Bloomsbury Publishing Plc

Annual Report and Accounts 2009

B L O O M S B U R Y

Publishing books of excellence and originality

Bloomsbury Publishing has established itself as one of the world's leading independent publishing houses with a valuable portfolio of intellectual properties.

Her Majesty Queen Elizabeth II and HRH Prince Philip with Her Highness Sheikha Mozah bint Nasser Al Missned and Nigel and Joanna Newton at the launch of Bloomsbury Qatar Foundation Publishing at Windsor Castle.

Highlights

Financial

The highlights for 2009 include:

- Revenue of £87.22m (2008, £99.95m – publication of HP7 paperback and *The Tales of Beedle the Bard*)
- Adjusted pre-tax profit of £7.71m (2008, £11.85m – publication of HP7 paperback)*
- Basic earnings per share of 6.77p (2008, 10.67p – publication of HP7 paperback), adjusted basic earnings per share of 7.56p (2008, 10.96p)*
- Profit from Bloomsbury USA of £0.45m before central cost recharges (2008, £0.38m)
- Cash of £35.04m (2008, £51.91m)
- Final dividend per share increased 5% to 3.65p (2008, 3.47p). Full year dividend per share increased by 5% to 4.43p (2008, 4.22p)

** adjusted figures are stated before the amortisation of intangibles and impairment of goodwill.*

Operating

- Profits ahead of consensus market forecasts. They were achieved in difficult trading conditions and against high comparatives including paperback release of HP7 in 2008
- Strong sales driven by an excellent publishing programme including *River Cottage Everyday* by Hugh Fearnley Whittingstall, *The Suspicions of Mr Whicher* by Kate Summerscale, *The Guernsey Literary and Potato Peel Pie Society* by Mary Ann Shaffer and Annie Barrows, *Ordinary Thunderstorms* by William Boyd and *The Fat Duck Cookbook* by Heston Blumenthal
- Strong pipeline of releases for 2010 including launch of newly designed edition of Harry Potter on 1st November
- Strengthened academic publishing division with acquisitions of Tottel Publishing and Hodder Education Humanities list

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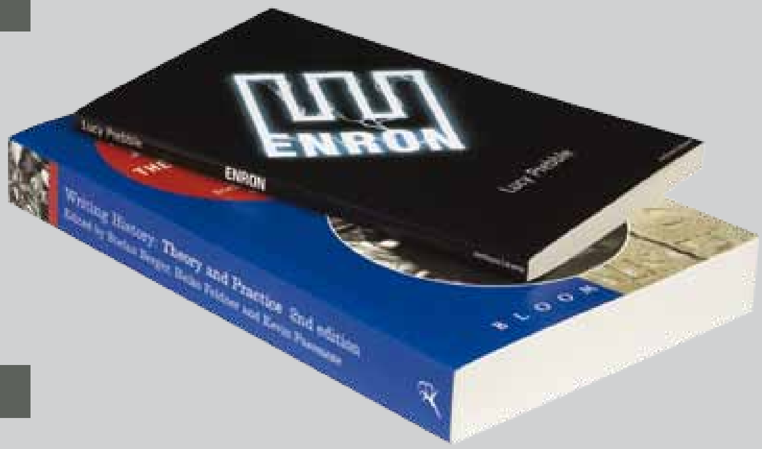
Group at a Glance

Specialist Publishing Division

30% of Group Turnover



A&C Black
Reference Publishing

- John Wisden and Co is now fully integrated into A&C Black. Sales of the Almanack were increased in 2009, partly as a result of a marketing partnership with the county cricket boards and the Middlesex County Cricket Club. *Wisden Cricketers' Almanack* was published in e-book format for the first time in 2009, along with an e-book Wisden Collection for libraries.
- Arden Shakespeare, acquired in December 2008, was incorporated into our core drama list alongside Methuen Drama. The list has already benefited from Methuen Drama's specialist sales and marketing in the UK. In the USA Arden was launched as part of the new US publishing division, Bloomsbury Academic and Professional.

Bloomsbury Professional
Law and Tax

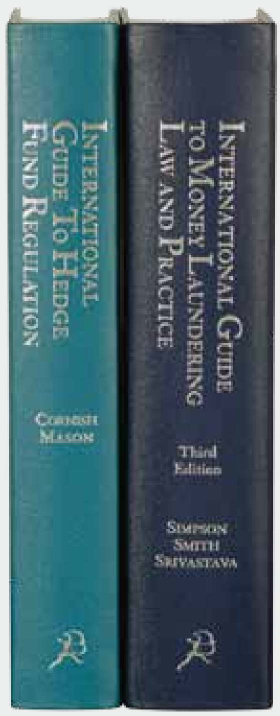
- Bloomsbury increased its presence in academic and professional publishing with the acquisition of Tottel Publishing, now renamed Bloomsbury Professional.
- Notable successes in 2009 included *Documentary Credits* (4th ed) and *Joint Ventures and Shareholders' Agreements* (3rd ed), both aimed at the top end of the commercial law market. Subscription and loose-leaf publishing remained strong throughout the year. *The Irish Legal System* (5th ed), the standard first year undergraduate text book, was a major success.

Bloomsbury Academic
Scholarly

- In 2009 Bloomsbury Academic implemented its organic growth strategy and also acquired the 300 title Humanities backlist from Hodder Education.
- At Berg, the Oxford based academic publisher, sales in 2009 exceeded expectations, with impressive growth in journals sales.

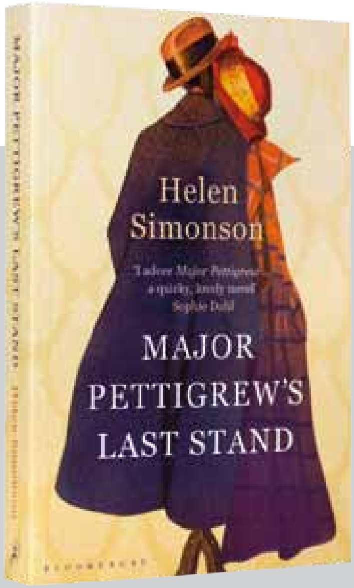
Bloomsbury Information
BQFP, BQFJ, Q Finance

- *QFINANCE – The Ultimate Resource* was published in September. The website (www.qfinance.com) and the book were launched with major events in Doha, London and New York.
- Excellent progress was made on all fronts during 2009 under our management service contract with Qatar Foundation. BQFP brought out a dual-language Arabic/English edition of *The Selfish Crocodile* in April 2009 to mark Qatar's first World Book Day which BQFP spearheaded in association with the UK's World Book Day organisation and Qatar University.



Trade Publishing Division

70% of Group Turnover



Bloomsbury UK
Trade Publishing

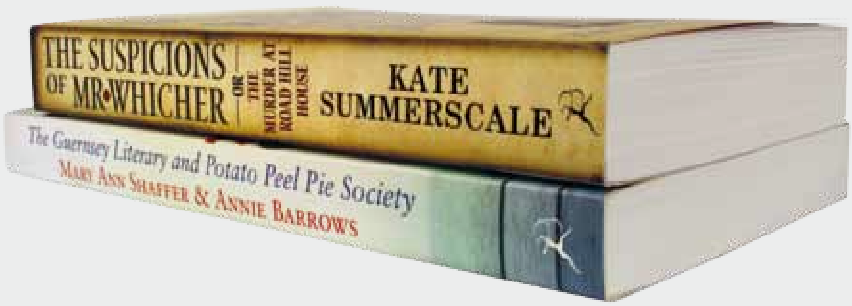
- 2009 was a year where we benefited from enduring bestsellers across the Adult list, many of them from our backlist.
- Strong sales were driven by an excellent publishing programme including *River Cottage Everyday* by Hugh Fearnley Whittingstall, *The Suspicions of Mr Whicher* by Kate Summerscale, *The Guernsey Literary and Potato Peel Pie Society* by Mary Ann Shaffer and Annie Barrows, *Ordinary Thunderstorms* by William Boyd and *The Fat Duck Cookbook* by Heston Blumenthal.
- On the Children's list *The Graveyard Book* by best-selling author Neil Gaiman was published simultaneously in an adult as well as a children's edition. It won the Teenage Children's Book Award and has been long listed for the Carnegie Medal. *Troubadour* by Mary Hoffman was short-listed for the Costa Award for Children's Literature.
- Harry Potter performed extremely well during the year and sales increased on the back of the success of the sixth film, *Harry Potter and the Half-Blood Prince.*
- We launched Bloomsbury's Public Library Online in May 2009, a concurrent-user online-access subscription service to deliver themed digital bookshelves into UK public libraries. Berlin Verlag has also launched a German language version and there is potential for further overseas development.

Bloomsbury USA
Trade and Specialist

- The US turned in a good performance for the year, particularly in children's books. The Academic list was also launched.
- *My Horizontal Life* was in the top 15 on *The New York Times* paperback non-fiction list every week during 2009. *Logicomix* was on *The New York Times* paperback graphic novel bestseller list for 18 weeks and *Methland* two weeks on the extended *The New York Times* hardcover non-fiction bestseller list.
- Disney released *The Princess and the Frog* which is based on ED Baker's *The Frog Princess* published by Bloomsbury USA and this has provided the opportunity to re-promote her backlist.

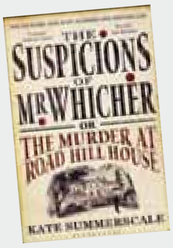
Berlin Verlag
German Trade Publishing

- The backlist continued to hold up well with ongoing sales from Khaled Hosseini's *The Kite Runner* as well as Elizabeth Gilbert's *Eat, Pray, Love.* The paperback publication of Khaled Hosseini's *A Thousand Splendid Suns* quickly made its way to the top of the bestseller list and became one of the top selling titles of the year for Berlin.



2009 Publishing Year at a Glance

January



The Suspicions of Mr Whicher is a Richard and Judy Best Read pick and is discussed on television; it becomes a top ten bestseller (UK)

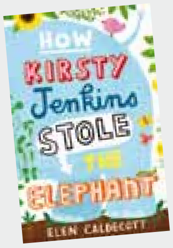
The Outlander by Gil Adamson is shortlisted for the Commonwealth Writers' Prize, Winner of the International Association of Crime Writers Dashiell Hammett Prize and longlisted for the IMPAC Dublin Literary Award (UK)

Neil Gaiman and Dave McKean's edition of *The Graveyard Book* wins the Newbery Medal (UK)

Message in a Bottle by Valerie Zenatti is shortlisted for the Marsh Award for Children's Literature in Translation (UK)

The Room (Das Zimmer) by Helen Garner is a bestseller and wins the Barbara Jefferis Prize (Germany)

February



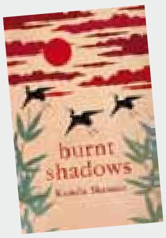
J. K. Rowling is awarded France's Legion of Honour (UK)

How Kirsty Jenkins Stole the Elephant by Elen Caldecott is shortlisted for the Waterstone's Children's Book Prize (UK)

Booktrust selected *Little Monster's Book of Numbers* for the second year running to be inserted into the BookStart gift bags (UK)

Paradiso by Thomas Klupp wins the Nicolas Born Debut Prize, the Förderpreis and is shortlisted for the important Aspekte Literaturpreis; the first German TV channel ARD called it 'our debut novel of the year' (Germany)

March

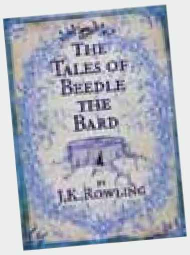


Burnt Shadows by Kamila Shamsie is shortlisted for the Orange Prize (UK)

Mark Walden was selected as one of eight authors to write a book for World Book Day, Interception Point and reached number four in the UK Children's Fiction Chart (UK)

www.247Tales.com, a new online writing competition from Bloomsbury, launches on World Book Day and challenges young writers to create stories using 247 words or fewer, inspired by 247 tales by Bloomsbury authors (UK)

April



The Big Fat Duck Cookbook by Heston Blumenthal wins the Design and Production award at the British Book Industry Awards, the Photography award at the James Beard Foundation Awards (the US food Oscars) and the Design award at the International Association of Culinary Professionals Awards (UK)

The Tales of Beedle the Bard by J. K. Rowling is shortlisted for the Galaxy Children's Book of the Year (UK)

Keine Kunst by Peter Esterhazy won the Angelus Mitteleuropäischer Literaturpreis, the Manès Sperber Preis and the Fußballbuch des Jahres (Germany)

Gargoyle by Andrew Davidson won the German Award for Book of the Month of the Phantastik Couch; outside Germany it won the Sunburst Award for Canadian Literature of the Fantastic and the First Fiction Award Book of the Month Club (Germany)

May

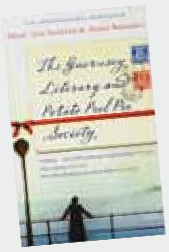
Bloomsbury Library Online, a new innovation in electronic book lending, is launched (UK)

The Winter Vault by Orange-prizewinning author Anne Michaels wins the Giller Prize (UK)

The Informers by Juan Gabriel Vásquez is shortlisted for the Independent Foreign Fiction Prize (UK)

Neil Gaiman's bestselling novel, *Coraline*, was made into a film of the same name. *Coraline* has since been nominated for Best Animated Feature at the 2010 Oscars (UK)

June



The Guernsey Literary and Potato Peel Pie Society by Mary Ann Shaffer and Annie Barrows is a top twenty bestseller (UK)

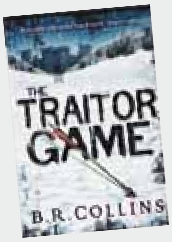
The Big Fat Duck Cookbook by Heston Blumenthal wins the Food Book of the Year Award at the Guild of Food Writers' Awards (UK)

The Senator's Wife by Sue Miller is a Richard and Judy Summer Read pick and is discussed on television (UK)

The Graveyard Book by Neil Gaiman, with illustrations by Dave McKean, wins the Locus Award (UK)

Bloomsbury Publishing is fantastically represented on the Carnegie longlist with *The Traitor Game* by B.R. Collins; *Stravaganza: City of Secrets* by Mary Hoffman; *Shadow Web* by N. M. Browne; *The Declaration* by Gemma Malley; *Uncle Montague's Tales of Terror* by Chris Priestley; and *Sovay* by Celia Rees (UK)

July



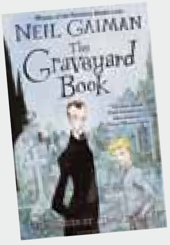
The Bloomsbury Group, a new library of books from the early-twentieth century, chosen by readers for readers, is launched (UK and US)

Re-launch of the Bloomsbury Children's Books website, www.bloomsbury.com/childrens, with brand new livery, child-centric focus and added content (UK)

B. R. Collins (Author) and Emma Matthewson (Bloomsbury Editorial Director) win the 2009 Branford Boase for *The Traitor Game* (UK)

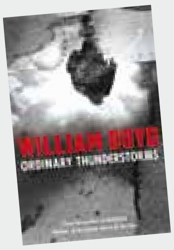
J. K. Rowling's Comic Relief editions of *Quidditch Through the Ages* and *Fantastic Beasts and Where to Find Them* were repackaged and reissued for a whole new generation of readers who did not 'grow up' with Harry Potter, and who have not yet experienced the excitement of life at Hogwarts (UK)

August



The Graveyard Book by Neil Gaiman, with illustrations by Dave McKean, wins the highly-coveted sci-fi and fantasy Hugo Award (UK)

September



Ordinary Thunderstorms by William Boyd is read on BBC Radio 4: in 2009, Bloomsbury had more books read on BBC Radio 4 than in any other year including *The Guernsey Literary and Potato Peel Pie Society; Aberystwyth Mon Amour; The Lost Child; The Blue Hour; The Outlander; The Locust and the Bird; The Spy Game; To Heaven by Water; The Rapture; In Other Rooms, Other Wonders*; and *Family Britain* (UK)

The British Library adopt Bloomsbury Library Online (UK)

Underworld by Cathy MacPhail is selected as one of ten books offered in the government funded Booked Up Scheme, to give a child in secondary school a free book (UK)

Neil Gaiman's audio edition of *The Graveyard Book*, read by the author, wins the Children's Best Audio Book of the Year (UK)

QFINANCE – The Ultimate Resource was published (UK)

October

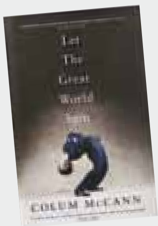
Nine Lives by William Dalrymple is launched by a major Barbican musical production of the same name (UK)

Syren, the fifth book in Angie Sage's international bestselling Septimus Heap series, reaches number 11 in the UK Children's Hardback Chart (UK)

Methland by Nick Reding is a New York Times bestseller and goes on to win the Heartland Prize for Non-Fiction and to be a New York Times Notable Book of 2009 (US)

Livability by Jon Raymond wins the Ken Kesey Award for Fiction (US)

November



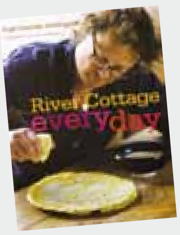
Let the Great World Spin by Colum McCann wins the National Book Award (the US equivalent of the Booker) and is a number one bestseller in Ireland (UK)

In Other Rooms, Other Wonders by Daniyal Mueenuddin is shortlisted for the National Book Award (UK)

A commemorative edition of *The Last Fighting Tommy* by Harry Patch and Richard van Emden is published after the death of the last surviving veteran of the WWI trenches (UK)

Margaret Atwood's 70th birthday is celebrated with a set of seven special hardback editions of her most-loved books (UK)
Chef by Jaspreet Singh is shortlisted for the Commonwealth Writers' Prize for Best Book and longlisted for the International IMPAC Dublin Literary Award, ahead of UK publication in spring 2010 (UK)

December



The Suspicions of Mr Whicher by Kate Summerscale is the number two paperback non-fiction bestseller of the year and number 15 in the official 2009 UK Top 50 (UK).

River Cottage Every Day by Hugh Fearnley-Whittingstall is a top ten bestseller in the same month as his Channel 4 television series and is in the Top 20 Hardback Non-fiction titles of 2009 (UK).

The Guernsey Literary and Potato Peel Pie Society by Mary Ann Shaffer and Annie Barrows wins the WHSmith/The Times Paperback of the Year Award and *The Suspicions of Mr Whicher* is shortlisted (UK).

The Rapture by Liz Jensen is selected for the new Channel 4 TV Book Club (UK).

Chairman's Statement

The last year has been one of the most turbulent since the Depression. Across the world it has challenged the economic survival of country, corporation and consumer alike. It has accelerated a shift of the world's economic axis. And it is engendering a fundamental reassessment of political ideology across the planet as governments have sought to play their part in keeping the ship afloat. The world has been brought together by the crisis, and yet new divisions are emerging as a result.

I can think of no other conditions like them in living memory – in the corporate world they have tested to the limit the fundamental ethos and strategies of business organisations. Some have been found wanting and their businesses have collapsed. Others have prospered, their businesses reinforced and their competitive positions enhanced.

Bloomsbury entered the crisis with a clear strategy, a strong financial position, an experienced and established management team, a strengthened governance structure, and the enduring determination of its Founder and Chief Executive, Nigel Newton, and the Executive Directors on the Board, Richard Charkin and Colin Adams, to preserve the entrepreneurialism and cultural backbone which have driven this Company and the Group for almost a quarter of a century.

That strategy involves the stabilisation of the Group's revenue streams through the steady development of its Professional and Academic arm, the further growth of its successful ventures in the Gulf, constant and rigorous attention to its core trade publishing activities and digitisation of its activities across the entire Group.

Behind this strategy lies a deep and almost instinctive understanding of the transformational forces at work in the publishing industry and an ability to respond to them. Thus, for example, the key acquisitions in building the Group have been in the Specialist arm of the Group – they have been targeted and measured, are integrating well and have all been manageable and within the financial resources of the Group. The new Qatar ventures have been beneficial to Bloomsbury, but they have also widened the cultural bandwidth of the Group with a country with the highest potential, resources and influence in the Middle East. The unremitting housekeeping of the Trade arm of the Group has seen its US business revived and a steady, sustaining flow of revenues from the core activity which forms the basis of a good publishing company. In all these activities, digitisation of the platforms, delivery systems and infrastructure has been an underlying driver. The growing force and opportunities of new delivery systems for the published product is a constant reference point for the Board and the Group's management.

These and other initiatives fit within a strategy which has served the Group well when others have been found wanting. Bloomsbury is in good shape to capitalise on the potential of the year ahead.

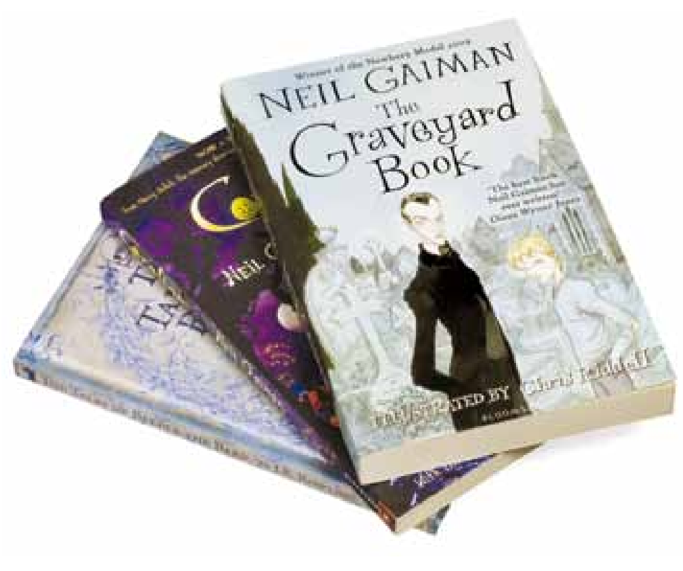
Charles Black will retire at this year's Annual General Meeting. His wisdom, balance and deep understanding of the publishing industry will be sorely missed. He brought into Bloomsbury A&C Black, a five generation business founded by his family in 1807. A&C Black is core to Bloomsbury's Academic and Professional business. Charles is the Senior Independent Director of the Group and Chairman of its Audit and Remuneration Committees. There is no replacing such a mix of talent, intuition and integrity and Charles leaves behind an enduring legacy which will benefit all the Group's stakeholders for decades to come.

