406 shares had been awarded and were still outstanding under the Group's Performance Share Plans. Subject to the satisfaction of the performance criteria set by the Remuneration Committee, the awards will vest in whole or in part 3 years after the award.

2005 Performance Share Plan	Number of shares	Share price at award	Date of award
2005 Performance Share Plan	481,451	337.90p	4 November 2005
2005 Performance Share Plan	363,966	315.25p	26 October 2006
2005 Performance Share Plan	711,989	181.40p	8 May 2007

On 12 May 2008 a further 828,999 shares were awarded under the 2005 Performance Share Plan with a strike price of 144.5p per share.

At 31 December 2007, 136,098 options had been granted and were still outstanding under the 2005 Bloomsbury Sharesave Plan.

	Number of shares	Exercise price	Excercisable
2005 Bloomsbury Sharesave Plan	47,277	275.20p	June 2009 – Dec 2009
2005 Bloomsbury Sharesave Plan	88,821	148.20p	June 2010 – Dec 2010

At 31 December 2007, 120,000 Share Appreciation rights had been awarded and were still outstanding under the 2006 Share Appreciation Rights Scheme. 26,792 appreciation rights had been awarded and were still outstanding under the 2007 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.

	Number of appreciation rights	Base price of award	Excercisable
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
2007 Share Appreciation Rights Scheme	26,792	173.75p	Jun 2010 – Jun 2014

At 31 December 2007 88,760 Unapproved Employee Share Options had been awarded and were still outstanding under the 2007 Unapproved Employee Share Option Scheme. Subject to the achievement of satisfaction of performance conditions set by the Remuneration Committee the awards are generally exercisable over a three year period.

	Number of shares	Subscription price	Excercisable
2007 Unapproved Employee Share Option Scheme	72,760	220.25p	2007 – 2010
2007 Unapproved Employee Share Option Scheme	16,000	175.50p	2007 – 2011

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.

The other payables represent authors' share of rights receivable falling due after more than one year.

16. Trade and other payables

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Amounts falling due within one year:				
Trade payables*	**6,415**	6,285	**3,150**	3,192
Amounts owed to group undertakings	**-**	-	**1,052**	1,110
Taxation and social security	**312**	275	**211**	185
Other payables*	**2,084**	1,995	**699**	1,139
Accruals*	**46,218**	12,148	**41,742**	9,300
Deferred income	**823**	83	**-**	-
	55,852	20,786	**46,854**	14,926

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. At 31 December 2007, the average number of days' credit taken for purchases by the Group was 42 days (2006, 43 days).

* These are the Group's financial liabilities due within one year and are equal to the amount of the contractual cash payments due in the next year. In addition, other payables of £390,000 (2006, £223,000) included within non-current liabilities are the Group's financial liabilities due after one year and represent the amount of the contractual cash payments due after one year.

17. Lease obligations

The Group as a lessee:

	2007 £'000	2006 £'000
Payments under operating leases recognised as expense for the period	**1,511**	1,685

At 31 December 2007 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2007 £'000	2006 £'000
Within one year	**957**	1,010
Between one and five years	**1,703**	2,207
	2,660	3,217

The operating leases represent rentals payable by the Group for certain 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 £80,000 (2006, £153,000).

At 31 December 2007 the Group had contracts with tenants for the following future minimum lease payments receivable:

	2007 £'000	2006 £'000
Within one year	**14**	63
Between one and five years	**-**	14
	14	77

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 2007 the Group recognised total expenses related to equity settled share based payment transactions since 7 November 2002 of £1,010,000 (2006, £651,000).