Michael Mayer, according to The Combined Code on Corporate Governance, loses his independence and will retire at the end of his ninth year. A good company is constantly balancing the costs of conformance governance (not necessarily consistent with good governance) with the economics of a vibrant and successful business, and Michael, through his incisive grasp of the economics of business, invaluable knowledge of the process of acquisition economics and corporate financial husbandry, a deep and abiding loyalty to the Group and his instinctive understanding of the role of the Non-Executive Director, has made an immense contribution to Bloomsbury and challenged this balance to the limit. His departure at the end of this year is a sad one for the Group and he, too, will be sorely missed.

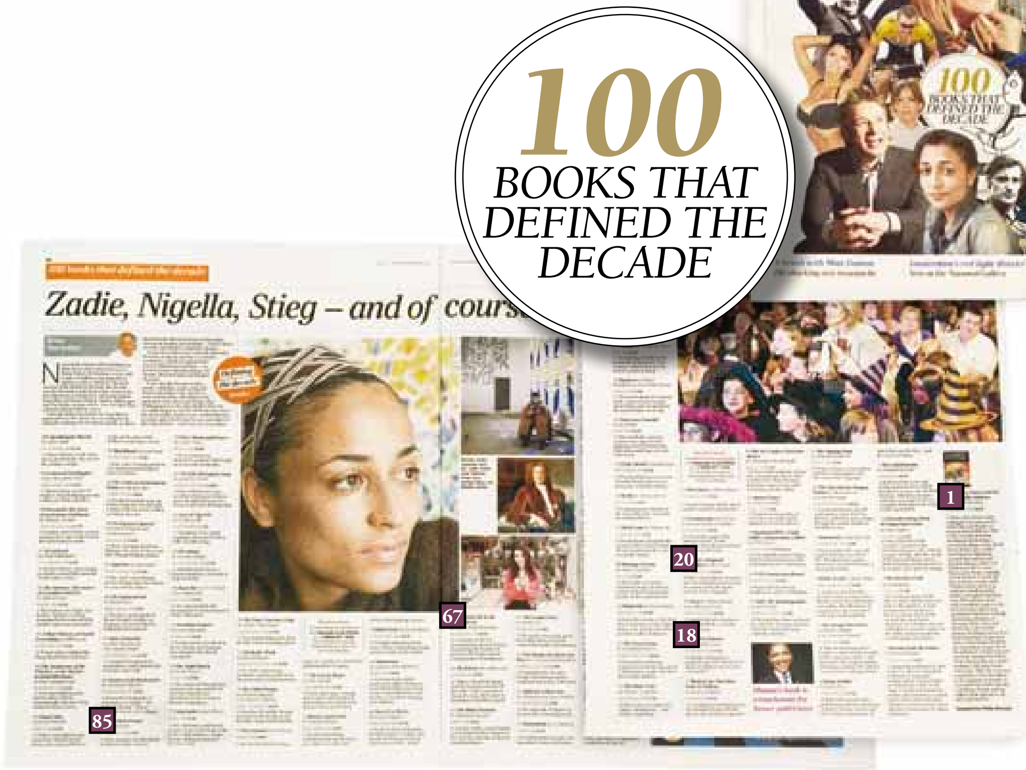
On behalf of the Group and all its stakeholders, I thank them both for their invaluable contribution – a contribution impossible to recognise fully in a few words on a sheet of paper.

However, change brings opportunity, and the Nominations Committee is well advanced, using the services of an independent search firm, in the selection of two new Directors from an impressive list of candidates to replace Charles and Michael when they retire.

Finally, the contribution of each and every one of the people who work in this Group cannot be overstated. Led by an Executive team strengthened the year before last by Richard Charkin's arrival – now



Bloomsbury Hits The Top Spot



a key management asset of the Group – it is they who have ensured that its strategy is executed and its ethos and culture developed and enhanced. The acquisitions have brought with them talent and skills which have enriched Bloomsbury and the conditions of the last two years have toughened and seasoned the entire team. On behalf of the Board and all the stakeholders of this Group, they have our sincere thanks.

In summary, driven by a team of dedicated professionals working throughout this Group, it is the Board's intention that Bloomsbury will continue to change and adapt to the rapidly developing dynamics of the publishing industry. It is far from certain that the turbulence of the past two years is over, but the Group is well placed to exploit the opportunities of the future.

Jeremy Wilson
Chairman
30 March 2010

1 **Harry Potter and the Deathly Hallows**
by JK Rowling

18 **The Kite Runner**
by Khaled Hosseini

20 **Schott's Original Miscellany**
by Ben Schott

67 **Imperial Life in the Emerald City**
by Rajiv Chandrasekaran

85 **The Little Friend**
by Donna Tartt

Business Review: Chief Executive's Statement

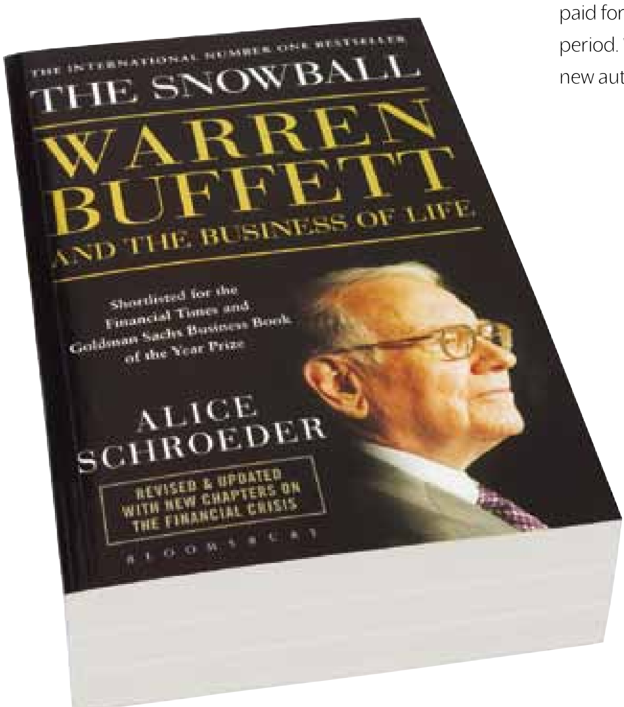
Overview

This excellent set of results, ahead of consensus market forecasts and in a difficult environment against a strong comparative year, demonstrates the strength of the portfolio of revenue streams in the Group. The growth in the Specialist Division was augmented by the acquisitions of the legal and tax publisher Tottel, now renamed Bloomsbury Professional, and the Hodder Education Humanities list. Both have performed well and made good contributions to the Group.

In the second half of 2009 the Trade Division launched one of its strongest lists to date. Major titles included *River Cottage Every Day* by Hugh Fearnley-Whittingstall, *The Fat Duck Cookbook* by Heston Blumenthal and *Ordinary Thunderstorms* by William Boyd. Major backlist sellers included *A Thousand Splendid Suns* and *The Kite Runner* by Khaled Hosseini, *Eat, Pray, Love* by Elizabeth Gilbert, the seven Harry Potters, *The Suspicions of Mr Whicher* by Kate Summerscale and *The Guernsey Literary and Potato Peel Pie Society* by Mary Ann Shaffer and Annie Barrows.

In November 2009 Borders, the UK retail bookshop chain, closed. While the amount owed to us by Borders was covered by existing bad debt provisions, the long-term impact is a reduced number of high-street booksellers. At the same time we are seeing an increase in online book sales, partially offsetting the high-street retail decline.

E-book revenues are small but growing and there has been a considerable uplift in activity in the last twelve months including the Amazon Kindle released internationally. We are looking for opportunities to create new revenue streams from our digital files by content aggregation and innovative marketing.



Financial Performance

Revenue for the Group was £87.22m (2008, £99.95m including *Harry Potter and the Deathly Hallows* in paperback and *The Tales of Beedle the Bard*). Revenues from the UK were £58.89m (2008, £71.06m). Revenues from the US were £18.78m (2008, £17.32m). Revenues from Continental Europe generated by Berlin Verlag were £9.55m (2008, £11.57m).

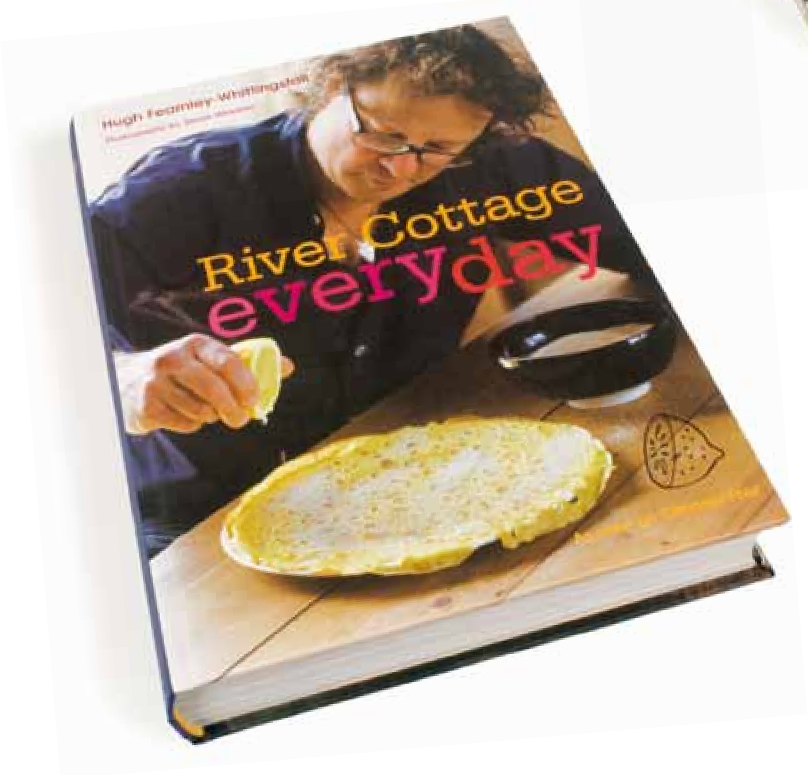
The Board manages the financial performance of the Group based on the geographic location of its operating units and subsidiaries. Accordingly, the paragraphs which follow discuss financial performance separately for operations based in the UK, North America and Continental Europe. The Group has also entered into various arrangements to provide management services to entities in Qatar. These entities are not controlled by the Group and accordingly are not consolidated. The Group earns management and consultancy income from these contracts and financial performance under these contracts is discussed according to the geographic location of the Bloomsbury operating unit providing these services.

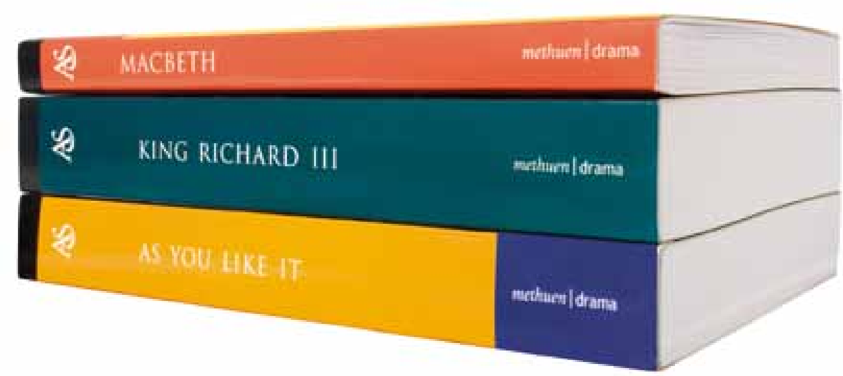
Profit before tax for the Group was £7.13m (2008, £11.63m). Profit before tax before intangibles amortisation and goodwill impairment was £7.71m (2008, £11.85m). Basic earnings per share was 6.77 pence (2008, 10.67 pence). Diluted earnings per share was 6.74 pence (2008, 10.67 pence). Basic earnings per share before intangibles amortisation and goodwill impairment was 7.56 pence (2008, 10.96 pence). Diluted earnings per share before intangibles amortisation and goodwill impairment was 7.53 pence (2008, 10.96 pence).

At the year end the Group had net cash balances of £35.04m (2008, £51.91m) after the net cash consideration of £10.31m (2008, £7.43m) paid for the two (2008, four) acquisitions made during the reporting period. We continue to invest in future growth through acquiring new authors and titles and specialist publishing companies. Our strong balance sheet puts us in an excellent position to take advantage of these opportunities as they arise. As at 31 December 2009 the Group had under contract 1,073 titles (2008, 1,139) for future publication, with a gross investment of £23.7m (2008, £26.4m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £13.4m (2008, £15.6m). The reduction in the number of titles in our forward publishing programme is part of our strategy to give greater focus on each title published and increase the potential to create bestsellers.

UK

The UK performance was very good even compared to the previous year which saw the release of *Harry Potter and the Deathly Hallows* in paperback.





Business Review: Chief Executive's Statement

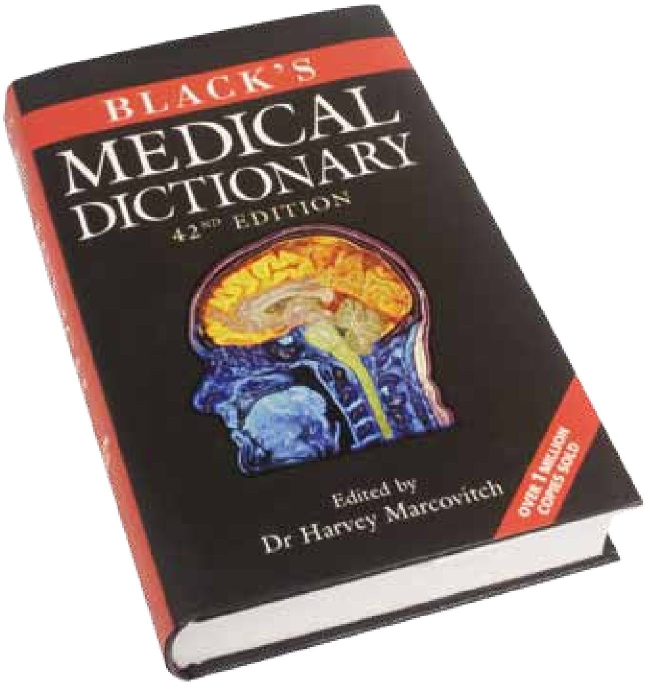
Bloomsbury increased its presence in academic and professional publishing with the acquisition of Tottel Publishing, now renamed Bloomsbury Professional, and Hodder Education's Higher Education Humanities list in July. Both have comfortably matched our expectations for 2009. The Bloomsbury Professional list has proved highly resilient in the face of the difficult economic climate. Many of the titles remain essential publications and are part of routine expenditure by law and accounting firms.

Notable successes in 2009 included *Documentary Credits* (4th ed) and *Joint Ventures and Shareholders' Agreements* (3rd ed), both aimed at the top end of the commercial law market. Subscription and loose-leaf publishing remained strong throughout the year. *The Irish Legal System* (5th ed), the standard first year undergraduate text book, was a major success. The Scottish law market held up extremely well, and 2nd edition of *Drafting Wills in Scotland* was well received. The key to driving revenue growth for Bloomsbury Professional is the migration of our content to an online platform. We are also continuing to search for law and tax acquisitions to build critical mass.

At Berg, our Oxford-based academic publisher, sales in 2009 exceeded expectations, with impressive growth in journals sales. Berg has launched seven journals in the past four years and acquired three, and the investment in these new titles is now resulting in double digit growth in revenue both in 2009 and projected for 2010. Subscription publications are more recession-resistant than other print products, are less price sensitive, are sold direct to the customer at low discount and subscription income is received upfront. Berg's journals are essential for academics in their respective subject areas and are less susceptible to library cuts. Berg's sales to the higher education sector, as with other lists in the Specialist division, have benefited from the 6% increase in student numbers in the UK since September 2009. These counter-cyclical qualities are another reason for Bloomsbury's increased investment in professional and academic publishing.

A&C Black

Featherstone Education

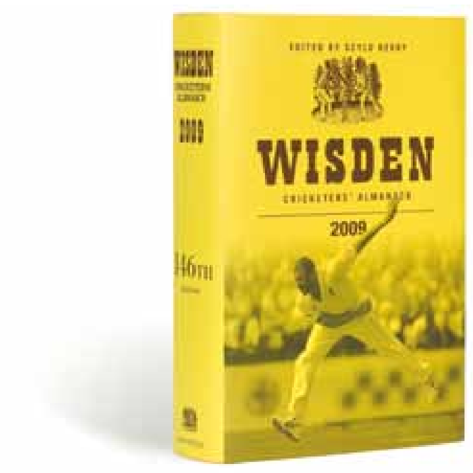


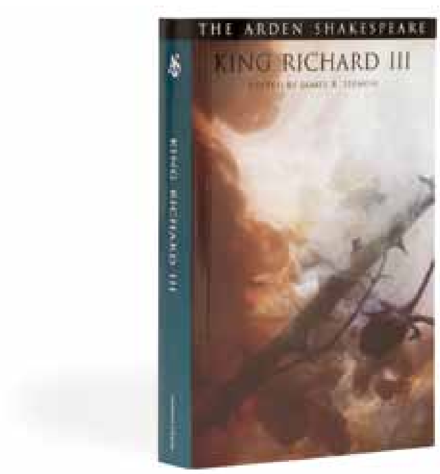
Bloomsbury Academic's digital platform will be launched in May 2010 and the digital subscription-based Berg Fashion Library in May 2010, a substantial academic resource aimed at academics and students of fashion, costume and the applied arts, which will be sold and distributed by Oxford University Press ('OUP'). The fit between the Berg Fashion Library and OUP's Grove Dictionary of Art is excellent. Berg has recently agreed an image bank partnership with the Victoria and Albert Museum to display its costume images within the Library. Later in 2010 we are publishing the ten-volume *Berg Encyclopedia of World Dress and Fashion*. This monumental work, the work of hundreds of scholars and experts worldwide, will be Bloomsbury's most substantial new reference work in 2010.

Several long-term projects are under way in the Gulf. In September 2008 a publishing company was established in Doha by the Qatar Foundation which will publish children's books, novels, non-fiction for adults and children, academic monographs and reference works both in Arabic and in English. The mission of Bloomsbury Qatar Foundation Publishing (BQFP) is also to promote reading and writing development and to transfer publishing skills into Qatar. Excellent progress was made on all fronts during 2009 under our

WISDEN
CRICKETERS ALMANACK

THE ARDEN SHAKESPEARE





Business Review: Chief Executive's Statement

management service contract with Qatar Foundation. BQFP brought out a dual-language Arabic/English edition of *The Selfish Crocodile* in April 2009 to mark Qatar's first World Book Day which BQFP spearheaded in association with the UK's World Book Day organisation and Qatar University. BQFP also hosted book groups, writing and reading courses and other reading development initiatives. The first publishing list will be launched in April with the Arabic language edition of the *The Gruffalo* as the lead children's title and on the adult side *Nothing To Lose But Your Life* (in Arabic and English) by Suad Amiry, the Palestinian writer whose first novel *Sharon and My Mother-in-Law* was an international success. The cultural collaboration of Britain and Qatar will be celebrated by a reception hosted by Her Majesty the Queen and the Duke of Edinburgh at Windsor Castle in April to mark the launch of Bloomsbury Qatar Foundation Publishing.

In September we published *QFINANCE – The Ultimate Resource*. The website (www.qfinance.com) and the book were launched with major events in Doha, London and New York. *QFINANCE*, the result of Bloomsbury's partnership with the Qatar Financial Centre Authority, is a comprehensive information resource focused on best practice for finance professionals.

Bloomsbury Academic

In 2009 Bloomsbury Academic implemented its organic growth strategy and also acquired the 300 title upper level Humanities textbook backlist from Hodder Education. Textbook sales exceeded expectations as student numbers expanded during the year. Earlier in the year iFactory was appointed to develop the Bloomsbury Digital Platform. Bloomsbury Academic will be the first imprint of the Group launching its new website on the platform in the spring of 2010. Academic library purchasing, which is core to the monograph programme, is moving to e-books quite rapidly now, especially in the USA. The transition to e-book sales holds exciting opportunities as multimedia content is added by authors to enhance scholarly communications.

Arden Shakespeare, acquired in December 2008, was incorporated into our core drama list alongside Methuen Drama. The list has already benefited from Methuen Drama's specialist sales and marketing in the UK. In the USA Arden was launched as part of the new US publishing division, Bloomsbury Academic and Professional. Arden released *Double Falsehood* in March 2010, the controversial play which Shakespeare was said to have contributed to.

Bloomsbury Professional

John Wisden and Co is now fully integrated into A&C Black. Sales of the Almanack were increased in 2009, partly as a result of a marketing partnership with the county cricket boards and the Middlesex County Cricket Club. *Wisden Cricketers' Almanack* was published in e-book format for the first time in 2009, along with an e-book Wisden Collection for libraries.

In response to the growing number of e-book retailers and increased demand for digital content, more than one thousand of A&C Black books will be offered for sale as e-books in 2010. Two significant new ornithology e-book collections in 2010 will be *The Poyser Library* and *The Helm Family Guides*, which will be available as e-books and as print on demand editions. Many of these titles have long been out of print and are sought after by collectors and ornithologists.

We will also be publishing with a range of partners who link us to our markets, including The Federation of Small Businesses (*Good Small Business Guide*), The Royal Shakespeare Company (*The RSC Toolkit for Teachers*), The RSPB (including *Gardening for Wildlife*) and The Wildlife Trust (*Birds in Your Garden*). We have also entered into an important new CD-publishing agreement for theatre titles with The Royal Academy of Dramatic Art (RADA).

Berg Publishing

Bloomsbury Information

BQFP, BQFJ

Business Review: Chief Executive's Statement

2009 was a year where we benefited from enduring bestsellers across the Adult list, many of them from our backlist. One of the strongest sellers in the year was Kate Summerscale's *The Suspicions of Mr Whicher*, winner of the Samuel Johnson Prize, Richard & Judy Bookclub Best Read and the Galaxy Book of the Year, reaching No. 1 on *The Sunday Times* non-fiction paperback bestseller list. The two Khaled Hosseini novels, *The Kite Runner* and *A Thousand Splendid Suns*, sold strongly all year. Our word-of-mouth bestseller, *Eat, Pray, Love*, continues to sell robustly with a film starring Julia Roberts in the pipeline. We had a Richard & Judy bookclub title in Sue Miller's new novel, *The Senator's Wife*, an Orange Prize shortlist in Kamila Shamsie's *Burnt Shadows* and a new word-of-mouth bestseller in *The Guernsey Literary and Potato Peel Pie Society* by Mary Ann Shaffer and Annie Barrows. New novels were published by three of Bloomsbury's biggest authors – Margaret Atwood, John Irving and William Boyd – and by a new author to our list, Colum McCann, with his novel *Let the Great World Spin*, which won the National Book Award and went to No. 1 in the Irish bestseller list.

Non-fiction bestsellers included *The Last Fighting Tommy*, *The Life of Harry Patch*; Richard van Emden's *Sapper Martin; Family Britain*, David Kynaston's follow up to *Austerity Britain*; and the follow up to Al Gore's bestseller *Inconvenient Truth, Our Choice*. 2009 also saw the addition to the list of Monty Don with his *Ivington Diaries* and the extraordinary success of two food titles: *River Cottage Every Day* by Hugh Fearnley Whittingstall and *The Fat Duck Cookbook* by Heston Blumenthal.

2010 got off to a great start with the new Elizabeth Gilbert, *Committed; Operation Mincemeat*, the new book by Ben McIntyre (author of bestseller *Agent Zigzag*), was number 1 for four weeks; and the paperback of Liz Jensen's *Rapture* was chosen for the new TV Book Club. Highlights of the year ahead also include the film tie-in edition of *Eat, Pray, Love*, the paperback of William Boyd's *Ordinary Thunderstorms*, and new novels by Barbara Trapido, Sue Miller and Jon McGregor, whose *Even the Dogs* has been tipped for the Man Booker Prize. Highlights for the autumn in non-fiction include the *Authorised History of the Secret Intelligence Service* and a companion to the hit TV series *Cranford*. We continue to build our highly successful food list, to concentrate on building and promoting our backlist and we will also be publishing more up-market crime fiction. Five crime novels will be published in 2010 and the ex chief of MI5, Stella Rimmington, has joined Bloomsbury with a two-book deal. We continue to find and nurture new talent. We will publish eight first

Adult

novels in 2010, one of which has been chosen for a major bookshop promotion, and another of which has been longlisted for the Impac Prize.

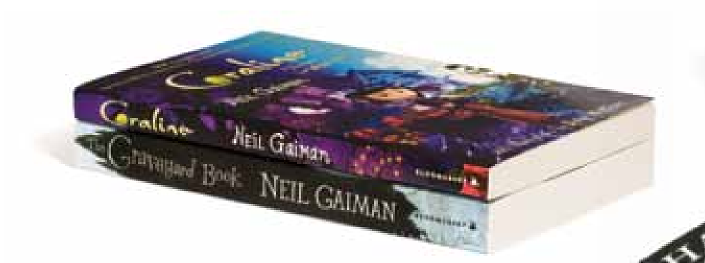
On the Children's list *The Graveyard Book* by international best-selling author Neil Gaiman was published simultaneously in an adult as well as a children's edition. It won the Teenage Children's Book Award and has been longlisted for the Carnegie Medal. *Troubadour* by Mary Hoffman was shortlisted for the Costa Award for Children's Literature.

Harry Potter performed extremely well during the year and sales increased on the back of the success of the sixth film, *Harry Potter and the Half-Blood Prince*. Sales of the boxed sets were particularly good. We have an extensive programme of rejacketing Harry Potter which will be launched in July. The film of HP7 is released in November.

In June 2010 we have a new book by bestselling author of *Holes* Louis Sachar entitled *The Cardturner*.

We launched Bloomsbury's Public Library Online in May 2009, a concurrent-user online-access subscription service to deliver themed digital bookshelves into UK public libraries. Themes include Reading Groups, Children's History, Teen Fiction, *Wisden* and *Arden Shakespeare*. Online access sold on a subscription model is a proven digital delivery model for reference books which we have extended to trade fiction and non-fiction. This has already sold into many library authorities nationwide providing online access to 3.5m potential users. In March 2010 we rebranded as Bloomsbury's Public Library Online. Faber have joined it with a Poetry shelf and Quercus with a Crime shelf, including the international bestselling author Stieg Larsson. We are in discussion with other UK publishers with a view to expanding this initiative to provide a wide range of bestsellers digitally to UK public libraries enabling them to remain relevant to their local communities. Berlin Verlag has also launched a German language version and there is potential for further overseas development.

Children's



Business Review: Chief Executive's Statement

US

The US turned in a good performance for the year. The Academic list was also launched. In 2010 the A&C Black list, which has previously been sold by a third-party agency, will become part of the new Bloomsbury Academic and Professional Division in the US. The Methuen and Arden lists are already being sold through the Division and are becoming a significant force in the US drama market. The benefits of this strategy are bearing fruit as it is enabling greater focus on growing the lists by means of a dedicated US marketing team, a presence at the major academic conferences and countrywide sales representation. Berg's US list will join them in 2011.

Bloomsbury's new relationship in Qatar agreed in December 2009 is to develop a global academic and research journals publishing business for Qatar Foundation in Doha using the Open Access publishing model via a digital online publishing portal. This venture is owned by Qatar Foundation and will be managed by Bloomsbury Information Limited. These long-term database and management contracts with leading organisations are part of our strategy to grow the specialist business.

My Horizontal Life was in the top 15 on *The New York Times* paperback non-fiction list every week during 2009. *Logicomix* was on *The New York Times* paperback graphic novel bestseller list for 18 weeks and *Methland* two weeks on the extended *The New York Times* hardcover non-fiction bestseller list. The Children's list had a number of strong performing titles including *Perfect Chemistry* by Simone Elkeles, *Freckleface Strawberry* and *The Dodgeball Bully* by Julianne Moore which was on *The New York Times* bestseller list for six weeks. Disney released *The Princess and the Frog* which is based on ED Baker's *The Frog Princess* published by Bloomsbury USA and this has provided the opportunity to re-promote her backlist.

Germany

The German market proved to be a difficult one for Berlin Verlag with its first operating loss since 2004. Some key titles did not meet expectations including the paperback of Jonathan Littell's *Die Wohlgesinnten*, the hardcover of which had been a major bestseller in the previous year. The backlist continued to hold up well with ongoing sales from Khaled Hosseini's *The Kite Runner* as well as Elizabeth Gilbert's *Eat, Pray, Love*. The paperback publication of Khaled Hosseini's *A Thousand Splendid Suns* quickly made its way to the top of the bestseller list and became one of the top selling titles of the year for Berlin.

Working closely with customers we have made reductions in the initial print runs for books which has reduced the risk of overstocks. The print contract for the paperback list was moved to the UK at the beginning of 2010 as UK prices are considerably lower.

Berlin Verlag sells and distributes Bloomsbury UK's English language books and the underlying revenues have seen a consistent year-on-year increase. Building on the success of this we have moved A&C Black and Arden from their third-party sales agency arrangements to Berlin's sales force in January 2010. This will give increased focus on the list and will also retain within the Group the commission paid on those sales. This revenue stream is also growing as Berlin now provides sales and distribution to other publishers. . Two publishers, Parthas and Blumenbar, are due to join in 2010.

Berlin is a trade publishing house and its performance is driven by the number of bestsellers it publishes each year. To provide greater earnings potential we will be starting an English and German language academic business in 2010 specialising in the Humanities and Social Sciences. The first titles will be published in 2011.

Dividend

The Directors are recommending a final dividend of 3.65 pence per share (2008, 3.47 pence) making a total of 4.43 pence per share (2008, 4.22 pence) for the year. This represents a 5% increase in the full-year dividend. The final dividend will be payable on 1 July 2010 to Ordinary shareholders on the register at the close of business on 21 May 2010.

Management and staff

I would like to thank all my colleagues for their tremendous contribution in a very busy year where we have seen major strategic as well as operational achievements. I would also like to thank Charles Black and Mike Mayer, who will retire as Non-Executive Directors during the year, for their profound contribution to the Board. They will be greatly missed.

Current trading, developments and prospects

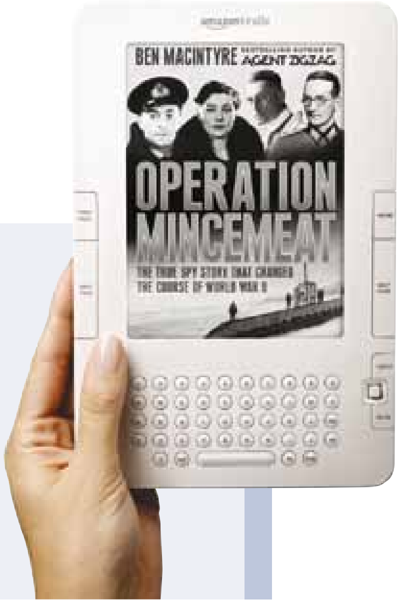
We have a strong balance sheet with in excess of £35m on deposit, and, though investment income will be less than in 2009 due to the reduction in interest rates and lower average cash balances, we are in a good position to expand our Specialist operation in the UK, US and Germany as we make new acquisitions, and to pursue organic growth for our existing Divisions.

> 'This is a strong set of results, achieved under difficult trading conditions, and demonstrates the strength of our increasingly diverse revenue streams. We have further strengthened our academic and professional division with the two new acquisitions.'

Nigel Newton Chief Executive

Bloomsbury digital expansion

E-book revenues are small but growing and there has been a considerable uplift in activity in the last twelve months including the Amazon Kindle released internationally. We are looking for opportunities to create new revenue streams from our digital files by content aggregation and innovative marketing.



For the 2010 financial period we will be moving the year-end to the end of February. The 2010 interim will be to 30 June and we will have an additional interim report as at 31 December with a full period-end reporting on 28 February 2011. With the sixty day reporting deadline for the interim accounts we are finding it increasingly difficult to see shareholders and get the maximum level of press coverage as many other companies announce their results at the same time. This change will enable us to identify returns of unsold copies we will receive from the book trade after the Christmas selling season.

This is a strong set of results, achieved under difficult trading conditions, and demonstrates the strength of our increasingly diverse revenue streams. We have further strengthened our academic and professional division with the two new acquisitions. Trading has been excellent in the first quarter of 2010 with a range of new bestsellers (including the No. 1 bestseller *Operation Mincemeat*) and a major six figure rights deal in January.

The two Qatar management services partnerships will have an important year in 2010. Three major movies, *Nanny McPhee and the Big Bang; Eat, Pray, Love;* and *Harry Potter and the Deathly Hallows Part One*, will drive further sales of these proven bestsellers in 2010. The success of Bloomsbury's Public Library Online initiative and other Bloomsbury innovations will see us at the forefront of the digital opportunity. The marketplace will remain rocky in 2010 and will continue to throw the unexpected at all businesses but I am confident that Bloomsbury is as well positioned as it could be to prosper in this environment with our high hit rate in trade publishing, our expansion in academic and professional publishing, our strong balance sheet and our entrepreneurial mission.

Nigel Newton
Founder and Chief Executive
30 March 2010

Business Review: Financial Review

Results

Revenue for the Group for 2009 was £87.22m (2008, £99.95m). The Group was working against a strong comparative year with the publication of *Harry Potter and the Deathly Hallows* in paperback and *The Tales of Beedle the Bard* in 2008. Bloomsbury had a very good second half weighted publishing programme in 2009 with strong performances in both the UK and the US.

Bloomsbury's segmental analysis is by geographic breakdown, which follows the Group's international publishing strategy. Revenue in the UK was £58.89m (2008, £71.06m). *Harry Potter and the Deathly Hallows* paperback and *The Tales of Beedle the Bard* were published in 2008. There were strong sales performances in 2009 from *River Cottage Every Day* by Hugh Fearnley-Whittingstall, *The Fat Duck Cookbook* by Heston Blumenthal, *The Suspicions of Mr Whicher* by Kate Summerscale and *The Guernsey Literary and Potato Peel Pie Society* by Mary Ann Shaffer and Annie Barrows. A number of backlist titles performed well with continued sales from *A Thousand Splendid Suns* and *The Kite Runner; Eat, Pray, Love;* and Harry Potter. Profit before investment income, finance costs and tax in the UK was £6.57m (2008, £8.15m). US revenue was £18.78m (2008, £17.32m) which was primarily due to the success of titles including *My Horizontal Life* by Chelsea Handler, *The Nasty Bits* by Anthony Bourdain and *The Fat Duck Cookbook*. Profit in the US before investment income, finance costs, tax and central costs recharged from the UK was £0.45m (2008, £0.38m). For Continental Europe, revenue, which was generated by Berlin Verlag, was £9.55m (2008, £11.57m). Berlin was operating in a difficult market which resulted in some key titles that did not meet expectations including the paperback of Jonathan Littell's *Die Wohlgesinnten* which was a bestseller last year in hardback. The lower revenue contributed to a loss before investment income, finance costs, tax and central costs recharged from the UK of £0.57m (2008, profit £0.19m). A recovery is expected in 2010 and further reductions in the cost base are being made.

The Group's divisional structure is split into three main operating areas: Children's, Adult and Reference publishing. Under the current Group structure Children's and Adult form the Trade Publishing Division, and Reference the Specialist Publishing Division. All three Divisions operate in the UK, US and Germany. For 2009 the breakdown of revenue between the three areas was: Children's 26% (2008, 38%), Adult 44% (2008, 42%) and Reference 30% (2008, 20%).

Revenue in Children's was £22.98m (2008, £38.33m). *Harry Potter and the Deathly Hallows* paperback and *Beedle the Bard* were published in 2008. Harry Potter continued to perform well as did *The Graveyard Book* by Neil Gaiman. Gross profit for Children's for 2009 was £11.55m (2008, £17.10m). The reduction in gross profit was due to a strong 2008 comparative along with a write-back in the returns provision in 2008 of £5.1m which related to the provision brought forward in 2007. Contribution before administrative expenses was £8.35m (2008, £13.65m).

Adult revenue was £37.89m (2008, £42.03m). 2008 benefited from the UK paperback publication of *A Thousand Splendid Suns*. Although revenue decreased, a number of titles continued to sell well including *The Kite Runner* (UK and Germany), *A Thousand Splendid Suns* (UK and Germany), *Eat, Pray, Love* (UK and Germany), *The Fat Duck Cookbook* (UK and USA), *The Guernsey Literary and Potato Peel Pie Society* (UK), *The Suspicions of Mr Whicher* (UK) and *River Cottage Every Day* (UK). Gross profit for Adult for 2009 increased 16.4% to £17.84m (2008, £15.32m), with the contribution before administrative expenses up 38.3% to £11.02m (2008, £7.97m). The main reason for the increase in gross profit was lower provisions against unearned advances being charged in the year. In 2008 there was an additional advance provision made of £5.4m.

Reference revenue increased 34.5% to £26.35m (2008, £19.59m). The revenue growth was primarily due to the full year impact of the 2008 acquisitions of Featherstone, Berg, Wisden and Arden Shakespeare and revenues from the acquisitions of Tottel Publishing, renamed Bloomsbury Professional, and Hodder Education's Higher Education Humanities list in July. The gross profit for 2009 was up 29.2% to £13.99m (2008, £10.83m), with the contribution before administrative expenses up 24.2% to £8.57m (2008, £6.90m).

Rights revenue, which includes subsidiary rights, electronic database income, management contracts and income derived from third-party agencies, was £9.23m (2008, £9.30m). The contribution attributable to this revenue was £6.64m (2008, £5.84m). The increase in contribution was due to a combination of reasonable margin deals concluded along with profit being recognised on deliverables under existing contracts. £4.94m (2008, £4.50m) of the profit was generated in the Specialist Publishing Division and £1.70m (2008, £1.34m) was generated in the Trade Publishing Division.

Gross profit for the Group for the year was £43.38m (2008, £43.25m). Gross profit margin increased to 49.7% (2008, 43.3%). The increase in the gross profit margin was primarily due to lower royalty costs charged to the income statement than in 2008, lower provisions against unearned advances and the increased contribution from higher margin rights revenues. Royalty costs decreased to £10.03m (2008, £13.96m) and represented 11.5% of revenues (2008, 14.0% of revenues). Royalty rates vary according to the type of books published in the year. Provisions against unearned advances charged to the income statement were £3.44m (2008, £9.13m) and represented 3.9% of revenues (2008, 9.1% of revenues). Books returned by customers are credited to the returns provision. Within the overall returns provision charge for the year, there was a write-back in the returns provision relating to changes in assumptions made in respect of the provision brought forward from 2008 which, as a result of the level of returns actually received during 2009, is no longer required. The value of the write-back to the income statement is £0.58m (2008, £5.16m). Stock provisions charged to the income statement decreased to £2.21m (2008, £2.83m) and represented 2.5% of revenues (2008, 2.8% of revenues).

Business Review: Financial Review

Marketing and distribution costs increased by 4.7% to £15.44m (2008, £14.74m). £0.8m of the increase was due to adverse exchange rate movements on the euro and US dollar. In addition, in 2008 there was a number of high value revenue generating titles which incurred a lower distribution charge as a proportion of revenue. Administrative expenses before amortisation of intangible assets increased 5.9% to £21.19m (2008, £20.01m); £0.99m of the increase was due to adverse exchange rate movements on the euro and the US dollar and £0.60m related to overheads on the acquisition of Tottel Publishing. The IFRS 2 options charge for the year was £0.09m (2008, £0.19m).

Profit before investment income, finance costs and taxation was £6.17m (2008, £8.40m). Profit before investment income and amortisation of intangible assets and goodwill impairment was £6.85m (2008, £8.61m).

Investment income decreased to £1.11m (2008, £3.29m) as a result of lower average cash balances during the year and lower rates of interest earned on those balances.

The effective corporation tax rate for the year was 30.1% (2008, 32.6%). The decrease in the rate from 2008 mainly reflects the write-back in an overprovision from prior years. The Group continues to recognise deferred tax assets in respect of brought forward tax losses of Bloomsbury USA and Berlin Verlag which we expect will be utilised in the foreseeable future.

Basic earnings per share was 6.77 pence (2008, 10.67 pence). Diluted earnings per share was 6.74 pence (2008, 10.67 pence). Basic earnings per share before amortisation of intangible assets and goodwill impairment was 7.56 pence (2008, 10.96 pence). Diluted earnings per share before amortisation of intangible assets and goodwill impairment was 7.53 pence (2008, 10.96 pence).

BALANCE SHEET

Non-current assets

Intangible assets increased to £37.60m (2008, £27.54m) primarily due to the acquisition of two companies during the year, namely legal and tax publisher Tottel, now renamed Bloomsbury Professional, and the Hodder Education Humanities list.

Current assets

Inventories decreased 1.4% to £16.35m (2008, £16.59m). Underlying stock holding has remained relatively stable over the last twelve months. On a like-for-like basis with 2008 overseas stocks benefited with a positive exchange movement of £0.56m which was partially offset with new inventories on the acquisition of Tottel and the Hodder Education Humanities list.

Trade and other receivables decreased 3.0% to £47.51m (2008, £48.98m). Trade receivables decreased 5.8% to £21.60m (2008, £22.94m). The level of receivables at the end of the year reflects the lower revenues during the year and the stronger second half weighting of the publishing programme. 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 £6.51m (2008, £7.78m) for future returns relating to 2009 and prior year sales has been carried forward in trade receivables at the balance sheet date. This provision at margin represents 7.5% (2008, 7.8%) of revenues. Within trade and other receivables, prepayments and accrued income decreased 1.1% to £25.42m (2008, £25.71m). Net provisions of £3.44m (2008, £9.13m) against advances to authors on titles published ("advance provisions") were made during the year. Within prepayments and accrued income there were provisions brought forward on titles of £1.61m (2008, £nil) that were no longer required. This amount has been used to provide against other titles where those amounts are considered not to be recoverable. There was also a reduction in the amount invested in future unpublished titles which is part of our strategy to give greater focus for each title published and increase the potential to create bestsellers.

Equity and liabilities

As at 31 December 2009 total equity stood at £112.68m (2008, £113.67m). The decrease was due to retained earnings of £1.87m (2008, £4.76m) offset by the translation loss on consolidation of the assets and liabilities of overseas subsidiaries in other comprehensive income of £2.95m (2008, gain £8.45m), partially offset by the increase in the share-based payment reserve due to the share-based payment charge for the year of £0.09m (2008, £0.19m), which is also included in retained earnings.