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 has not been 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 has generally been three years and 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 2007 Number	Weighted average exercise price 2007 Pence	Options 2006 Number	Weighted average exercise price 2006 Pence
Outstanding at 1 January	**1,362,076**	**202.08**	1,911,465	186.26
Exercised during the year	**(159,228)**	**174.10**	(545,389)	146.55
Expired during the year	**(378,330)**	**216.96**	(4,000)	214.63
Outstanding at 31 December	**824,518**	**201.59**	1,362,076	202.08
Exercisable at 31 December	**785,738**	**201.59**	1,229,076	196.95

The weighted average share price at the date of exercise for share options exercised during the year was 190p. The options outstanding at 31 December 2007 had a weighted average contractual life of three years and five months (2006, 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 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 either the average middle-market price of the Ordinary Share for the five dealing days immediately preceding the award date or the middle-market price on the dealing day before 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 2007 Number	Conditional Awards 2006 Number
Outstanding at 1 January	**911,576**	528,608
Granted during the year	**769,484**	391,217
Lapsed or forfeited during the year	**(123,657)**	(8,249)
Outstanding at 31 December	**1,557,403**	911,576
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	n/a	20.3%	n/a	20.0%
Performance condition discount	n/a	43.9%	n/a	52.8%
Risk Free Interest Rate	n/a	4.4%	n/a	5.0%
Fair Value charge per award	£3.42	£1.92	£3.12	£1.47

Date of grant	8 May 2007	
Performance condition	**Increase in EPS over RPI**	**Total Shareholder Return**
Share price	£1.8525	£1.8525
Volatility	n/a	26.8%
Performance condition discount	n/a	50.4%
Risk Free Interest Rate	n/a	5.5%
Fair Value charge per award	£1.8525	£0.92

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

	Sharesave Options 2007 Number	Weighted average exercise price 2007 Pence	Sharesave Options 2006 Number	Weighted average exercise price 2006 Pence
Outstanding at 1 January	**112,139**	**275.2**	-	-
Granted during the year	**100,118**	**148.2**	115,671	275.2
Lapsed or forfeited during the year	**(73,441)**	**257.2**	(3,532)	275.2
Outstanding at 31 December	**136,098**	**192.32**	112,139	275.2
Exercisable at 31 December	**5,838**	**-**	-	-

The outstanding Sharesave options at 31 December 2007 had a weighted average remaining contractual life of two years and six months (2006, one year 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	8 June 2007
Expected life (years)	3.25	3.25
Share price	£3.45	£1.8175
Exercise price	£2.752	£1.482
Expected volatility	20.4%	26.2%
Expected dividend yield	1.04%	2%
Risk free interest rate	4.8%	5.8%
Fair value charge per award	£1.073	£0.571

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

During 2006 the Company introduced an 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 up to 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 at the end of the relevant exercise period will lapse.

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

	SAR Scheme Awards 2007 Number	Weighted average base price 2007 Pence	SAR Scheme Awards 2006 Number	Weighted average base price 2006 Pence
Outstanding at 1 January	**120,000**	**300.88**	-	-
Granted during the year	**26,792**	**173.75**	120,000	300.88
Outstanding at 31 December	**146,792**	**277.68**	120,000	300.88
Exercisable at 31 December	**66,792**	**219.11**	-	-

The SAR Scheme awards outstanding at 31 December 2007 had a weighted average contractual life of four years and six months (2006, 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	2 June 2007
Expected life (years)	2.33	4	5	1.5
Share price	£3.1425	£3.1425	£3.1425	£1.82
Exercise price	£2.495	£3.379	£3.1525	£1.7375
Expected volatility	21.0%	20.0%	21.0%	31.8%
Expected dividend yield	1.2%	1.2%	1.2%	2%
Risk free interest rate	5.0%	5.0%	4.8%	5.8%
Fair value charge per award	£0.9025	£0.5825	£0.7875	£0.354

2007 Unapproved Employee Share Option Scheme ("the 2007 ESOS")

During the year the Company introduced an unapproved employee share option scheme to be funded from shares purchased by the Company in the market. Under the rules of the 2007 ESOS, a participant will be able to exercise the options at an option price agreed at the grant date. The awards have generally been exercisable up to three years from the date of grant and subject to the achievement of performance conditions set by the Remuneration Committee. No Awards were made prior to 18 December 2007.