Current liabilities decreased 26.6% to £24.16m (2008, £32.92m). Accruals and deferred income, which is included in trade and other payables, decreased to £15.39m (2008, £24.01m). Accruals and deferred income includes royalty payments to authors, which vary from year to year depending on revenue and the authors' royalty rates which typically escalate on triggered thresholds as volume sales increase.

Cash flow

The Group had a net cash outflow from operating activities before tax of £2.56m for the year (2008, £16.34m cash inflow). This was mainly attributable to royalty payments on books sold in the second half of 2008 with the royalty due to authors at the end of March 2009. Corporation tax paid during the year was £1.73m (2008, £6.18m). During the year £1.41m (2008, £3.03m) of interest was received from deposits, and £3.13m (2008, £2.98m) of dividends were paid. £10.31m, net of cash acquired, was spent on the two businesses acquired during the year (2008, £7.43m). The Group's cash on the balance sheet as at 31 December 2009 was £35.04m (2008, £51.91m).

Colin Adams ACA
Group Finance Director
30 March 2010

Business Review: 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 were taken and processes were in place during the year, and up to the date of approval of this report, for identifying, evaluating and managing significant risks. These processes were regularly reviewed by the Board and were in accordance with the Turnbull guidance.

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 factors 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 and uncertainties to the business fall into the following three categories:

Title Acquisition

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

Consumers may not buy a book that has been sold to retailers, and unsold books are returned for credit. Also, customers seek 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

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 back-up of electronic files. The performance of our key print and distribution suppliers is regularly monitored.

Business Review: 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 Group's short-term 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 through the Company's share option schemes to own shares in the Company. Regular employee meetings are set up, aimed at consultation, so that employees' views are taken into account. Information about the Group's affairs, including financial and economic factors affecting the Group's performance, is communicated to employees through regular management meetings, electronic noticeboards, intranet and social events.

Health and Safety

The Group 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 Group 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.

Employment of disabled persons

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

Social Responsibility

The Group 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 Group was able to provide support for this global initiative, established in 1995 by the United Nations Educational, Scientific and Cultural Organization (UNESCO) with the objective of promoting and celebrating books and reading amongst children and adults.

The Group was also pleased to support the Puntland and Sri Lanka Tsunami reconstruction project through its continued partnership with 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.

Ethical Behaviour

Bloomsbury is committed to, and expects its employees to exercise, high ethical and moral standards at all times whilst representing the Group. Bloomsbury also expects all relationships with customers, suppliers and other third parties to be conducted on a sound ethical footing. The Group 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 supporter of, and participant in, various charities and initiatives. Charitable donations of £100 were made by the Group during the year (2008, £3,500). In addition, the Group was able to support numerous schools, libraries and other organisations, including charities such as Barnados, Oxfam and Shelter, with significant donations of books. The Group also did special printings of children's books at very high discounts for The Book Trust for the national Booked Up programme which provides free books to school children.

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

The Environment

The Group 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 monitor waste and greenhouse gas emissions and in accordance with the 2006 Government Guidelines, *Environmental Key Performance Indicators, Reporting Guidelines for UK Businesses*, these measurements, as carried out by Trucost, are set out below.

Greenhouse Gases

We report our consumption of natural gas, vehicle fuel and electricity in kWh, converted to CO_2-e following the latest protocols provided by the Department for Environment Food, and Rural Affairs (Defra 2009). Emissions have been categorised against the Greenhouse Gas Protocol scopes of reporting.

Business Review: Corporate Responsibility

Scope 1 Direct Impacts

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity Absolute Tonnes CO_2-e		Normalised Tonnes CO_2-e Per £m Turnover	
			2008	2009	2008	2009
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.	98	55	0.98	0.63
Company Cars	Emissions from petrol consumption	Yearly consumption in litres calculated from fuel bills. Converted according to Defra Guidelines.	76	32	0.76	0.37
Total Scope 1			174	87	1.74	1.00

Scope 2 Supply Chain Impacts (Purchased Electricity)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity Absolute Tonnes CO_2-e		Normalised Tonnes CO_2-e Per £m Turnover	
			2008	2009	2008	2009
Electricity Use	Directly purchased electricity, which generates Greenhouse Gases including CO_2-e 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.	279	215	2.79	2.46

The Group 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.

Waste

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

Waste	Definition	Data Source and Calculation Methods	Quantity Absolute Tonnes		Normalised Tonnes Per £m Turnover	
			2008	2009	2008	2009
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 in the UK operations. Data scaled to estimate annual volume and volume for operations in the US and Germany offices.	50.1	55.2	0.50	0.63
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 to estimate annual volume and volume for operations in the US and German offices	40.6	36.3	0.41	0.42

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.

Water consumption

Indirect Impacts

Water	Definition	Data Source and Calculation Methods	Quantity Absolute Cubic Metres		Normalised Cubic Metres Per £m Turnover	
			2008	2009	2008	2009
Water consumption	Directly purchased water	Yearly volume of water purchased, calculated from German bills. Data scaled up by number of employees to estimate consumption for operations in the US and UK offices.	5,235	2,848	52.38	32.7

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 also encourage 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 several of our main Far Eastern colour printers.

Since December 2005 the majority of our mono hardback and trade format paperbacks manufactured in the UK have been printed on *FSC certified mixed sources papers. The use of FSC accredited papers was extended in 2008 to include our UK produced mass market paperbacks, and this continues to be the case to date. During 2009 we used FSC accredited stocks in the majority of our colour titles produced in the UK and Europe. Where possible, the Group seeks to use paper produced from 100% post-consumer waste recycled pulp (PCW).

Board of Directors

Executive Directors

Nigel Newton

Executive Directors

Nigel Newton is the founder and Chief Executive of Bloomsbury Publishing. He was born and raised in San Francisco and is a dual citizen of the US and UK. He read English at Cambridge. After working at Macmillan Publishers, he joined Sidgwick & Jackson. He left Sidgwick in 1986 to start Bloomsbury. Bloomsbury floated on The London Stock Exchange in 1994 and has grown organically and through strategic acquisitions and partnerships. Bloomsbury publishes over 1,000 books a year and employs 348 people in the UK, USA and Germany. Bloomsbury authors include JK Rowling, John Irving, David Guterson, Margaret Atwood, Michael Ondaatje, Daniel Goleman, Ben McIntyre, Kate Summerscale, Elizabeth Gilbert, Heston Blumenthal, Hugh Fearnley Whittingstall and Khaled Hosseini.

Nigel Newton serves as President of Book Aid International, Member of the Man Booker Prize Advisory Committee, Chairman of The Charleston Trust, Trustee of The Asham Literary Trust, Trustee of The Garrick Charitable Trust, past Chair of World Book Day (2006), past member of the Publishers Association Council, St Patrick's Church, Soho Square Executive Committee member, and Chairman of Rescue The Cuckmere Valley.

Colin Adams ACA

Group Finance Director

Colin Adams ACA is Group Finance Director. He qualified as a chartered accountant with KPMG before joining CAM Galaxy Holdings Limited 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 Limited, Bloomsbury Professional Limited and Berlin Verlag, as well as Executive Vice-President of Bloomsbury Publishing Inc.

Richard Charkin

Executive Director

Richard Charkin joined the Bloomsbury Board as an Executive Director in October 2007. 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 and Executive Director of Verlagsgruppe Georg von Holtzbrinck. Other publishing interests of Mr Charkin include being Non-Executive Director of Institute of Physics Publishing, Member of the Strategy Advisory Board of the British Library and he was President of the Publishers Association.

Non-Executive Directors

Jeremy Wilson

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, Barclays Corporate, 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. He is also responsible for a number of Financial Service and industry initiatives within the UK and globally.

Charles Black

Non-Executive Director

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

Non-Executive Director

Michael Mayer joined the Bloomsbury Board in January 2002. He is a partner in a San Francisco-based private equity firm. 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 and private equity firms. He also has a long history of involvement in strategic acquisition transactions, which should prove helpful as the Group seeks to grow through acquisition. Mr Mayer was previously a partner at Price Waterhouse.

Board Committees and Finance Committee

Finance Committee

Nigel Newton - Chairman
Richard Charkin
Colin Adams

Jill Coleman
Jill Coleman is Managing Director of A&C Black. She joined the Bloomsbury Group in 2000. A wholly owned subsidiary of Bloomsbury, A&C Black is a reference and specialist publisher with particular strengths in drama, education, natural history, sport and nautical publishing. Since joining Bloomsbury, Mrs Coleman has played a key part in making specialist acquisitions and managing them for the Group: these include the imprints of Methuen Drama, Arden, Featherstone Education, Reeds Nautical, Poyser, Whitkaker's Almanack and Andrew Brodie. She is also responsible for the Group's leading reference titles: Who's Who, The Writers' and Artists' Yearbook, Reed's Nautical Almanac, Whitaker's Almanack and, more recently, Wisden Cricketers' Almanac. As a member of the Group Finance Committee, she has a strategic role across the Group with particular emphasis on growth of specialist publishing in digital and print formats.

Jonathan Glasspool
Jonathan Glasspool is Managing Director of Bloomsbury Academic and Professional. He is responsible for the Group's academic and professional publishing including Bloomsbury Professional, Bloomsbury Academic and Berg Publishers, as well as A&C Black's electronic & reference databases. He was formerly Product Director in Bloomsbury's Electronic Media Division. Previous jobs include Publisher with Reed Elsevier in Singapore, Melbourne and Oxford. Mr Glasspool was also Head of Publishing at the Institute of Management, where he worked with Hodder Headline, Pearson and Butterworth-Heinemann. He started his career at Cambridge University Press. Mr Glasspool is on the industry advisory board of Oxford Brookes Publishing Centre.

Kathy Rooney
Kathy Rooney is Managing Director of Bloomsbury Information Ltd, the subsidiary within Bloomsbury which is responsible delivering for the management services agreements with Qatar Foundation for Bloomsbury Qatar Foundation Publishing and Bloomsbury Qatar Foundation Journals, as well as for *QFINANCE – The Ultimate Resource* with Qatar Financial Centre. Dr Rooney has worked for Bloomsbury since 1987 when she started the Reference Division and was responsible for the *Encarta World English Dictionary*, *Thesaurus and Quotations* projects with Microsoft, the *Macmillan English Dictionary* and *BUSINESS – The Ultimate Resource.* From 2005 to December 2008 she was joint Managing Director of Berlin Verlag in which period the company became profitable and cash positive. She has a Ph.D. in German from the University of Warwick, and previously worked for Collins and Longman. In 2009 Dr Rooney received the Kim Scott Walwyn Prize for achievement by women in publishing.

Board Committees

Audit Committee
Charles Black - Chairman
Michael Mayer

Nomination Committee
Nigel Newton - Chairman
Michael Mayer
Charles Black
Jeremy Wilson

Remuneration Committee
Charles Black - Chairman
Michael Mayer
Jeremy Wilson

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 2008, 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 35 to 39.

The Board

At 31 December 2009, the Board consisted of three 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 26.

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. Other decisions outside of these areas are delegated to the Company's management, which reports to the Executive Directors.

The Chairman meets regularly with the Non-Executive Directors to consider their views. They constructively challenge and help develop proposals on strategy at meetings specifically set up for the purpose, which are attended by all Board members.

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

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 31 and in the Notice of the Annual General Meeting on page 94.

Board Committees

Remuneration Committee – The current composition of the Remuneration Committee is shown on page 27 and the statement of the remuneration policy developed by the Committee and details of each Director's remuneration are given within the Directors' Remuneration Report set out on pages 35 to 39. The terms of reference of the Remuneration Committee are available on the Group's website.

Audit Committee – The current composition of the Audit Committee is shown on page 27. The Audit Committee operates under terms of reference agreed by the whole Board and meets with the external auditors to consider the Group'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 Group's website.

Nomination Committee – The current composition of the Nomination Committee is shown on page 27. The Committee meets as required and operates under terms of reference agreed by the whole Board, and which are available on the Group's website.

Board and Committee Attendance

The following table sets out the attendance of Directors at Board and Committee meetings during 2009.

Director	Board Meetings Max. 9	Remuneration Committee Meetings Max. 6	Audit Committee Meetings Max. 3	Nomination Committee Meetings Max. 2
Jeremy Wilson	9	6	–	2
Nigel Newton	9	–	–	2
Colin Adams	9	–	–	–
Richard Charkin	9	–	–	–
Charles Black	9	6	3	2
Michael Mayer	9	6	3	2

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 Senior Independent Director, the other Non-Executive Director and the Executive Directors), 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 8 to 17 and the Financial Review on pages 18 to 21.

The Executive Directors meet regularly with institutional shareholders to discuss the Group's performance and future prospects. The views of institutional shareholders are canvassed and subsequently reported back to the Board.

In addition, the Chairman offers annually to meet with major shareholders to review with them the performance and governance of the Group and the Senior Independent Director and the Non-Executive Director are kept informed of shareholder views by regularly receiving reports from the Group's brokers.

The Annual General Meeting is used as a forum for communication with private shareholders.

Compliance with the Combined Code

The Board considers that the Group has complied throughout the year ended 31 December 2009 with the Combined Code except in relation to the following matters:

- Provision A.4.1 – The Chief Executive was and still is the Chairman of the Nomination Committee, although the Committee did also consist of two Non-Executive Directors and the independent Non-Executive Chairman of the Board. Furthermore, whilst Chairman of the Committee the appointments have been very successful.

- Provision D1.1 – The Senior Independent Director did not attend meetings with major shareholders but was and still is kept informed of shareholder views by regularly receiving reports from the Group's brokers.

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 two Non-Executive Directors, Charles Black (its Chairman), and Michael Mayer. Both 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 control systems for the period covered by the financial statements 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 Group to develop a risk-based internal audit programme for the Group. A representative of KPMG LLP regularly attended the Audit Committee meetings during the year and submitted their reports.

Corporate Governance

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 review 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;
- preparation of monthly consolidated accounts by suitably qualified staff and review by senior management and the Board against budgets and forecast;
- an internal audit programme;
- qualified finance team, experienced Group Finance Director and senior finance managers, keeping up to date with International Financial Reporting requirements; and
- regular review of financial reporting and controls, and taking advice from internal audit.

Auditor Independence

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

- confirmation of the external auditors' objectivity and independence in the provision of non-audit services provided to the Group including the use of separate teams to provide such services;
- discussion with the external auditor of a written report detailing relationships with the Group and any other parties that could affect independence or the perception of independence;
- a review of the external auditors' own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the external auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 2 to the accounts.

Corporate Governance: Other Statutory Information

The Company is a public limited company, incorporated in England and quoted on the London Stock Exchange. The Company's Registered number is 1984336.

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 (on pages 6 to 21) 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.

Dividends

The income statement of the Group for the year is set out on page 42. In November 2009 an interim dividend of 0.78 pence (net) per Ordinary Share was paid. The Directors recommend the payment of a final dividend of 3.65 pence (net) per Ordinary Share payable on 1 July 2010 to Ordinary Shareholders on the register at the close of business on 21 May 2010.

Directors

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

JJO'B Wilson	– Non-Executive Chairman
JN Newton	– Chief Executive
CR Adams ACA	– Group Finance Director
RDP Charkin	– Executive Director
CAA Black	– Vice Chairman and Senior Independent Non-Executive Director
MJ Mayer	– Independent Non-Executive Director

Biographical details of current Board Directors are shown on page 26.

The Directors' interests, including any changes in those interests occurring between 31 December 2009 and 20 April 2010, are set out in the Directors' Remuneration Report on pages 38 to 39.

At the Annual General Meeting, Charles Black and Richard Charkin will retire by rotation in accordance with the articles of association of the Company and, being eligible, Mr Charkin offers himself for re-election.

Details of the service contract of Mr Richard Charkin, the Director who is standing for re-election, are set out in the Directors' Remuneration Report on page 36. Mr Charkin's service contract is terminable by either party on giving not less than 12 months' notice.

Directors' Remuneration

The Directors' Remuneration Report is set out on pages 35 to 39.

Substantial Shareholdings

The Directors have been notified of the following holdings of Ordinary Shares in excess of 3% of the issued share capital at 5 April 2010:

	Number	Percentage
Aberdeen Asset Management Plc	8,932,311	12.12
Capital Research Management Co	6,030,000	8.21
Schroders Investment Management Limited	4,911,385	6.69
JP Morgan Chase & Co	4,566,890	6.21
Black Rock, Inc	3,979,958	5.40
Ameriprise Financial, Inc and its group	3,618,000	4.93
Legal & General Group Plc	2,889,465	3.92
Standard Life Investments Limited	2,814,981	3.82
Black Rock UK Emerging Companies Hedge Fund	2,271,971	3.08
Norges Bank	2,228,549	3.02

Special Business – Annual General Meeting

Resolution 6 – On 29 May 2009, 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 2010 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 6 to be proposed at the forthcoming Annual General Meeting that a similar authority under section 551 of the Companies Act 2006 should be granted to the Directors until the conclusion of the next Annual General Meeting of the Company. If Resolution 6 is approved by shareholders, the Directors will have the authority to allot up to 18,080,281 Ordinary Shares, representing 24.46% of the Ordinary Shares currently in issue, of which 3,356,084 (4.54% 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 14,724,197 Ordinary Shares, representing 19.92% 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 6, unless previously varied, revoked or renewed by the Company in the general meeting.

Resolution 7 – In addition, the Directors were given authority under Section 95 of the Companies Act 1985, until the conclusion of the 2010 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.

Corporate Governance: Other Statutory Information

The Directors recommend that a similar authority under section 570 of the Companies Act 2006 should be granted until the conclusion of the next Annual General Meeting or fifteen months from the date of passing of this resolution, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting.

The Companies Act 2006 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 2006.

Resolution 8 – 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 3,695,986 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 981,440 being equal to 1.32% of the issued share capital. The total number of share awards currently outstanding granted under the performance share plan and conditional award is 2,365,301 and 9,343, respectively, being equal to 3.2% of the issued share capital. If the full authority to buy back shares is used, the options and awards will represent 4.54% 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 2006. However, as mentioned above, the Directors have no present intention of holding shares in treasury pursuant to the Companies Act 2006.

The Directors consider that the authority proposed to be granted by Resolution 8 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 9 – This resolution is asking shareholders to approve a number of amendments to our articles of association primarily to reflect the implementation of the Shareholder Rights Directive in the UK in August 2009 and the remaining provisions of the Companies Act 2006 and certain amendments to the Uncertificated Securities Regulations 2001 in October 2009.

An explanation of the main changes between the proposed and the existing articles of association is set out in the Appendix to the Notice of Meeting on pages 98 to 100 of this document.

Resolution 10 – Changes made to the Companies Act 2006 by the Shareholders's Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days (AGMs will continue to be held on at least 21 clear days' notice).

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 10 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Directors intend that this shorter notice period will only be used when merited by the business of the meeting and thought to be to the advantage of shareholders generally.

In order for the Company to be able to call a general meeting on not less than 21 clear days notice, the Company must also provide electronic voting to all shareholders for that meeting, which it will do in advance of the first general meeting at which it wishes to use the shorter notice period.

The Directors recommend that shareholders vote in favour of Resolutions 6, 7, 8, 9 and 10 which are, in the opinion of the Directors, in the best interests of the shareholders as a whole.

Directors' Indemnities

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

Authority to buy back shares

The Company's Articles of Association empower the Company to buy back its own shares. The Directors consider that the power to make purchases in the market of the Company's own shares should be maintained and the necessary special resolution will be proposed at the Annual General Meeting. The power was not exercised in 2009.

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 2009 the number of days' credit taken for purchases by the Group was 50 days (2008, 51 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. Further going concern disclosure is given in the financial statements as noted in the Basis of preparation section of the Accounting Policies on page 50. The Directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009.

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 2009, 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 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 by 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.

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 Group 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 2010 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 94 to 97.

Directors' appointments and replacements

The procedure for the appointment of new Directors is given on page 28 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 19 April 2010 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 the 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 has 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 auditors.

Auditors

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 April 2010

Corporate Governance:
Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required under the Listing Rules of the Financial Services Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 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.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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 adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' Report ,confirms that, to the best of their knowledge:

a. the financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b. the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bloomsbury Publishing Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Remuneration Report

The Remuneration Committee comprised at 31 December 2009 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 2006 s420 and SI 2008 no. 410 sch8 in preparing this report. A resolution will be put to the shareholders at the Annual General Meeting to be held on 28 May 2010 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 2009 and 2010.

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, linked to the Company's business objectives.

The main components of the Executive Directors' remuneration are:

1) Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account external market data. The Committee's policy is to review salaries annually. For 2010 only, the Directors have agreed to a voluntary cut in their base salaries of 10%.

2) Annual bonus

The Company operates an annual bonus scheme for its Executive Directors. For 2009 the bonus for Nigel Newton, Colin Adams and Richard Charkin, which is not pensionable, was limited to a maximum of 100% of basic salary at the end of the financial year. 80% of their bonus was based on a range of operating profit targets set by reference to the Group budget and 20% was based on the successful delivery of pre-set strategic and personal goals.

The 2010 bonuses for Nigel Newton, Richard Charkin and Colin Adams will remain a maximum of 100% of basic salary. 80% of their bonus will be based on a range of pre-tax profit targets set by reference to the Group budget and 20% will be based on the successful delivery of pre-set strategic and personal goals.

All annual bonuses are payable in cash.

3) Pension contributions

The Executive Directors receive a contribution to their private pension arrangements. Nigel Newton and Colin Adams each receive a contribution of 15% of their basic salary to their private pension schemes, and Richard Charkin receives an additional contribution of 5% of his basic salary in lieu of pension.

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 ten 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 84.