	2007 ESOS Scheme Awards 2007 Number	Weighted average base price 2007 Pence
Outstanding at 1 January 2007	-	-
Granted during the year	88,760	212.18
Lapsed or forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December 2007	88,760	212.18
Exercisable at 31 December 2007	88,760	212.18

The 2007 ESOS Scheme awards outstanding at 31 December 2007 had a weighted average contractual life of two years and ten months.

Date of grant	18 December 2007	18 December 2007
Expected life (years)	2.8	3.3
Share price	£1.28	£1.28
Exercise price	£2.2025	£1.755
Expected volatility	32%	30.6%
Expected dividend yield	2.9%	2.9%
Risk free interest rate	4.6%	4.6%
Fair value charge per award	£0.076	£0.151

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 2007 the trust held £100, representing the total investment into the EBT. On 2 January 2008 the trust purchased 88,760 ordinary shares for £134,000. The results and net assets of the EBT are included in the financial statements of 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 2007 this commitment amounted to £18,884,000 (2006, £21,667,000).

20. Post balance sheet events

The directors have proposed a final dividend of 3.3p pence per share (2006, 3.0 pence per share), which will be paid on 1 July 2008 to Ordinary Shareholders on the register at close of business on 23 May 2008. Based on the number of shares currently in issue, the final dividend will be £2,427,000 (2006, £2,203,000).

On 31 March 2008 A&C Black acquired Featherstone Education Limited for a cash consideration of £1,150,000. It is not practical at this stage to give further financial information requested by IFRS 3, as we are still undertaking a detailed review of the assets acquired and their fair values.

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. The profit for the year was £12,878,000 (2006, £2,674,000).

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 comprising cash and short-term deposits of £47,558,000 at 31 December 2007 (2006, £24,304,000). The Company has financial assets comprising cash and short-term deposits of £42,438,000 at 31 December 2007 (2006, £22,148,000). 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 for the Group and the Company during the year ended 31 December 2007 was 5.70% (2006, 4.51%).

The Group had no borrowings at 31 December 2007 and 31 December 2006.

(ii) Liquidity risk

The directors do not consider that the Group currently has an exposure to liquidity risk as the Group has sufficient cash deposits to meet its debts as they fall due for the foreseeable future.

(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 are matched by expenditure in the same local currency.

Of the Group's total net financial assets of £64,222,000 (2006, £51,811,000), £9,323,000 is denominated in US dollars (2006, £8,664,000) and £8,173,000 is denominated in euro (2006, £3,058,000). Of the Company's total net financial assets of £66,494,000 (2006, £55,350,000), £164,000 is denominated in US dollars (2006, £586,000) and £386,000 is denominated in euro (2006, liabilities £259,000). No financial assets or liabilities 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 of £47,531,000 (2006, £17,610,000) and rights income receivable of £1,167,000 (2006, £1,369,000), the majority of which is secured by credit insurance and letters of credit. The Company's credit risk is primarily attributable to its trade receivables of £36,716,000 (2006, £8,314,000) and rights income receivable of £1,026,000 (2006, £1,066,000), the majority of which is 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.

The Group's maximum exposure to credit risk, including trade receivables, rights income receivable and cash, is £96,256,000 (2006, £43,283,000). The Company's maximum exposure to credit risk is £80,182,000 (2006, £31,528,000).

(v) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

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:

	2007 £'000	2006 £'000
Purchases of goods in the year	-	145
Commission payable	**911**	110
Interest receivable	**1,030**	871
Amounts owed by subsidiaries at year end	**22,683**	19,841
Amounts owed to subsidiaries at year end	**1,052**	1,110

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 38 to 40.