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, 12 May 2008 and 25 September 2009 to Directors (and other eligible employees) and the conditions attached to those awards are set out on pages 81 and 82.

The Remuneration Committee has not granted and 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 which was awarded during 2008.

Remuneration Report

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 & 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 100,118 options on 8 June 2007 and a third grant of 92,983 was made on 12 May 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 two years. Under the terms of the contract, on 24 June 2005 this agreement effectively became and continues to be determinable 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.

The Non-Executive Directors, Charles Black and Michael Mayer, do not have service contracts, but each has a letter of appointment. Each letter of appointment is dated 7 July 2006, and both confirmed that the term of appointment was until the 2007 Annual General Meeting and thereafter subject to re-election every three years in accordance with the Company's Articles of Association. The Chairman Jeremy Wilson's letter of appointment is dated 31 October 2007 and is determinable by either party giving three months' notice and is subject to re-election every three years.

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 compensating them for their time and responsibilities.

Directors' Emoluments (audited)

	2009 £'000	2008 £'000
Salaries	**900**	909
Fees	**180**	189
Profit related bonus	**546**	778
Other emoluments(1)	**26**	37
	1,652	1,913
Pension contributions	**89**	64
Gain on exercise of share options	**–**	–
	1,741	1, 977

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

	Basic salary or fees 2009 £'000	Profit related bonus[2] 2009 £'000	Other benefits[1] 2009 £'000	Total 2009 £'000	Gain on share options exercised 2009 £'000	Pension contributions 2009 £'000	Total 2009 £'000
Chief Executive							
JN Newton	**378**	**193**	**9**	**580**	**–**	**57**	**637**
Executive Directors							
CR Adams	**214**	**170**	**12**	**396**	**–**	**32**	**428**
RDP Charkin	**308**	**183**	**5**	**496**	**–**	**–**	**496**
Non-Executive Directors							
CAA Black	**39**	**–**	**–**	**39**	**–**	**–**	**39**
MJ Mayer	**45**	**–**	**–**	**45**	**–**	**–**	**45**
JJO'B Wilson	**96**	**–**	**–**	**96**	**–**	**–**	**96**
	1,080	**546**	**26**	**1,652**	**–**	**89**	**1,741**

(1) Benefits – the Company offers a motor vehicle and medical insurance cover for all Executive Directors.
(2) The bonuses earned for JN Newton, CR Adams and RDP Charkin were £375,134, £213,000 and £287,239 respectively. The bonuses earned were subject to restrictions under a bonus pool arrangement.

The comparative Directors' emoluments including benefits in kind and pension contributions for the previous financial year are shown below:

	Basic salary or fees 2008 £'000	Profit related bonus 2008 £'000	Other benefits[1] 2008 £'000	Total 2008 £'000	Gain on share options exercised 2008 £'000	Pension contributions 2008 £'000	Total 2008 £'000
Chief Executive							
JN Newton	372	375	15	762	–	37	799
Executive Directors							
EN Calder	36	–	6	42	–	6	48
CR Adams	210	212	13	435	–	21	456
RDP Charkin	291	191	3	485	–	–	485
Non-Executive Directors							
CAA Black	39	–	–	39	–	–	39
MJ Mayer	55	–	–	55	–	–	55
JJO'B Wilson	95	–	–	95	–	–	95
	1,098	778	37	1,913	–	64	1,977

(1) Benefits – the Company offers a motor vehicle and medical insurance cover for all Executive Directors.

Colin Adams serves as an Executive Director of the Company's subsidiary company, A&C Black Publishers Limited. Included above is a salary to Colin Adams of £34,322 (2008, £33,818) paid by A&C Black Publishers Limited.

Two Directors (2008, three) were accruing benefits under defined contribution pension arrangements during the year.

Remuneration Report

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 2009	Granted During the year	Lapsed during the year	At 31 December 2009	Exercise Price	Date from which exercisable	Expiry Date
JN Newton	Sharesave	8,131	–	–	8,131	115.60p	1 July 2011	1 January 2012
CR Adams	Sharesave	8,131	–	–	8,131	115.60p	1 July 2011	1 January 2012
RD Charkin	Sharesave	8,131	–	–	8,131	115.60p	1 July 2011	1 January 2012

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 2009	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2009
JN Newton	26 October 2006	59,818	–	–	(59,818)	–
	8 May 2007	120,466	–	–	–	120,466
	12 May 2008	194,706	–	–	–	194,706
	25 September 2009	–	235,820	–	–	235,820
CR Adams	26 October 2006	25,336	–	–	(25,336)	–
	8 May 2007	56,690	–	–	–	56,690
	12 May 2008	83,563	–	–	–	83,563
	25 September 2009	–	117,189	–	–	117,189
RD Charkin	12 May 2008	295,848	–	–	–	295,848
	25 September 2009	–	169,510	–	–	169,510

(1) For the purposes of determining the number of Ordinary Shares comprised in an award the market value of a share shall be equal to 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. The 2006 awards under the PSP were based on the average middle-market price of 315.25p. The 2007 award under the PSP were based on the average middle-market price of 181.4p. The 2008 awards under the PSP were based on the middle-market price of 144.5p. The 2009 awards under the PSP were based on the middle market price of 120.5p.

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

(3) For awards made to the Directors from 2005 to 2008, 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.

(4) For awards made to Directors in 2009, 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, 33% vests if the normalised Earnings Per Share (EPS) is 8.25p, 66% vests if the EPS is 8.75p and 100% vests if the EPS is 9.25p. Between 8.25p, 8.75p and 9.25p vesting will be 33%, 66% and 100%, respectively, pro rata on a straight-line basis. None of this part of the award will vest if the EPS is less than 8.25p.

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 is median ranking the number of shares vesting will be 35% and if the Company's TSR is at the upper quartile ranking the number of shares vesting will be 100%. Between median and upper quartile vesting will be 35% and 100%, respectively, pro rata on a straight-line basis. None of this part of the award will vest if the Company's TSR ranking is below median.

(5) For all awards, 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 during the year had the following interests in the share capital of the Company. All shareholdings are beneficial and include the interests of spouses and minor children.

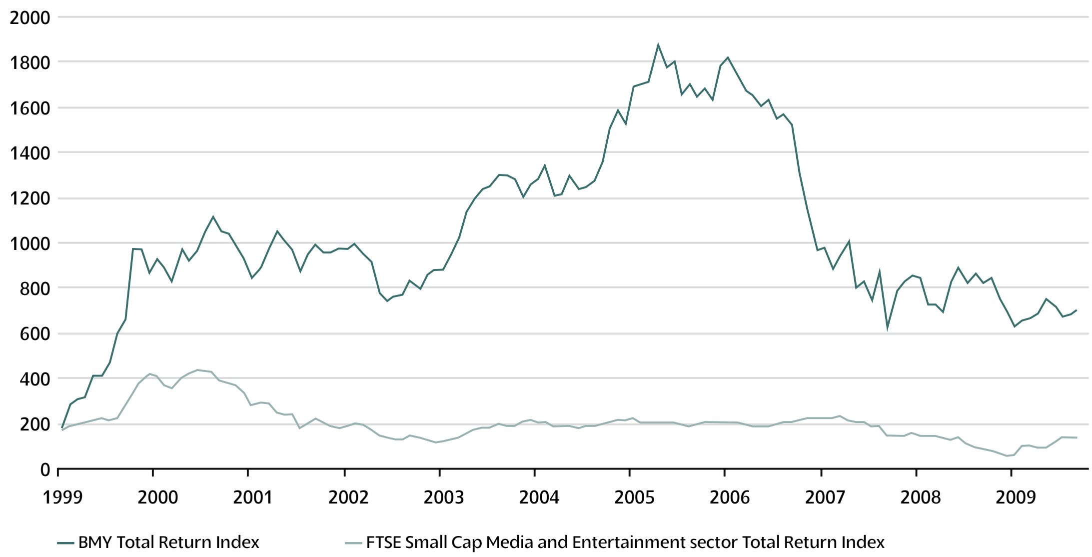
	Ordinary Shares of 1.25p each 31 December 2009 Number	Ordinary Shares of 1.25p each 31 December 2008 Number
JN Newton	**2,066,822**	2,258,488
CR Adams	**50,000**	50,000
RDP Charkin	**12,000**	12,000
CAA Black	**159,000**	159,000
MJ Mayer	**19,380**	19,380
JJO'B Wilson	**3,347**	3,347

The market price of an Ordinary Share at 31 December 2009 was 126.5p (2008, 159.75p) and the range from 1 January 2009 to the end of the year was 113.3p to 160.5p (2008, 124.25p to 174.15p).

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 2009 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 April 2010

Independent Auditor's Report

TO THE MEMBERS OF BLOOMSBURY PUBLISHING Plc

We have audited the Group and parent Company financial statements ('the financial statements') on pages 42 to 90. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 33, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Mark Harwood (Senior Statutory Auditor)
For and on behalf of
BAKER TILLY UK AUDIT LLP, Statutory Auditor
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
20 April 2010

Consolidated Income Statement

for the year ended 31 December 2009

	Notes	**2009** **£'000**	2008 £'000
Revenue	1	**87,217**	99,948
Cost of sales	2	**(43,839)**	(56,698)
Gross profit		**43,378**	43,250
Marketing and distribution costs	2	**(15,441)**	(14,742)
Administrative expenses – amortisation of intangible assets	2	**(584)**	(102)
Administrative expenses – impairment of goodwill	2	**–**	(111)
Administrative expenses – other	2	**(21,186)**	(19,896)
Profit before investment income, finance costs and tax	2	**6,167**	8,399
Investment income	3a	**1,105**	3,285
Finance costs	3b	**(145)**	(51)
Profit before taxation		**7,127**	11,633
Income tax expense	5	**(2,146)**	(3,793)
Profit for the year, attributable to owners of the parent		**4,981**	7,840
Basic earnings per share	7	**6.77p**	10.67p
Diluted earnings per share	7	**6.74p**	10.67p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the year	**4,981**	7,840
Other comprehensive income:		
Exchange differences on translating foreign operations	**(2,950)**	8,453
Deferred tax on share-based payments	**21**	34
Other comprehensive income for the year net of tax	**(2,929)**	8,487
Total comprehensive income for the year net of tax attributable to owners of the parent Company	**2,052**	16,327

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 5.

Consolidated Balance Sheet

at 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**1,061**	1,443
Intangible assets	9	**37,598**	27,543
Deferred tax assets	11	**1,965**	2,152
Total non-current assets		**40,624**	31,138
Current assets			
Inventories	12	**16,350**	16,589
Trade and other receivables	13	**47,509**	48,982
Cash and cash equivalents	22	**35,036**	51,908
Total current assets		**98,895**	117,479
Total assets		**139,519**	148,617
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	14	**922**	922
Share premium		**39,388**	39,388
Capital redemption reserve		**20**	20
Share-based payment reserve		**2,393**	2,305
Translation reserve		**4,604**	7,554
Retained earnings		**65,357**	63,483
Total equity		**112,684**	113,672
Liabilities			
Non-current liabilities			
Deferred tax	11	**2,234**	1,451
Retirement benefit obligations	15	**91**	18
Other payables	15	**353**	558
Total non-current liabilities		**2,678**	2,027
Current liabilities			
Trade and other payables	16	**23,069**	32,603
Current tax liabilities		**1,088**	315
Total current liabilities		**24,157**	32,918
Total liabilities		**26,835**	34,945
Total equity and liabilities		**139,519**	148,617

The financial statements were approved by the Board of Directors and authorised for issue on 20 April 2010.

JN Newton
Director

CR Adams
Director

Company Balance Sheet

at 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**592**	988
Investments in subsidiary companies	10	**43,674**	34,302
Deferred tax assets	11	**366**	309
Trade and other receivables	13	**10,979**	2,210
Total non-current assets		**55,611**	37,809
Current assets			
Inventories	12	**2,212**	2,335
Trade and other receivables	13	**22,457**	30,078
Cash and cash equivalents	22	**31,084**	47,859
Total current assets		**55,753**	80,272
Total assets		**111,364**	118,081
Equity and liabilities			
Equity attributable to owners of the Company			
Ordinary shares	14	**922**	922
Share premium		**39,388**	39,388
Capital redemption reserve		**20**	20
Share-based payment reserve		**2,393**	2,305
Retained earnings		**51,915**	52,350
Total equity		**94,638**	94,985
Liabilities			
Non-current liabilities			
Other payables	15	**351**	558
Total non-current liabilities		**351**	558
Current liabilities			
Trade and other payables	16	**15,620**	22,538
Current tax liabilities		**755**	–
Total current liabilities		**16,375**	22,538
Total liabilities		**16,726**	23,096
Total equity and liabilities		**111,364**	118,081

The financial statements were approved by the Board of Directors and authorised for issue on 20 April 2010.

JN Newton
Director

CR Adams
Director

Consolidated Statement of Changes in Equity Attributable to the Owners of the Parent

	Ordinary shares £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Attributable to owners of the parent							
Balances at 1 January 2008	920	39,191	20	2,114	(899)	58,723	100,069
Profit for the year	–	–	–	–	–	7,840	7,840
Other comprehensive income:							
Exchange differences on translating foreign operations	–	–	–	–	8,453	–	8,453
Deferred tax on share-based payments	–	–	–	–	–	34	34
Total comprehensive income for the year ended 31 December 2008	**–**	**–**	**–**	**–**	**8,453**	**7,874**	**16,327**
Transactions with owners in their capacity as owners:							
Share-based payments	–	–	–	191	–	–	191
Dividends	–	–	–	–	–	(2,980)	(2,980)
Purchase of shares by the Employee Benefit Trust	–	–	–	–	–	(134)	(134)
Share issues	2	197	–	–	–	–	199
Total transactions with owners for the year ended 31 December 2008	**2**	**197**	**–**	**191**	**–**	**(3,114)**	**(2,724)**
Balances at 31 December 2008	**922**	**39,388**	**20**	**2,305**	**7,554**	**63,483**	**113,672**
Profit for the year	–	–	–	–	–	4,981	4,981
Other comprehensive income:							
Exchange differences on translating foreign operations	–	–	–	–	(2,950)	–	(2,950)
Deferred tax on share-based payments	–	–	–	–	–	21	21
Total comprehensive income for the year ended 31 December 2009	**–**	**–**	**–**	**–**	**(2,950)**	**5,002**	**2,052**
Transactions with owners in their capacity as owners:							
Share-based payments	–	–	–	88	–	–	88
Dividends	–	–	–	–	–	(3,128)	(3,128)
Total transactions with owners for the year ended 31 December 2009	**–**	**–**	**–**	**88**	**–**	**(3,128)**	**(3,040)**
Balances at 31 December 2009	**922**	**39,388**	**20**	**2,393**	**4,604**	**65,357**	**112,684**

Company Statement of Changes in Equity Attributable to the Owners of the Company

	Ordinary shares £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Attributable to owners of the Company						
Balances at 1 January 2008	**920**	**39,191**	**20**	**2,114**	**58,268**	**100,513**
Loss for the year (after investment impairment)	–	–	–	–	(2,972)	(2,972)
Other comprehensive income:						
Deferred tax on share-based payments	–	–	–	–	34	34
Total comprehensive income for the year ended 31 December 2008	**–**	**–**	**–**	**–**	**(2,938)**	**(2,938)**
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	191	–	191
Dividends	–	–	–	–	(2,980)	(2,980)
Share issues	2	197	–	–	–	199
Total transactions with owners for the year ended 31 December 2008	**2**	**197**	**–**	**191**	**(2,980)**	**(2,590)**
Balances at 31 December 2008	**922**	**39,388**	**20**	**2,305**	**52,350**	**94,985**
Profit for the year	–	–	–	–	2,672	2,672
Other comprehensive income:						
Deferred tax on share-based payments	–	–	–	–	21	21
Total comprehensive income for the year ended 31 December 2009	**–**	**–**	**–**	**–**	**2,693**	**2,693**
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	88	–	88
Dividends	–	–	–	–	(3,128)	(3,128)
Share issues	–	–	–	–	–	–
Total transactions with owners for the year ended 31 December 2009	**–**	**–**	**–**	**88**	**(3,128)**	**(3,040)**
Balances at 31 December 2009	**922**	**39,388**	**20**	**2,393**	**51,915**	**94,638**

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	2009 £'000	2008 £'000
Cash flows from operating activities		
Profit before tax	**7,127**	11,633
Adjustments for:		
Depreciation of property, plant and equipment	**669**	844
Amortisation of intangible assets	**584**	102
Impairment of goodwill	**–**	111
Profit on sale of property, plant and equipment	**(9)**	(12)
Share-based payment charges	**88**	191
Investment income	**(1,105)**	(3,285)
Finance costs	**145**	51
	7,499	9,635
(Increase)/decrease in inventories	**(76)**	38
(Increase)/decrease in trade and other receivables	**(98)**	33,350
Decrease in trade and other payables	**(9,888)**	(26,686)
Cash (used in)/generated from operations	**(2,563)**	16,337
Income taxes paid	**(1,734)**	(6,183)
Net cash (used in)/generated from operating activities	**(4,297)**	10,154
Cash flows from investing activities		
Purchase of property, plant and equipment	**(304)**	(354)
Proceeds from sale of property, plant and equipment	**23**	30
Purchase of businesses, net of cash acquired	**(10,307)**	(7,433)
Interest received	**1,409**	3,026
Net cash used in investing activities	**(9,179)**	(4,731)
Cash flows from financing activities		
Purchase of shares by the Employee Benefit Trust	**–**	(134)
Equity dividends paid	**(3,128)**	(2,980)
Interest paid	**(34)**	(51)
Net cash used in financing activities	**(3,162)**	(3,165)
Net (decrease)/increase in cash and cash equivalents	**(16,638)**	2,258
Cash and cash equivalents at beginning of year	**51,908**	47,558
Exchange (loss)/gain on cash and cash equivalents	**(234)**	2,092
Cash and cash equivalents at end of year	**35,036**	51,908

Company Cash Flow Statement

for the year ended 31 December 2009

	2009 £'000	2008 £'000
Cash flows from operating activities		
Profit/(loss) before tax	**4,093**	(475)
Adjustments for:		
Depreciation of property, plant and equipment	**474**	681
Investment impairment	**723**	8,719
Share-based payment charges	**88**	191
Investment income	**(1,204)**	(3,471)
Finance costs	**1**	–
	4,175	5,645
Decrease in inventories	**123**	812
(Increase)/decrease in trade and other receivables	**(1,713)**	42,726
Decrease in trade and other payables	**(6,880)**	(24,148)
Cash (used in)/generated from operations	**(4,295)**	25,035
Income taxes paid	**(724)**	(5,633)
Net cash (used in)/generated from operating activities	**(5,019)**	19,402
Cash flows from investing activities		
Purchase of property, plant and equipment	**(78)**	(125)
Purchase of subsidiaries	**(10,095)**	–
Additional investment in subsidiaries	**–**	(13,954)
Interest received	**1,546**	3,212
Net cash used in investing activities	**(8,627)**	(10,867)
Cash flows from financing activities		
Purchase of shares by the Employee Benefit Trust	**–**	(134)
Equity dividends paid	**(3,128)**	(2,980)
Interest paid	**(1)**	–
Net cash used in financing activities	**(3,129)**	(3,114)
Net (decrease)/increase in cash and cash equivalents	**(16,775)**	5,421
Cash and cash equivalents at beginning of year	**47,859**	42,438
Cash and cash equivalents at end of year	**31,084**	47,859

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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 21. The financial position of the Company, its cash flows and liquidity position are described in the Financial Review on pages 18 to 21. In addition, note 22 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Having made enquiries of senior management and reviewed cash flow forecasts, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. The factors taken into account include the level of cash reserves, limited impact of economic downturn on book sales and continuing sources of revenue. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

These financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all years. These accounting policies comply with applicable IFRSs and IFRIC interpretations issued, effective and endorsed by the EU at the time of preparing these statements.

IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements' and IFRS 7 'Financial Instruments: Disclosures – Amendment; Improving Disclosures About Financial Instruments' are mandatory for the Group's accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 and requires segmental information reported to be based on that which the chief operating decision maker ('CODM') uses internally for evaluating performance of and allocating resources to operating segments. It also requires increased disclosure relating to reportable segments and some additional entity-wide disclosures. There has been no change to the reportable segments as a result of the adoption of IFRS 8. The 2009 annual improvements amendment to IFRS 8 has been adopted early. As a result, a measure of segment assets is only required to be disclosed when such information is provided to the CODM. IAS 1 resulted in some amendments to the structure of the financial statements. IFRS 7 requires enhanced disclosures about liquidity risk and fair value measurement.

Accounting policies

The following Standards and Interpretations, which were also effective for this financial period, have no material impact on the financial statements of the Group:

- IFRS 2 'Share-based Payment'; changes to vesting conditions and cancellations in relation to share-based payments.
- IAS 23 (amended) 'Capitalisation of Borrowing Cost'.
- IAS 39 'Financial Instruments: Recognition and Measurement'.
- IAS 36 'Impairment of Assets'; this requires disclosure of estimates used to determine recoverable amount.
- IAS 1 (amended)/IAS 32 (amended); puttable instruments and obligations arising on liquidation.
- IFRS 1 (amended)/IAS 27 (amended); first time adoption of IFRS and cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate.
- Annual Improvements and Amendments 2008.

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 3 'Business Combinations' (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009); amendments arising from IFRS 3. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in other comprehensive income if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. It is not expected to have a material impact on the Group or Company's financial statements.
- IAS 36 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2010) – Amendment; Unit of accounting for goodwill impairment testing. The amendment specifies that the required unit for goodwill impairment is not larger than the operating segment level as defined in paragraph 5 of IFRS 8 before the permitted aggregation.
- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013). The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. It also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. It is not expected to have a material impact on the Group or Company's financial statements.