	2007 £'000	2006 £'000
Short-term employee benefits	**3,237**	2,128
Post-employment benefits	**177**	171
Termination benefits	**110**	-
Share-based payments	**703**	386
	4,227	2,685

Directors, Secretary and Advisors

Directors	J J O'B Wilson - Non-Executive Chairman J N Newton - Chief Executive C R Adams ACA - Group Finance Director R D P Charkin - Executive Director C A A Black - Vice Chairman and Senior Independent Director M J Mayer - Independent Non-Executive Director
Secretary	I J Portal FCIS
Registered Office	36 Soho Square London W1D 3QY 020 7494 2111
Registered Number	1984336 (England & Wales)
Auditors	Baker Tilly UK Audit LLP 2 Bloomsbury Street London WC1B 3ST0
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 Securities Limited PO Box 52715, 30 Gresham Street London EC2P 2XY
Merchant Bankers	Investec Investment Banking 2 Gresham Street London EC2V 7QP Dresdner Kleinwort Securities Limited PO Box 52715, 30 Gresham Street London EC2P 2XY
Joint Solicitors	Reynolds Porter Chamberlain LLP Tower Bridge House, St Katherine's Way, London E1W 1AA Steinfeld Law 83 Baker St, London W1U 6AG
Registrars	Capita Registrars Limited The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU

Financial Calendar

Annual General Meeting		27 June 2008

Results

Announcement of half year results to 30 June 2008	29 August 2008
Announcement of annual results to 31 December 2008	March/April 2009

Dividend

Final dividend	2007	1 July 2008
Interim dividend	2008	November 2008
Final dividend	2008	July 2009

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.

Registering to use the Share Portal is easy: simply visit Capita's website at www.capitaregistrars.com/shareholder. 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 0871 664 0300 (calls cost 10p per minute plus network extras) or email them at shareportal@capita.co.uk.

Shareholder Information

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
5,000,001 +	2	0.15	10,516,908	14.30
1,000,001 - 5,000,000	21	1.55	36,597,582	49.75
500,001 - 1,000,000	13	0.96	8,863,766	12.05
100,001 - 500,000	52	3.85	11,268,106	15.32
50,001 - 100,000	30	2.22	2,163,098	2.94
10,001 - 50,000	103	7.62	2,298,593	3.12
1 - 10,000	1,131	83.65	1,853,746	2.52
	1,352	100.00	73,561,799	100.00

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
Institutional shareholders/nominee companies	463	34.25	68,515,964	93.14
Private shareholders	889	65.75	5,045,835	6.86
	1,352	100.00	73,561,799	100.00

Notice of Annual General Meeting
Bloomsbury Publishing Plc

Notice is hereby given that the Annual General Meeting of the Company will be held at 36 Soho Square, London, W1D 3QY on 27 June 2008 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 2007.

2 To approve the Directors' Remuneration Report for the year ended 31 December 2007.

3 To declare a final dividend for the year ended 31 December 2007.

4 To re-elect Mr N Newton as a director of the Company.

5 To re-elect Mr M Mayer as a director of the Company.

6 To elect Mr R Charkin as a director of the Company.

7 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 8 will be proposed as an ordinary resolution and resolutions 9, 10 and 11 will be proposed as special resolutions.

8 **That:-**

(a) the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to allot, to such persons and on such terms as they think proper, any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £230,475 provided that:

(i) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting; and

(ii) the Company shall be entitled to make, before the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and

(b) all prior authorities to allot relevant securities given to the directors by resolution of the Company be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

9 **That,** subject to the passing of resolution 8 referred to in the notice of the Annual General Meeting ("the Notice") at which this resolution is being proposed :-

(a) the directors be granted power pursuant to section 95 of the Companies Act1985 ("the Act") to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 8 in the Notice 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 £45,976;

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

(b) all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

10 **That** the Company is authorised, pursuant to section 166 of the 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 3,678,090;

(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 2009 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.

11 **That** the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

by order of the Board

Ian Portal FCIS
Company Secretary

Dated 20 May 2008

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, speak and vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for your use. Further copies of the form of proxy may be obtained from the registered office of the Company.

2 If a member wishes his proxy to speak on his behalf at the Meeting, he or she will need to appoint his own choice of proxy (who is not the Chairman) and give instructions directly to the proxy. The completion and return of a form of proxy will enable a shareholder to vote at the General Meeting without having to be present at the General Meeting, but will not preclude him or her from attending the General Meeting and voting in person if he or she should subsequently decide to do so.

3 A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, insert "Chairman of the Meeting" in the box which is used to identify the name of the proxy on the relevant proxy card.

4 To be valid, the enclosed form of proxy must be lodged with the Company's Registrars, Capita Registrars, not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

5 Shareholders included on the register of members at 6pm on 25 June 2008 will be entitled to attend and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

6 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she, under any such agreement, has a right to give instructions to the shareholder as to the exercise of voting rights.

7 The statement of the rights of shareholders in relation to the appointment of proxies does not apply to Nominated Persons. The rights described in this regard can only be exercised by shareholders of the Company.

8 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website

9 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

10 In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.

11 Copies of the following documents will be available for inspection at the Company's registered office, 36 Soho Square, W1D 3QY, during usual business hours on any weekday, Saturdays and public holidays excepted, from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

- Copies of all service agreements under which directors of the Company are employed by the Company or any subsidiaries
- Copies of letters of appointment of the non –executive directors
- A copy of the proposed new Articles of Association of the Company and a copy of the the existing Articles of Association marked to show the changes being proposed in resolution 11.

12 An explanatory note of the principal changes to the current Articles of Association of the Company is set out overleaf as an Appendix to this notice.

Appendix to Notice

Bloomsbury Publishing Plc

This appendix is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this Appendix or the action you should take you should seek your own advice from your stockbroker, solicitor, accountant or other professional adviser. If you have sold or transferred all of your ordinary shares in the Company you should forward this document and the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the ordinary shares.

Explanatory notes of principal changes to the company's Articles of Association

1. Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the Companies Act 2006 are in the main either amended to bring them into line with the Companies Act 2006 or deleted. Certain examples of such provisions include provisions as to the form of resolution, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

The current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolution has not been retained under the Companies Act 2006.

The current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the new Articles.

3. Variation of class rights

The current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions are now adopted into the new Articles.

4. Convening extraordinary and annual general meetings

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, all meetings, other than an annual general meeting, will now be called general meetings (rather than extraordinary general meetings) and a general meeting to consider a special resolution can be convened on 14 days notice whereas previously 21 days' notice was required.

5. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed, but if they purport to exercise their rights in different ways, then the power is treated as not being exercised. The new Articles reflect all of these new provisions.

6. Information about interests in Company's shares

The provisions in the current Articles relating to information about interests in the Company's shares, has been updated to reflect the similar provisions of the Companies Act 2006

7. Age of directors on appointment

The current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the new Articles.

8. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the new Articles should contain provisions relation to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty in a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

9. Notice of board meetings

Under the current Articles, it is not necessary to give notice of a meeting of directors to any director who is abroad. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

10. Records to be kept

The provision in the current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

11. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors to make provision for a person employed or formerly employed by the company in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company, may be exercised by the directors or by the company in general meeting. However, if the power is to be exercised by the directors, the articles of association must include a provision to this effect. The new Articles provide that the directors may exercise this power.

12. Nomination notices

The Companies Act 2006 permits a member to notify the Company that another person is to exercise all or any specified rights of that member in relation to the Company. The new Articles reproduce those nomination provisions of the Companies Act 2006.

13. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new Articles continue to allow communications to members in electronic form and they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning of the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

14. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

15. English law

The governing law of the new Articles is now expressed to be English law and the courts of England and Wales are to have exclusive jurisdiction.

16. General

Generally the opportunity has been taken to bring clearer language into the new Articles and in some areas to conform the language of the new Articles.

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