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.

Intangible assets are capitalised and amortised over their expected useful lives by equal annual instalments at the following rates:

Publishing relationships	–	5% – 14% per annum
Imprints	–	3% – 5% per annum
Subscriber and customer relationships	–	6% – 17% per annum
Order backlog	–	33% per annum

The amortisation is included in administrative expenses.

The separately acquired trademark for the name Bloomsbury Publishing Plc in the US is shown at historical cost and is subject to annual impairment reviews. The trademark is deemed to have an indefinite life due to the underlying stability of the industry in which it operates.

(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.

(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.

Accounting Policies

(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	–	over the remaining life of the lease
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, 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

(h) Foreign currencies

The presentational currency is sterling. The parent Company's functional currency is sterling. The functional currencies of its overseas subsidiaries are Euros and US dollars.

Transactions in currencies other than the functional currency 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. The closing rate of exchange is used to translate net assets.

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.

Exchange differences arising from the retranslation of opening net assets and income statements of overseas subsidiary companies are charged or credited to other comprehensive income.

(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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and changes to debtor payment patterns are considered indicators that the trade receivable may be impaired.

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.

Accounting Policies

(l) Share-based payment

The Group issues equity-settled share-based payment instruments 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 have 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 Group 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

Segments are identified based on internal reporting to the Chief Operating Decision Maker, which has been identified as the Plc Board. 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. There is no difference between the basis of measurement of segment amounts included in the management accounts and the basis of measurement of those amounts included in the financial statements. The Plc Board reviews the Group consolidated commentary. This reflects the geographic performance of the three operations in the UK, USA and Europe down to profit before tax and also the performance of the Trade and Specialist Divisions, down to the profit before investment income, finance costs and tax line.

(p) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher value of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(q) 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 and offset against trade receivables in the balance sheet in anticipation of book returns received subsequent to the year end. The provision is calculated by reference to historical returns rates and expected future returns.

Author advances

A provision is made by the Group against published title 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.

Inventory

At the end of each financial year a review is carried out on all published titles where inventory is held. A provision is made by the Group against unsold inventory on a title by title basis, with regard to historical net sales and expected future net sales, to value the inventories at the lower of cost and net realisable value.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group currently undertakes an annual impairment test covering goodwill and other indefinite life assets and also reviews finite life assets to consider whether a full impairment review is required.

Intangible assets recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made. Note 9 details the assumptions used.

Notes to the Accounts

1. Segmental analysis

As the main thrust of the Group's growth is to develop its international publishing strategy, the internal reporting to the chief operating decision maker is by geographical segments. Management has determined the operating segments based on these reports. All segments derive their revenue from book publishing, sale of publishing and distribution rights, sponsorship and database contracts. The analysis by geographical segment is shown below.

Year ended 31 December 2009

	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations and unallocated costs £'000	Total £'000
Revenue					
External sales	58,888	18,777	9,552	–	87,217
Inter-segment sales *	480	–	134	(614)	–
Total revenue	**59,368**	**18,777**	**9,686**	**(614)**	**87,217**
Result					
Segment result before central costs	6,284	450	(567)	–	6,167
Central cost recharges	284	(152)	(132)	–	–
Segment result	6,568	298	(699)	–	6,167
Investment income	1,101	4	–	–	1,105
Finance costs	(145)	–	–	–	(145)
Profit/(loss) before taxation	7,524	302	(699)	–	7,127
Income tax expense	–	–	–	(2,146)	(2,146)
Profit/(loss) for the year	**7,524**	**302**	**(699)**	**(2,146)**	**4,981**
Other information					
Amortisation of intangible assets	548	36	–	–	584
Actuarial losses	111	–	–	–	111
Share-based payment charges	88	–	–	–	88

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

Year ended 31 December 2008

	United Kingdom £'000	North America £'000	Continental Europe £'000	Eliminations and unallocated costs £'000	Total £'000
Revenue					
External revenue	71,062	17,317	11,569	–	99,948
Inter-segment revenue *	–	–	213	(213)	–
Total revenue	**71,062**	**17,317**	**11,782**	**(213)**	**99,948**
Result					
Segment result before central costs	7,836	378	185	–	8,399
Central cost recharges	316	(130)	(186)	–	–
Segment result	8,152	248	(1)	–	8,399
Investment income	3,253	11	21	–	3,285
Finance costs	(51)	–	–	–	(51)
Profit before taxation	11,354	259	20	–	11,633
Income tax expense	–	–	–	(3,793)	(3,793)
Profit for the year	**11,354**	**259**	**20**	**(3,793)**	**7,840**
Other information					
Amortisation of intangible assets	67	35	–	–	102
Impairment of goodwill	111	–	–	–	111
Actuarial gains	(44)	–	–	–	(44)
Share-based payment charges	191	–	–	–	191

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

External sales by destination

	Source United Kingdom £'000	North America £'000	Continental Europe £'000	Total £'000
Destination				
Year ended 31 December 2009				
United Kingdom (country of domicile)	38,517	–	–	38,517
North America	3,568	18,404	–	21,972
Continental Europe	5,550	–	9,552	15,102
Australasia	3,809	–	–	3,809
Far and Middle East	5,427	373	–	5,800
Rest of the world	2,017	–	–	2,017
Foreign Countries	20,371	18,777	9,552	48,700
Total external sales	**58,888**	**18,777**	**9,552**	**87,217**
Year ended 31 December 2008				
United Kingdom (country of domicile)	48,585	–	–	48,585
North America	2,038	16,729	–	18,767
Continental Europe	7,748	–	11,569	19,317
Australasia	5,947	–	–	5,947
Far and Middle East	4,986	588	–	5,574
Rest of the world	1,758	–	–	1,758
Foreign Countries	22,477	17,317	11,569	51,363
Total external sales	**71,062**	**17,317**	**11,569**	**99,948**

Notes to the Accounts

Non-current assets

	2009 **£'000**	2008 £'000
United Kingdom (country of domicile)	**33,283**	23,091
North America	**3,679**	4,095
Continental Europe	**1,697**	1,800
Foreign Countries	**5,376**	5,895
Total non-current assets (excluding deferred tax assets)	**38,659**	28,986

Business Divisions

The Group's business is organised in three operating areas: Trade Adult, Trade Children's and Specialist. The following table provides the breakdown of revenue and divisional result for these areas.

Year ended 31 December 2009

	Trade (Adult) £'000	Trade (Children's) £'000	Total Trade £'000	Specialist £'000	Unallocated £'000	Total £'000
Revenue	37,892	22,977	60,869	26,348	–	87,217
Cost of sales	(20,056)	(11,427)	(31,483)	(12,356)	–	(43,839)
Gross profit	17,836	11,550	29,386	13,992	–	43,378
Marketing and distribution costs	(6,814)	(3,203)	(10,017)	(5,424)	–	(15,441)
Contribution before administrative expenses	11,022	8,347	19,369	8,568	–	27,937
Administrative expenses			(16,470)	(5,013)	(287)	(21,770)
Divisional result			**2,899**	**3,555**	**(287)**	**6,167**
Investment income			–	–	1,105	1,105
Finance costs			–	–	(145)	(145)
Profit before taxation			2,899	3,555	673	7,127
Income tax expense			–	–	(2,146)	(2,146)
Profit for the year			**2,899**	**3,555**	**(1,473)**	**4,981**

Year ended 31 December 2008

	Trade (Adult) £'000	Trade (Children's) £'000	Total Trade £'000	Specialist £'000	Unallocated £'000	Total £'000
Revenue	42,031	38,330	80,361	19,587	–	99,948
Cost of sales	(26,713)	(21,229)	(47,942)	(8,756)	–	(56,698)
Gross profit	15,318	17,101	32,419	10,831	–	43,250
Marketing and distribution costs	(7,353)	(3,454)	(10,807)	(3,935)	–	(14,742)
Contribution before administrative expenses	7,965	13,647	21,612	6,896	–	28,508
Administrative expenses			(17,248)	(2,826)	(35)	(20,109)
Divisional result			**4,364**	**4,070**	**(35)**	**8,399**
Investment income			–	–	3,285	3,285
Finance costs			–	–	(51)	(51)
Profit before taxation			4,364	4,070	3,199	11,633
Income tax expense			–	–	(3,793)	(3,793)
Profit for the year			**4,364**	**4,070**	**(594)**	**7,840**

2. Profit before investment income, finance costs and tax

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

	2009 £'000	2008 £'000
Auditor's remuneration (see below)	**395**	304
Depreciation of property, plant and equipment	**669**	844
Profit on disposal of property, plant and equipment	**(9)**	(12)
Amortisation of intangible assets	**584**	102
Impairment of goodwill	**–**	111
Advance provisions (see note 13)	**3,438**	9,127
Write back of returns provision (see note 13)	**(581)**	(5,160)
Exchange gain	**(88)**	(51)
Staff costs (see note 4)	**16,897**	14,951

The movements on the returns and advances provisions during the year are analysed in note 13.

Cost of sales, marketing and distribution costs and administrative expenses are analysed below:

	2009 £'000	2008 £'000
Cost of sales:		
Editorial staff costs	**2,645**	2,079
Cost of goods and rights sold	**22,745**	26,419
Inventory provision and write down	**4,982**	5,089
Royalty costs	**13,467**	23,111
	43,839	56,698
Marketing and distribution costs:		
Staff costs	**841**	695
Depreciation	**16**	25
Marketing expenses	**5,004**	5,123
Distribution fees and commission	**9,580**	8,899
	15,441	14,742
Administrative expenses:		
Staff costs	**13,323**	11,986
Other staff related expenses	**651**	798
Share-based payment charge	**88**	191
Depreciation	**653**	819
Premises costs	**2,048**	1,775
Professional fees	**2,094**	1,714
Editorial expenses	**1,715**	1,550
Insurance	**419**	408
Amortisation of intangible assets	**584**	102
Impairment of goodwill	**–**	111
Bad debt provision and write off	**107**	598
Exchange gain	**(88)**	(51)
Other	**176**	108
	21,770	20,109

Notes to the Accounts

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

	2009 £'000	**2009 %**	2008 £'000	2008 %
Audit services				
– statutory audit of parent company and consolidated financial statements	**92**	**27**	86	27
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	**96**	**28**	69	22
– work performed by associates of Baker Tilly UK Audit LLP in respect of consolidation returns or local legislative requirements	**10**	**3**	11	3
– pension scheme audit	**3**	**1**	3	1
Other services supplied pursuant to such legislation				
– interim results	**50**	**15**	43	13
Tax services				
– compliance services	**50**	**15**	60	19
– advisory services	**16**	**5**	20	6
Services relating to corporate finance transactions *	**20**	**6**	29	9
	337	**100**	321	100

*Costs in relation to the acquisitions of £20,000 (2008, £29,000), which have been included in the cost of acquisition.

3a. Investment income

	2009 £'000	2008 £'000
Interest on bank deposits	**968**	2,903
Other interest receivable	**114**	310
Expected return on pension plan assets	**23**	28
Actuarial gains on defined benefit pension plan	**–**	44
	1,105	3,285

3b. Finance costs

	2009 £'000	2008 £'000
Interest cost on pension obligations	**28**	32
Other interest payable	**5**	18
Bank overdraft	**1**	1
Actuarial losses on defined benefit pension plan	**111**	–
	145	51

4. Directors and employees

Staff costs during the year were:

	2009	2008
	£'000	£'000
Salaries	**14,501**	12,630
Social security costs	**1,747**	1,618
Other pension costs	**561**	512
Share-based payment charge	**88**	191
	16,897	14,951

The monthly average number of employees during the year was:	**Number**	Number
Editorial, production and selling	**257**	225
Finance and administration	**91**	70
	348	295

Full details concerning Directors' emoluments, shareholdings, options and other interests are shown in the Directors' Remuneration Report on pages 35 to 39.

Staff costs are charged to cost of sales, marketing and distribution costs and administrative expenses. The allocation is shown in note 2.

Pension costs

The pension costs summarised above of £561,000 (2008, £512,000) 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 £561,000 (2008, £512,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2009, contributions of £nil (2008, £18,000) 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. There is no obligation in respect of medical costs. A full actuarial valuation was carried out as at 1 January 2007 and updated to 31 December 2009 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 (2008, £19,000). The Directors' best estimate of the contribution to be paid in 2010 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.

Notes to the Accounts

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

	31 December 2009	31 December 2008	31 December 2007	31 December 2006	31 December 2005
Rate of increase in salaries	**Not applicable**	Not applicable	Not applicable	Not applicable	Not applicable
Rate of increase in pensions in payment (LPI)	**0.0%**	0.0%	0.0%	0.0%	0.0%
Discount rate	**5.7%**	6.3%	5.9%	5.2%	4.8%
Inflation assumption	**3.5%**	2.9%	3.2%	3.3%	2.9%
Expected return on plan assets *	**5.0%**	5.0%	5.8%	5.1%	3.5%

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

The scheme is closed and there are no active paying members, therefore no increases in payments have been applied.

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

	31 December 2009 Life expectancy at age 65	31 December 2008 Life expectancy at age 65
Male currently aged 45 (2008, 40)	**23.1**	23.1
Female currently aged 45 (2008, 40)	**25.9**	25.9
Male currently aged 65	**22.0**	22.0
Female currently aged 65	**24.9**	24.8

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

	2009 £'000	2008 £'000
Interest cost	**28**	32
Expected return on scheme assets	**(23)**	(28)
Actuarial losses/(gains)	**111**	(44)
	116	(40)

The gross charge/(credit) for the year has been included in finance costs and investment income.

Actuarial gains and losses have been reported in the income statement.

The actual loss on scheme assets was £5,000 (2008, return of £19,000).

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

	2009 £'000	2008 £'000
Total value of assets (with profit policy)	**389**	496
Present value of funded scheme liabilities	**(480)**	(514)
Retirement benefit obligations (net liability)	**(91)**	(18)
Deferred taxation	**18**	5
	(73)	(13)
Analysis for reporting purposes:		
Non-current liabilities	**(91)**	(18)
Deferred tax assets	**18**	5

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

	2009 £'000	2008 £'000
At 1 January	**(514)**	(548)
Interest cost	**(28)**	(32)
Benefits paid	**145**	13
Actuarial (losses)/gains	**(83)**	53
At 31 December	**(480)**	(514)

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

	2009 £'000	2008 £'000
At 1 January	**496**	471
Expected return on scheme assets	**23**	28
Actuarial losses	**(28)**	(9)
Employer contributions	**43**	19
Benefits paid	**(145)**	(13)
At 31 December	**389**	496

The history of experience adjustments is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of defined benefit obligations	**(480)**	(514)	(548)	(574)	(517)
Fair value of scheme assets	**389**	496	471	430	387
Deficit in scheme	**(91)**	(18)	(77)	(144)	(130)
Experience gains/(losses) on scheme assets:					
Amount (£'000)	**(28)**	(9)	4	15	(3)
Percentage of scheme assets	**(7%)**	(2%)	1%	4%	(1%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**–**	21	21	34	34
Percentage of the present value of the scheme liabilities	**–**	(1%)	2%	(10%)	2%

Notes to the Accounts

5. Taxation

(a) Tax charge for the year

	2009 £'000	2008 £'000
Based on the profit for the year:		
UK corporation tax	**2,159**	3,195
Overprovision in respect of prior year	**(246)**	–
Overseas taxation – current year	**61**	197
	1,974	3,392
Deferred tax (note 11)		
– UK	**172**	109
– Overseas	**–**	292
	2,146	3,793

(b) Factors affecting tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
Profit before taxation	**7,127**	11,633
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008, 28.5%)	**1,996**	3,315
Effects of:		
Non-deductible revenue expenditure	**73**	19
Income not taxable	**–**	(12)
Non-qualifying depreciation	**52**	64
Share-based payments	**–**	95
Indexation allowance	**–**	(28)
Different rates of tax on overseas results	**6**	79
Tax losses not utilised	**116**	266
Adjustment to tax charge in respect of previous periods		
– current tax	**(246)**	(3)
– deferred tax	**149**	(2)
Tax charge for the year	**2,146**	3,793

(c) Factors affecting tax charge for future years

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

(d) Tax effects of components of other comprehensive income

	2009 Before tax £'000	2009 Tax credit £'000	2009 After tax £'000	2008 Before tax £'000	2008 Tax credit £'000	2008 After tax £'000
Exchange differences on translating foreign operations	**(2,950)**	**–**	**(2,950)**	8,453	–	8,453
Deferred tax on share-based payments	**–**	**21**	**21**	–	34	34
Other comprehensive income	**(2,950)**	**21**	**(2,929)**	8,453	34	8,487

6. Dividends

For the prior year

A final dividend for 2008 of 3.47 pence per share (£2,554,000) was paid to the equity shareholders on 1 July 2009, being the amount proposed by the Directors, and subsequently approved by the shareholders at the 2009 Annual General Meeting (2008, final dividend for 2007 paid in 2008 of 3.30 pence per share, £2,428,000).

For the current year

On 20 November 2009 an interim dividend of 0.78 pence per share (£574,000) was paid to the equity shareholders (2008, 0.75 pence per share, £552,000).

The Directors propose that a final dividend of 3.65 pence per share will be paid to the equity shareholders on 1 July 2010. Based on the number of shares currently in issue, the final dividend will be £2,689,000. 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 £4,981,000 (2008, £7,840,000) and a weighted average number of Ordinary Shares in issue after deducting 88,760 (2008, 88,760) shares held by the Employee Benefit Trust of 73,594,863 (2008, 73,503,495). The diluted earnings per share has been calculated by reference to earnings of £4,981,000 (2008, £7,840,000) and a weighted average number of Ordinary Shares of 73,920,795 (2008, 73,506,869) 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:

	2009 Number	2008 Number
Weighted average number of shares for basic earnings per share	**73,594,863**	73,503,495
Dilutive effect of share options and awards	**325,932**	3,374
Weighted average number of shares for diluted earnings per share	**73,920,795**	73,506,869

The earnings per share are shown below:

	2009	2008
Basic earnings per share	**6.77p**	10.67p
Diluted earnings per share	**6.74p**	10.67p

The adjusted earnings per share before amortisation of intangible assets of £584,000 (2008, £102,000) and impairment of goodwill of £nil (2008, £111,000) are shown below:

	2009	2008
Adjusted basic earnings per share	**7.56p**	10.96p
Adjusted diluted earnings per share	**7.53p**	10.96p

Notes to the Accounts

8. Property, plant and equipment

The Group **Year ended 31 December 2009**	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 January 2009	1,664	449	1,807	220	4,140
Additions	1	14	279	10	304
Disposals	–	–	(50)	(51)	(101)
Subsidiaries acquired	–	3	6	–	9
Exchange differences	(1)	–	(24)	–	(25)
At 31 December 2009	**1,664**	**466**	**2,018**	**179**	**4,327**
Depreciation:					
At 1 January 2009	1,052	278	1,237	130	2,697
Charge for the year	347	37	237	48	669
Disposals	–	–	(50)	(37)	(87)
Exchange differences	(2)	–	(11)	–	(13)
At 31 December 2009	**1,397**	**315**	**1,413**	**141**	**3,266**
Net book value:					
At 31 December 2009	**267**	**151**	**605**	**38**	**1,061**
At 1 January 2009	612	171	570	90	1,443

Depreciation is charged to administrative expenses and marketing and distribution costs, as detailed in note 2.

The Group **Year ended 31 December 2008**	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 January 2008	2,030	403	1,699	232	4,364
Additions	21	45	210	78	354
Disposals	(397)	–	(201)	(90)	(688)
Subsidiaries acquired	6	–	36	–	42
Exchange differences	4	1	63	–	68
At 31 December 2008	**1,664**	**449**	**1,807**	**220**	**4,140**
Depreciation:					
At 1 January 2008	891	248	1,190	158	2,487
Charge for the year	554	30	216	44	844
Disposals	(397)	–	(201)	(72)	(670)
Exchange differences	4	–	32	–	36
At 31 December 2008	**1,052**	**278**	**1,237**	**130**	**2,697**
Net book value:					
At 31 December 2008	**612**	**171**	**570**	**90**	**1,443**
At 1 January 2008	1,139	155	509	74	1,877

The Company **Year ended 31 December 2009**	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Total £'000
Cost:				
At 1 January 2009	1,633	442	1,048	3,123
Additions	1	10	67	78
At 31 December 2009	**1,634**	**452**	**1,115**	**3,201**
Depreciation:				
At 1 January 2009	1,027	278	830	2,135
Charge for the year	345	34	95	474
At 31 December 2009	**1,372**	**312**	**925**	**2,609**
Net book value:				
At 31 December 2009	**262**	**140**	**190**	**592**
At 1 January 2009	606	164	218	988

The Company **Year ended 31 December 2008**	Short leasehold improvements £'000	Furniture and fittings £'000	Computers and other office equipment £'000	Total £'000
Cost:				
At 1 January 2008	2,009	402	984	3,395
Additions	21	40	64	125
Disposals	(397)	–	–	(397)
At 31 December 2008	**1,633**	**442**	**1,048**	**3,123**
Depreciation:				
At 1 January 2008	870	248	733	1,851
Charge for the year	554	30	97	681
Disposals	(397)	–	–	(397)
At 31 December 2008	**1,027**	**278**	**830**	**2,135**
Net book value:				
At 31 December 2008	**606**	**164**	**218**	**988**
At 1 January 2008	1,139	154	251	1,544

Notes to the Accounts

9. Intangible assets

The Group	2009 £'000	2008 £'000
Total carrying amount of intangible assets:		
Goodwill	**27,253**	22,459
Publishing relationships	**4,375**	2,254
Trademarks	**111**	123
Imprints	**2,303**	2,394
Subscriber and customer relationships	**3,474**	184
Order backlog	**82**	129
At 31 December	**37,598**	27,543
Goodwill	**22,459**	17,479
Publishing relationships	**2,254**	237
Trademarks	**123**	–
Imprints	**2,394**	–
Subscriber and customer relationships	**184**	–
Order backlog	**129**	–
At 1 January	**27,543**	17,716

Goodwill

Year ended 31 December 2009	The Group £'000	The Company £'000
Cost:		
At 1 January 2009	26,723	721
Additions	5,276	–
Exchange differences	(482)	–
At 31 December 2009	**31,517**	**721**
Accumulated impairment losses:		
At 1 January 2009	4,264	721
Impairment	–	–
At 31 December 2009	**4,264**	**721**
Carrying amount:		
At 31 December 2009	**27,253**	**–**
At 1 January 2009	22,459	–

Year ended 31 December 2008	The Group £'000	The Company £'000
Cost:		
At 1 January 2008	21,632	721
Additions	3,674	–
Exchange differences	1,417	–
At 31 December 2008	**26,723**	**721**
Accumulated impairment losses:		
At 1 January 2008	4,153	721
Impairment	111	–
At 31 December 2008	**4,264**	**721**
Carrying amount:		
At 31 December 2008	**22,459**	**–**
At 1 January 2008	17,479	–

The Group **Year ended 31 December 2009**	Publishing relationships £'000	Trademarks £'000	Imprints £'000	Subscriber & customer relationships £'000	Order backlog £'000	Total £'000
Cost:						
At 1 January 2009	2,428	123	2,413	187	141	5,292
Subsidiaries acquired	2,445	–	–	3,439	–	5,884
Exchange differences	(27)	(12)	–	–	–	(39)
At 31 December 2009	**4,846**	**111**	**2,413**	**3,626**	**141**	**11,137**
Amortisation:						
At 1 January 2009	174	–	19	3	12	208
Charge for the year	297	–	91	149	47	584
At 31 December 2009	**471**	**–**	**110**	**152**	**59**	**792**
Net book value:						
At 31 December 2009	**4,375**	**111**	**2,303**	**3,474**	**82**	**10,345**
At 1 January 2009	2,254	123	2,394	184	129	5,084

The Group **Year ended 31 December 2008**	Publishing relationships £'000	Trademarks £'000	Imprints £'000	Subscriber & customer relationships £'000	Order backlog £'000	Total £'000
Cost:						
At 1 January 2008	343	–	–	–	–	343
Additions	–	123	–	–	–	123
Subsidiaries acquired	2,008	–	2,413	187	141	4,749
Exchange differences	77	–	–	–	–	77
At 31 December 2008	**2,428**	**123**	**2,413**	**187**	**141**	**5,292**
Amortisation:						
At 1 January 2008	106	–	–	–	–	106
Charge for the year	68	–	19	3	12	102
At 31 December 2008	**174**	**–**	**19**	**3**	**12**	**208**
Net book value:						
At 31 December 2008	**2,254**	**123**	**2,394**	**184**	**129**	**5,084**
At 1 January 2008	237	–	–	–	–	237

Goodwill is not amortised, but instead is subject to annual impairment reviews. Any impairment losses are recognised immediately in the income statement. The carrying value is determined on the basis of value in use.

On 1 July 2009 Bloomsbury Publishing Plc acquired the whole of the issued share capital of Tottel Publishing Limited for a cash consideration of £9,962,000. Tottel Publishing Limited is an independent professional and academic publisher in the UK and Ireland. The acquisition has been accounted for by the purchase method of accounting. The goodwill of £5,579,000 arising on this acquisition has been capitalised on the Group balance sheet.

On 9 July 2009 A&C Black acquired the business and net assets of Hodder Humanities for a cash consideration of £462,000. It will be managed under the Bloomsbury Academic imprint. The acquisition has been accounted for by the purchase method of accounting. The goodwill of £146,000 arising on the acquisition has been capitalised in the Group balance sheet.

Notes to the Accounts

Additions represent the goodwill on the acquisitions during the year and an adjustment in respect of Arden, as shown below:

	The Group £'000
Acquisition of Tottel Publishing Limited	5,579
Acquisition of Hodder Humanities	146
Adjustment to initial goodwill on Arden*	(449)
Additions in the year	5,276

*The adjustment to Arden's goodwill of £(449,000) is to reflect the non recognition of deferred tax liability recognised on its acquisition in 2008.

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

	Book value £'000	Fair value adjustments £'000	Total fair value to the Group £'000
Net assets acquired:			
Identifiable intangible assets	1,326	4,285	5,611
Property, plant and equipment	9	–	9
Inventories	–	252	252
Trade and other receivables	642	(125)	517
Cash and cash equivalents	260	–	260
Deferred tax asset	86	–	86
Deferred tax liability	–	(1,200)	(1,200)
Payables and provisions	(955)	(64)	(1,019)
	1,368	3,148	4,516
Goodwill			5,579
Consideration			10,095
Consideration satisfied by:			
Cash			9,962
Costs			133
			10,095
Net cash outflow arising on acquisition:			
Cash consideration including costs			10,095
Cash acquired			(260)
			9,835

Identifiable intangible assets of £5,611,000 consist of customer and subscriber relationships of £3,439,000 and publishing rights of £2,172,000. The customer and subscriber relationships have useful lives between six to thirteen years and publishing rights between seven to thirteen years.

A deferred tax liability of £1,200,000 has been provided against these intangible assets. Although this liability has been recognised in accordance with IAS 12 and a proportion will be amortised to the income statement as the related intangible asset is amortised, this liability is only payable if the intangible asset is sold separately and this is not expected to happen. A deferred tax asset of £86,000 has also been recognised for pre acquisition losses of Tottel Publishing Limited.

The goodwill on the acquisition of Tottel Publishing Limited arises from the expected profitability of the acquired business and the significant cost and revenue synergies expected to arise after the acquisition. It also comprises benefits that cannot be separately recognised such as its existing workforce, customer base and relationships with writers. The results of the acquired entity have been consolidated in the income statement from the date of acquisition. From the date of acquisition, the acquired entity contributed a £626,000 profit to the profit attributable to owners of the Company.

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

	Book value £'000	Fair value adjustments £'000	Total fair value to the Group £'000
Net assets acquired:			
Identifiable intangible assets	–	273	273
Inventories	48	(21)	27
Trade and other receivables	26	–	26
	74	252	326
Goodwill			146
Consideration			472
Consideration satisfied by:			
Cash			462
Costs			10
			472
Net cash outflow arising on acquisition:			
Cash consideration including costs			472
Cash acquired			–
			472

Identifiable intangible assets of £273,000 consist entirely of publishing rights which have a useful life of eight years. The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the acquisition.

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

	Book value £'000	Fair value adjustments £'000	Total fair value to the Group £'000
Net assets acquired:			
Identifiable intangible assets	1,326	4,558	5,884
Property, plant and equipment	9	–	9
Inventories	48	231	279
Trade and other receivables	668	(125)	543
Cash and cash equivalents	260	–	260
Deferred tax liability	–	(1,200)	(1,200)
Deferred tax asset	86	–	86
Payables and provisions	(955)	(64)	(1,019)
	1,442	3,400	4,842
Goodwill			5,725
Consideration			10,567
Consideration satisfied by:			
Cash			10,424
Costs			143
			10,567
Net cash outflow arising on acquisition:			
Cash consideration including costs			10,567
Cash acquired			(260)
			10,307

Notes to the Accounts

The following pro forma summary presents the Group as if Tottel Publishing Limited and Hodder Humanities were acquired on 1 January 2009.

The pro forma amounts do not include any possible synergies from these acquisitions. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	2009
	£'000
Revenue	**89,986**
Profit attributable to equity shareholders	**5,313**

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

	2009	2008
	£'000	£'000
United Kingdom	**22,385**	17,109
North America	**3,290**	3,651
Continental Europe	**1,578**	1,699
At 31 December	**27,253**	22,459

In testing goodwill for impairment, the recoverable amount of each geographical segment's assets is calculated on the basis of future 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 2010 for all segments and extrapolated forecasts for subsequent years up to 2018 for Continental Europe and up to 2028 for North America and the United Kingdom.

Forecasts greater than five years can be justified on the basis that the remaining carrying value of goodwill largely relates to acquired business units which have been established for over one hundred years. This is further supported by the valuations which were required to be undertaken as a result of the acquisitions made, and useful lives of some of the separately identifiable intangibles acquired on recent acquisitions, such as imprints and certain publishing relationships, which were assessed in the valuations as twenty years or greater.

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

- The discount rates used were 8.5% – 9.5% for the United Kingdom, 10.5% for North America and 11% for Continental Europe. These are justified, as although current interest rates have fallen, the recessionary environment has increased commercial risk.
- Gross margins have been based on historic performance and have been applied on a consistent basis to future projections, other than for Continental Europe where projected cost savings at gross margin level have been taken into account.
- The budgeted revenue and cost increases in 2010 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 of one year and other factors which management consider should be taken into account, such as growth in the backlist revenues, development of new revenue streams within each geographical segment and cost savings following ongoing operational reviews, as follows:

	United Kingdom	North America	Continental Europe
Revenue growth after 2010	3.5% – 17%	5.0%	2.0% – 10.0%
Overhead growth after 2010	3.0% – 15%	4.0%	2.0% – 10.0%

The Directors feel the growth rates, although higher than industry averages, are justifiable on the basis of past performance and history of growth in the Group.

The Group's impairment review is sensitive to a change in the key assumptions used, most notably the discount rates and growth rates. Based on the Group's sensitivity analysis a reasonably possible change in the growth rate of its US Cash Generating Unit ('CGU') could cause an impairment. The fair value of this CGU is 11.5% or £0.7m above its carrying value, but a decrease of 1% on the growth rates of sales and variable direct costs of the business would cause the value in use to fall below the carrying value. Likewise a 1.5% increase in the discount rate would cause the value in use to fall below the carrying value.

10. Investments in subsidiary companies

The Company	2009 £'000	2008 £'000
Cost		
Investments in share capital of wholly owned subsidiaries at cost:		
At 1 January	**43,021**	29,067
Additions	**10,095**	13,954
At 31 December	**53,116**	43,021
Impairment		
At 1 January	**8,719**	–
Charge for the year	**723**	8,719
At 31 December	**9,442**	8,719
Carrying amount:		
At 31 December	**43,674**	34,302
At 1 January	**34,302**	29,067

The additions during the year represent the investment in Tottel Publishing Limited. The additions in 2008 represented additional investment of £13,954,000 in Bloomsbury Publishing Inc as inter-company loan capitalisation.

An impairment review assessing the carrying value of the investments was carried out in December 2009 and the investment in Bloomsbury Publishing Inc was written down by £723,000 (2008, £8,683,000). In testing impairment of investments, the recoverable amount is calculated on the basis of future cash flows. Operating performance is based on the Board's approved budgets for the year ending 31 December 2010 and extrapolated forecasts for subsequent years up to 2023 using a growth rate of 3% – 5.5% and a discount rate of 10.25%. In addition a £36,000 investment in Writer's Cafe, Inc. was written off in 2008.

Notes to the Accounts

The subsidiary companies at 31 December 2009 are as follows:

	Country of incorporation	Proportion of equity capital held during the year	Nature of business
Subsidiary undertakings held directly:			
A.& C. Black Plc	England	100%	Intermediate holding company
Bloomsbury Publishing Inc (formerly 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
Bloomsbury Professional Limited (formerly Tottel Publishing 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
Featherstone Education Limited	England	100%	Non-trading
Oxford International Publishers Limited t/a Berg Publishers	England	100%	Publishing
Berg Fashion Library Limited	England	100%	Publishing
John Wisden (Holdings) Limited	England	100%	Non-trading
John Wisden & Co Limited	England	100%	Non-trading
Walker Publishing Company, Inc.	USA	100%	Publishing

11. Deferred tax

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

The Group

	Tax losses carried forward £'000	Property, plant and equipment temporary differences £'000	Retirement benefit obligation £'000	Share options £'000	Acquisitions £'000	Other £'000	Total £'000
At 1 January 2008	613	38	36	297	–	729	1,713
Credit/(charge) to the income statement	(32)	30	3	(39)	–	(431)	(469)
Credit to other comprehensive income	–	–	–	34	–	–	34
Exchange differences	210	–	–	–	–	312	522
Subsidiaries acquired	229	–	–	–	(1,328)	–	(1,099)
At 31 December 2008	**1,020**	**68**	**39**	**292**	**(1,328)**	**610**	**701**
Adjustment to b/f	–	–	–	–	449	–	449
Credit/(charge) to the income statement	(172)	5	(21)	22	146	(152)	(172)
Credit to other comprehensive income	–	–	–	21	–	–	21
Exchange differences	(53)	–	–	–	–	(101)	(154)
Subsidiaries acquired	86	–	–	–	(1,200)	–	(1,114)
At 31 December 2009	**881**	**73**	**18**	**335**	**(1,933)**	**357**	**(269)**

The Company

	Tax losses carried forward £'000	Property, plant and equipment temporary differences £'000	Retirement benefit obligation £'000	Share options £'000	Acquisitions £'000	Other £'000	Total £'000
At 1 January 2008	–	(25)	–	286	–	–	261
Credit to the income statement	–	33	–	15	–	–	48
At 31 December 2008	**–**	**8**	**–**	**301**	**–**	**–**	**309**
Credit to the income statement	–	14	–	–	–	22	36
Credit to other comprehensive income	–	–	–	21	–	–	21
At 31 December 2009	–	**22**	**–**	**322**	**–**	**22**	**366**

Notes to the Accounts

A deferred tax asset has been recognised in respect of the amount of the tax losses and other short-term temporary differences of BV Berlin Verlag GmbH and Bloomsbury Publishing Inc that 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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Deferred tax assets	**1,965**	2,152	**366**	309
Deferred tax liabilities	**(2,234)**	(1,451)	**–**	–
	(269)	701	**366**	309

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

	The Group		The Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Tax losses carried forward	**1,275**	1,031	**–**	–
	1,275	1,031	**–**	–

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 sufficiently certain.

The gross tax losses on which no deferred asset has been recognised were £3,555,000 (2008, £2,580,000). This relates to tax losses for certain subsidiaries in the US, Germany and UK. The losses in the US can be carried forward for twenty years, whilst the losses in Germany and the UK can be carried forward indefinitely.

12. Inventories

	The Group		The Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Raw materials	**132**	258	**5**	19
Work in progress	**4,029**	3,347	**824**	620
Finished goods for resale	**12,189**	12,984	**1,383**	1,696
	16,350	16,589	**2,212**	2,335

The amount included in cost of sales relating to the inventory provision and write down recognised as an expense is £4,982,000 (2008, £5,089,000) for the Group and £1,275,000 (2008, £1,913,000) for the Company. The amount included in cost of sales relating to the cost of inventories sold is £17,820,000 (2008, £16,825,000) for the Group and for the Company £7,101,000 (2008, £7,588,000).

13. Trade and other receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Non-current assets				
Amounts owed by Group undertakings	**–**	–	**10,979**	2,210
Current assets				
Recoverable within 12 months:				
Trade receivables	**21,601**	22,939	**9,034**	11,671
Amounts owed by Group undertakings	**–**	–	**3,109**	7,735
Income tax recoverable	**56**	–	**–**	223
Other receivables	**429**	334	**271**	165
Prepayments and accrued income	**22,576**	23,212	**7,196**	7,787
	44,662	46,485	**19,610**	27,581
Recoverable after 12 months:				
Prepayments and accrued income	**2,847**	2,497	**2,847**	2,497
	47,509	48,982	**22,457**	30,078

The non-current amounts owed by Group undertakings represent loan balances due from subsidiary companies. These loans are technically repayable on demand, however there is no intention to demand repayment of the loans within the next twelve months. During 2008 £13,954,000 of the US loan was capitalised as the Company's cost of investment before investment impairment, as set out in note 10.

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 2009 the average number of days' credit taken for sales of books by the Group was 107 days (2008, 106 days), and the average number of days' credit taken by the Company was 119 days (2008, 112 days). The majority of trade receivables are secured by credit insurance, third party distributors and letters of credit. At the year end an allowance has been made for estimated irrecoverable amounts from the sale of goods of £1,044,000 (2008, £807,000) by the Group and of £388,000 (2008, £476,000) by the Company. This allowance has been made by reference to specific debts, past default experience, trading history and the current economic environment. The increase in the year-end provision on trade receivables since 31 December 2008 was £237,000 (2008, £520,000) for the Group and there was a reduction of £88,000 (2008, increase £387,000) for the Company. The impairment loss was £107,000 (2008, £598,000) for the Group and there was a credit of £28,000 (2008, loss £476,000) for the Company. The £130,000 difference between the provision movement and the income statement charge for the Group is due in the main to existing provisions on acquisitions made during the year, partly offset by usage of the provision during the year. The £60,000 difference for the Company is due to usage of the provision during the year.

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. At the end of 2008 there were outstanding receivables relating to the sale of *Tales of Beedle the Bard*, which was published during that year and cash was received during 2009. A provision for the Group of £6.51m (2008, £7.78m), at margin, for future returns relating to the current year and prior year sales has been included in trade receivables in the balance sheet at 31 December 2009. This included a provision for the Company of £2.14m (2008, £3.04m). A 1% change in the closing returns provision rates would have an impact of £0.26m for the Group. In addition to books returned by customers during 2009, there was a write-back in the returns provision relating to changes in assumptions made in respect of the provision brought forward from the prior year which, as a result of the level of returns actually received during the year, is no longer required. The value of the write-back to the income statement is £0.58m (year to 31 December 2008, £5.16m).

Notes to the Accounts

The reconciliation of the Group's returns provision balance is shown below:

	£'000
At 1 January 2009	7,783
Exchange difference	(431)
Change in basis of calculation	(581)
Subsidiaries acquired	186
Provision made in the year	8,340
Provision utilised in the year	(8,792)
At 31 December 2009	**6,505**

The change in the basis of the calculation takes account of the reassessment of likely returns rates based on the level of actual returns in the period.

The Group makes a provision against published titles 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 charged to the income statement for the difference between the carrying value and the anticipated recoverable amount from future earnings ('advance provision'). The advance provision for the Group has been increased by £3.44m since 31 December 2009 (year to 31 December 2008, £9.13m). The provision for the Company has been increased by £1.03m (year to 31 December 2008, £6.28m). The net advance is included within prepayments and accrued income.

Within the increased provision for advances made during 2008 was an additional amount taken on the basis that in the light of the current economic climate management did not consider those amounts to be recoverable. The value of the additional write off in 2008 was £5.40m.

The movement on the advances provision for the Group during the year is shown below:

	£'000
Reallocation of provision no longer required	(1,624)
Provisions made in the year	5,062
Total cost to income statement	3,438
Provisions used to write off advances	(1,960)
Exchange difference	(474)
Net movement in provision	1,004

14. Equity share capital

	2009	2008
	£'000	£'000
Authorised:		
92,000,000 Ordinary Shares of 1.25p each		
(2008, 92,000,000 Ordinary Shares of 1.25p each)	**1,150**	1,150
Allotted, called up and fully paid:		
73,683,623 Ordinary Shares of 1.25p each		
(2008, 73,683,623 Ordinary Shares of 1.25p each)	**922**	922

Movements in the allotted share capital during the year are:

	2009		2008	
	Number	**£'000**	Number	£'000
At 1 January	**73,683,623**	**922**	73,561,799	920
Shares allotted	**–**	**–**	121,824	2
At 31 December	**73,683,623**	**922**	73,683,623	922

As at 31 December 2009, 659,398 options had been granted and were still outstanding in respect of Ordinary Shares under the following Approved and Unapproved Share Option Schemes:

	No. of Shares	Subscription price	Exercisable
1994 Approved Executive Share Option Scheme	17,354	173.75p	2003 – 2010
1994 Approved Executive Share Option Scheme	84,240	220.25p	2003 – 2010
1994 Approved Executive Share Option Scheme	46,116	175.50p	2004 – 2011
1994 Approved Executive Share Option Scheme	48,688	179.75p	2004 – 2011
1994 Approved Executive Share Option Scheme	22,000	143.50p	2005 – 2012
1994 Approved Executive Share Option Scheme	58,276	178.75p	2006 – 2013
1994 Approved Executive Share Option Scheme	20,000	246.00p	2006 – 2013
1994 Approved Executive Share Option Scheme	58,000	249.50p	2007 – 2014
1994 Unapproved Executive Share Option Scheme	149,724	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 2009, 2,365,301 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 three years after the award.

	No. of Shares	Strike price at award	Date of award
2005 Performance Share Plan	651,863	181.40p	8 May 2007
2005 Performance Share Plan	817,136	144.50p	12 May 2008
2005 Performance Share Plan	896,302	120.50p	25 Sep 2009

At 31 December 2009, 113,282 options had been granted and were still outstanding under the 2005 Bloomsbury Sharesave Plan.

	No. of Shares	Exercise price	Exercisable
2005 Bloomsbury Sharesave Plan	679	275.20p	Oct 2009 – April 2010
2005 Bloomsbury Sharesave Plan	29,377	148.20p	June 2010 – Dec 2010
2005 Bloomsbury Sharesave Plan	83,226	115.60p	June 2011 – Dec 2011

At 31 December 2009, 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.

	No. of appreciation rights	Base price of award	Exercisable
2006 Share Appreciation Rights Scheme	40,000	249.50p	Mar 2007 – Mar 2011
2006 Share Appreciation Rights Scheme	40,000	337.90p	Nov 2008 – Nov 2012
2006 Share Appreciation Rights Scheme	40,000	315.25p	Oct 2009 – Oct 2013
2007 Share Appreciation Rights Scheme	26,792	173.75p	June 2010 – June 2014

Notes to the Accounts

At 31 December 2009, 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.

	No. of Shares	Subscription price	Exercisable
2007 Unapproved Employee Share Option Scheme	72,760	220.25p	2007 – 2010
2007 Unapproved Employee Share Option Scheme	16,000	175.50p	2007 – 2011

At 31 December 2009, 9,343 conditional award shares had been awarded and were still outstanding. The awards are exercisable based on a three year performance period.

	No. of Shares	Strike price at award	Date of award
2009 conditional award	9,343	126.5p	18 Dec 2009

15. Non-current liabilities

The retirement benefit obligations 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 the authors' share of rights receivable falling due after more than one year.

16. Trade and other payables

	The Group		The Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade payables	**5,913**	6,619	**2,264**	2,996
Amounts owed to Group undertakings	**–**	–	**4,208**	512
Taxation and social security	**350**	312	**196**	194
Other payables	**1,414**	1,666	**940**	1,110
Accruals	**13,271**	22,657	**8,012**	17,726
Deferred income	**2,121**	1,349	**–**	–
	23,069	32,603	**15,620**	22,538

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. At 31 December 2009 the average number of days' credit taken for purchases by the Group was 50 days (2008, 51 days).

17. Lease obligations

The Group as a lessee:

	2009	2008
	£'000	£'000
Payments under operating leases recognised as expense for the period	**1,159**	1,328

At 31 December 2009 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2009 **£'000**	2008 £'000
Within one year	**880**	977
Between one and five years	**200**	831
	1,080	1,808

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 three years. The operating leases over vehicles are in respect of company cars driven by certain employees. The lease terms are for an average of two years. The operating leases over equipment are in respect of office equipment. The lease terms are for an average of two years.

The Group as a lessor:
Property rental income earned during the year was £nil (2008, £43,000).

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 2009 the Group recognised total expenses related to equity-settled share-based payment transactions since 7 November 2002 of £88,000 (2008, £191,000).

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 the 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 (see Remuneration Report on page 38) 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 2009 Number	**Weighted average exercise price 2009 (Pence)**	Options 2008 Number	Weighted average exercise price 2008 (Pence)
Outstanding at 1 January	**707,398**	**204.70**	824,518	201.59
Exercised during the year	**–**	**–**	–	–
Expired during the year	**(48,000)**	**164.06**	(117,120)	178.70
Outstanding at 31 December	**659,398**	**207.06**	707,398	204.70
Exercisable at 31 December	**659,398**	**207.06**	42,000	143.50

The options outstanding at 31 December 2009 had a weighted average contractual life of one year and six months (2008, two years and nine months). The range of exercise prices at 31 December 2009 can be found in note 14 above.

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 (see Remuneration Report on page 38) 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.

Notes to the Accounts

	Conditional Awards 2009 Number	Conditional Awards 2008 Number
Outstanding at 1 January	**1,804,820**	1,557,406
Granted during the year	**896,302**	829,000
Lapsed or forfeited during the year	**(335,821)**	(581,586)
Outstanding at 31 December	**2,365,301**	1,804,820
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	**25 September 2009**	
Performance condition	Total Increase in EPS over RPI	Shareholder Return
Share price	122p	122p
Volatility	n/a	40.8%
Performance condition discount	n/a	n/a
Risk Free Interest Rate	n/a	2.0%
Fair Value charge per award	£1.22	£0.767

For all awards made under the PSP Plan to date, vesting is on the third anniversary of grant and a three year expected life has been assumed. The expected volatility was based on Bloomsbury's share price 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 2009 Number	**Weighted average exercise price 2009 Pence**	Sharesave options 2008 Number	Weighted average exercise price 2008 Pence
Outstanding at 1 January	**147,043**	**148.53**	136,098	192.32
Granted during the year	**–**	**–**	92,983	144.50
Lapsed or forfeited during the year	**(33,761)**	**227.44**	(82,038)	183.85
Outstanding at 31 December	**113,282**	**125.01**	147,043	148.53
Exercisable at 31 December	**679**	**275.2**	–	–

The outstanding Sharesave options at 31 December 2009 had a weighted average remaining contractual life of one year and eight months (2008, two years and four months). The range of exercise prices at 31 December 2009 can be found in note 14 above.

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 exercise 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 2009 Number	**Weighted average exercise price 2009 Pence**	SAR Scheme Awards 2008 Number	Weighted average exercise price 2008 Pence
Outstanding at 1 January	**146,792**	**277.68**	146,792	277.68
Outstanding at 31 December	**146,792**	**277.68**	146,792	277.68
Exercisable at 31 December	**120,000**	**300.88**	–	–

The SAR Scheme awards outstanding at 31 December 2009 had a weighted average contractual life of three years (2008, three years and two months). The range of exercise prices at 31 December 2009 can be found in note 14 above.

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 3 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 2009 Number	**Weighted average exercise price 2009 Pence**	2007 ESOS Scheme Awards 2008 Number	Weighted average exercise price 2008 Pence
Outstanding at 1 January	**88,760**	**212.18**	88,760	212.18
Outstanding at 31 December	**88,760**	**212.18**	88,760	212.18
Exercisable at 31 December	**88,760**	**212.18**	88,760	212.18

The 2007 ESOS Scheme awards outstanding at 31 December 2008 had a weighted average contractual life of ten months (2008, one year and ten months). The range of exercise prices at 31 December 2009 can be found in note 14 above.

2009 Conditional Share award

During 2009 the Company made a grant of 9,343 shares for nil consideration (the 'Award'). The Award will be exercisable in 2011 subject to the achievement of performance conditions set by the Remuneration Committee. The Award is to be funded by market purchased shares.

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

Notes to the Accounts

Date of grant	18 December 2009	
Performance condition	Increase in EPS over RPI	Total Shareholder Return
Share price	125p	125p
Volatility	n/a	40.8%
Performance condition discount	n/a	n/a
Risk Free Interest Rate	n/a	2.0%
Fair Value charge per award	£1.25	£0.786

For the conditional share award, vesting is on 12 May 2011, a two years and five months expected life has been assumed. The expected volatility was based on Bloomsbury's share price volatility over the period prior to grant equal in length to the expected two years and five months 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 ending on 12 May 2011, 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.

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 2009 the trust held £116 in cash and 88,760 ordinary shares of 1.25p each, purchased during 2008 for £134,000. The results and net assets of the EBT are included in the financial statements of the Group. The market value of the 88,760 shares at 31 December 2009 was £112,281.

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 2009 this commitment amounted to £14,902,000 (2008, £17,102,000).

There is a contingent consideration for the 2008 acquisition of Oxford International Publishers Limited t/a Berg Publishers. It is based on the average revenues for the Berg Fashion Library element of the business payable in 2014 and 2015 up to a maximum of £1,000,000. None of the contingent consideration has been recognised as a reliable measurement cannot be ascertained due to the timescales the contingent consideration is based on.

20. Post balance sheet events

The Directors propose that a final dividend of 3.65 pence per share (2008, 3.47 pence per share) will be paid to the equity shareholders on 1 July 2010 to Ordinary Shareholders on the register at close of business on 22 May 2010. Based on the number of shares currently in issue, the final dividend will be £2,689,000 (2008, £2,554,000). 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.

21. Parent Company result

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 not to present the Company income statement. The Company's profit for the year was £2,672,000 (2008, loss £2,972,000). This is after impairment of the investment in Bloomsbury Publishing Inc of £723,000 (2008, £8,683,000) as a result of the impairment review (note 10). The Company's total comprehensive income for the year is £2,693,000 (2008, £(2,938,000)).

22. Financial instruments and risk summary

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

1. Capital risk management
2. Market risk
3. Credit risk
4. Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's management of capital and the Group's objectives, policies and procedures for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has approved the Group Treasury policies and procedures by which the Group Treasury function is to be managed, headed by the Group Finance Director and part of Bloomsbury's Finance Department, it operates under a delegated authority from the Board.

As the Company is responsible for managing the Group's Treasury function, the same policies and procedures are also adhered to in the managing of its own function.

The treasury management policies and procedures focus on the investment of surplus operating cash likely to be needed in order to support Bloomsbury's ongoing operations, foreign currency requirements and interest rate risk management. The policies are reviewed at least on an annual basis by the Group Finance Director and any amendments approved by the Board. The Board is assisted in its oversight role by Internal Audit, who undertake regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders as well as sustaining the future development of the business. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group comprises equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and note 14.

Notes to the Accounts

Categories of financial instruments

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**£'000**	£'000	**£'000**	£'000
Loans and receivables					
Trade receivables	13	**21,601**	22,939	**9,034**	11,671
Amounts owed by Group undertakings	13	**–**	–	**14,088**	9,945
Rights income receivable		**1,430**	1,631	**1,037**	1,260
Cash and cash equivalents		**35,036**	51,908	**31,084**	47,859
Total financial assets		**58,067**	76,478	**55,243**	70,735
Trade payables	16	**5,913**	6,619	**2,264**	2,996
Other payables	16	**1,414**	1,666	**940**	1,110
Accruals	16	**13,271**	22,657	**8,012**	17,726
Amounts owed to Group undertakings	16	**–**	–	**4,208**	512
Other payables due after one year	15	**353**	558	**351**	558
Total financial liabilities, measured at amortised cost*		**20,951**	31,500	**15,775**	22,902
Net financial instruments		**37,116**	44,978	**39,468**	47,833

* These amounts also represent the contractual cash payments due.

2. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group's activities expose it mainly to the financial risks of changes in foreign currency exchange rates and changes in interest rates. The Group incurs costs in the same currencies as it earns revenue creating some degree of natural hedging.

The Group does not use derivative contracts for speculative purposes.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by Group Treasury under policies approved by the Board of Directors. Group Treasury monitors the distribution of its cash assets so as to control exposure to the relative performance of any particular territory, currency or institution.

The Board provides written principles for overall risk managements, as well as policies covering specific areas, such as funding, foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(i) Interest rate risk

The Group has significant interest bearing assets in the form of cash and cash equivalents, as such cash flows are dependent on changes in market interest rates.

The Group maintains a low risk stance to investing surplus cash balances and does not allow speculative trading or investment and invests surplus funds only in investments that meet certain criteria which includes the following:

- Meet the permitted rating requirements issued by a recognised rating agency
- Invest utilising permitted instruments as authorised by the Board
- Are held at a permitted institution
- Have a defined maximum maturity date which is no longer than twelve months unless a UK Government bond
- Are denominated in sterling, euro or US dollars
- Pay interest at a fixed, floating or discount rate
- Are within preferred concentration limits

The Group has financial assets comprising cash and short-term bank deposits of £35,036,000 at 31 December 2009 (2008, £51,908,000). The Company has financial assets comprising cash and short-term bank deposits of £31,084,000 at 31 December 2009 (2008, £47,859,000). Short-term bank deposits are at fixed rates, and the maturity terms range between four days and three months. Cash at bank is at variable rates. The average rate of interest on cash deposits for the Group and the Company during the year ended 31 December 2009 was 2.6% (2008, 5.5%).

	The Group		The Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**6,946**	7,895	**2,994**	3,846
Short-term bank deposits	**28,090**	44,013	**28,090**	44,013
Cash and cash equivalents	**35,036**	51,908	**31,084**	47,859

The Group had no borrowings at 31 December 2009 or 31 December 2008.

Interest rate sensitivity analysis

The Group derived the following sensitivities to assess the impact of changes in interest rates, based on the effect of the market volatility in the current climate and the previous 12 months:

	2009	2008
	£'000	£'000
Impact on equity		
3% increase in base rate of interest (2008, 2%)	**1,051**	1,038
3% decrease in base rate of interest (2008, 2%)	**(1,051)**	(1,038)
Impact on profit or loss		
3% increase in base rate of interest (2008, 2%)	**1,051**	1,038
3% decrease in base rate of interest (2008, 2%)	**(1,051)**	(1,038)

(ii) Currency risk

The Company believes in its current circumstances that the Group's risk from foreign currency exposure is limited and no active currency risk management by hedging is considered necessary, as a significant proportion of revenues are matched by expenditure in the same local currency creating some degree of natural hedging.

Notes to the Accounts

Of the Group's total financial assets of £58,067,000 (2008, £76,478,000), comprising certain receivables as above and cash and cash equivalents, £5,705,000 is denominated in US dollars (2008, £5,770,000) and £3,736,000 is denominated in euros (2008, £4,074,000). Of the Group's total financial liabilities of £20,951,000 (2008, £31,500,000), £1,851,000 is denominated in US dollars (2008, £1,786,000) and £2,110,000 is denominated in euros (2008, £2,562,000).

Of the Company's total financial assets of £55,243,000 (2008, £70,735,000), comprising certain receivables as above and cash and cash equivalents, £1,010,000 is denominated in US dollars (2008, £688,000) and £432,000 is denominated in euros (2008, £452,000). Of the Company's total financial liabilities of £15,775,000 (2008, £22,902,000), £94,000 is denominated in US dollars (2008, £265,000) and £108,000 is denominated in euros (2008, £109,000).

The foreign exchange gain on receivables was £174,000 (2008, loss £75,000) for the Group and the Company.

No financial assets or liabilities are denominated in currencies other than sterling, US dollars and euros.

Foreign currency sensitivity analysis

The Group derived the following sensitivities based on the foreign currency denominated financial assets and liabilities at the year end. The percentage has been determined based on the effect of the market volatility in exchange rates between the current and previous year end.

	2009 **£'000**	2008 £'000
Impact on equity		
10% increase in US dollar fx rate against pound sterling (2008, 30%)	**(346)**	(922)
10% decrease in US dollar fx rate against pound sterling (2008, 30%)	**422**	1,718
10% increase in Euro fx rate against pound sterling (2008, 30%)	**(144)**	(353)
10% decrease in Euro fx rate against pound sterling (2008, 30%)	**175**	633
Impact on profit or loss		
10% increase in US dollar fx rate against pound sterling (2008, 30%)	**(82)**	(98)
10% decrease in US dollar fx rate against pound sterling (2008, 30%)	**100**	182
10% increase in Euro fx rate against pound sterling (2008, 30%)	**(29)**	(80)
10% decrease in Euro fx rate against pound sterling (2008, 30%)	**35**	144

3. Credit risk

The Group's credit risk is primarily attributable to its trade receivables of £21,601,000 (2008, £22,939,000) and rights income receivable of £1,430,000 (2008, £1,631,000), the majority of which is secured by credit insurance, third party distributors and letters of credit. The Company's credit risk is primarily attributable to its trade receivables of £9,034,000 (2008, £11,671,000) and rights income receivable of £1,037,000 (2008, £1,260,000), the majority of which is secured by credit insurance, third party distributor 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 movement in the allowance during the year is shown in note 13.

The majority of trade receivables is due on the basis of set contracted payment terms with the distributors and co-edition contractual agreements and therefore falls within due dates.

Although the Group holds the majority of its deposits with two financial institutions, the credit risk is limited because these are banks with high credit ratings assigned by international credit-rating agencies.

The Group determines its concentration of credit risk based on the individual characteristics of its customers and publicly available knowledge of specific circumstances affecting those customers.

The Group has limited concentration of credit risk, as exposure is spread over a large number of counterparties and customers. The Group uses third party distributors, and significant amounts outstanding through the UK distributors are secured by credit insurance and letters of credit. Credit risk for significant amounts outstanding through the distributors in Europe and USA of £2,115,000 and £3,675,000 respectively at the year end rests with the distributors. Credit limits are set by the distributors for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The distributors belong to established international groups whose business includes a number of publishing interests and clients.

The Group's maximum exposure to credit risk, including trade receivables, rights income receivable and cash and cash equivalents, is £58,067,000 (2008, £76,478,000). The Company's maximum exposure to credit risk, including trade receivables, amounts owed by Group undertakings, rights income receivable and cash and cash equivalents, is £55,243,000 (2008, £70,735,000).

4. Liquidity risk

The Directors do not consider that the Group currently has an exposure to liquidity risk, as the Group has no borrowing and has sufficient cash deposits to meet its debts as they fall due for the foreseeable future.

Cash flow budgets and forecasts are prepared by the operating entities of the Group, aggregated for the Group and regularly reviewed by the Board, and the actual cash position of the Group and each entity is compared monthly against budget. This allows management to ensure that each operating entity and the Group have sufficient cash to meet operational needs.

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest bearing accounts and money market deposits.

The Group's financial liabilities are trade payables, accruals and other payables, as shown above in this note in the table under Categories of financial instruments. Apart from other payables due after one year, as shown in that table, the other financial liabilities shown in the table are due within one year.

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 and had the following balances with its subsidiaries:

	2009	2008
	£'000	£'000
Commission payable	**159**	213
Interest receivable	**233**	440
Amounts owed by subsidiaries at year end	**14,088**	9,945
Amounts owed to subsidiaries at year end	**4,208**	512
Inter-company loan capitalisation	**–**	13,954

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.

Notes to the Accounts

Remuneration of key management personnel

The remuneration of the key management personnel, which comprises the Board and other Directors of subsidiary companies who are actively involved in strategic decision making, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the auditable part of the Directors' Remuneration Report on pages 36 to 38.

	2009 **£'000**	2008 £'000
Short-term employee benefits	**3,278**	3,712
Post-employment benefits	**181**	137
Share-based payments	**74**	122
	3,533	3,971

Directors, Secretary and Advisers

Directors
JJ O'B Wilson – Non-Executive Chairman
JN Newton - Founder and Chief Executive
CR Adams ACA
RDP Charkin
CAA Black - Senior Non-Executive and Vice Chairman
MJ Mayer – Non-executive

Secretary
IJ Portal FCIS

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Registered number
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Solicitors
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Tower Bridge House
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London
E1W 1AA

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial Calendar

Annual General Meeting		28 May 2010
Results		
Announcement of half year results to 30 June 2009		August 2010
Announcement of annual results to 31 December 2009		March/April 2011
Dividend		
Final dividend	– 2009	1 July 2010
Interim dividend	– 2010	November 2010
Final dividend	– 2010	July 2011

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

Analysis of Registered Shareholdings at 6 April 2010

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
5,000,001 +	2	0.17	11,640337	15.7
1,000,001 – 5,000,000	21	1.75	38,028,088	51.4
500,001 – 1,000,000	12	1.0	9,296,090	12.6
100,001 – 500,000	40	3.32	9,066,401	12.3
50,001 – 100,000	24	1.99	1,750,374	2.4
10,001 – 50,000	105	8.73	2,510,615	3.4
1 – 10,000	999	83.04	1,627,814	0.2
	1,203	**100**	**73,919,719**	**100**

Analysis by number of registered shareholders

Shareholder	Number of shareholders	Percentage of total number of shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
Institutional shareholders/nominee companies	371	30.84	70,235,419	95.02
Private shareholders	832	69.16	3,684,300	4.98
	1,203	**100**	**73,919,719**	**100**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 36 Soho Square, London, W1D 3QY on 28 May 2010 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 2009.

2. To approve the Directors' Remuneration Report for the year ended 31 December 2009.

3. To declare a final dividend for the year ended 31 December 2009.

4. To re-elect Mr Richard Charkin as a Director of the Company.

5. 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 6 will be proposed as ordinary resolutions and resolutions 7, 8, 9 and 10 will be proposed as special resolutions.

6. THAT:

(a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ('the Act') to exercise all the powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company to such persons and on such terms as they think proper up to a maximum aggregate nominal amount of £226,004 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 shares to be allotted or rights to subscribe for or convert any security into shares in the Company to be granted after the expiry of such authority and the Directors may allot any shares pursuant to such offer or agreement as if such authority had not expired; and

(b) all prior authorities to allot relevant securities (as defined in section 80(2) of the Companies Act 1985) or other authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company given to the Directors by resolution of the Company be revoked but without prejudice to the allotment of any shares already made or to be made pursuant to such authorities.

7. THAT, subject to the passing of resolution 6 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 570 of the Companies Act 2006 ('the Act') to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 6 in the Notice as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:-

(i) in connection with a rights issue, open offer or other pre-emptive offer 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) 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) (other than pursuant to paragraphs (i) or (ii) above) up to a nominal value not exceeding in aggregate £46,200;

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 89(1) of the Companies Act 1985 or section 571 of the Act be revoked provided that such revocation shall not have retrospective effect.

8. **THAT** the Company is authorised, pursuant to section 701 of the Companies Act 2006 ('the Act') , to make market purchases (as defined in section 693 (4) 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 3,695,986;

(b) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105% 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 2011 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.

9. **THAT:**

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(b) 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.

10. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days notice.

Dated 20 April 2010	BY ORDER OF THE BOARD
Registered Office:	
36 Soho Square	
London	Ian Portal FCIS
W1D 3QY	Company Secretary

Notice of Annual General Meeting

Notes:

1. **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000.

2. If you sell or have sold or otherwise transferred all of your Units, you should send this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee.

3. Explanatory statements relating to the Special Business of the Annual General Meeting are contained in the Directors' Report (under the heading Annual General Meeting – Special Business) and in the Appendix to this Notice of Meeting.

4. 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.

5. 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.

6. 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.

7. 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.

8. Shareholders included on the register of members (in relation to ordinary shares held in CREST, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001) at 6pm on 26 May 2010 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.

9. 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.

10. 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.

11. 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

12. 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.

13. 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.

14. 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 existing and the proposed new Articles of Association of the Company.

Appendix to the Notice of Meeting

EXPLANATORY NOTES

SPECIAL BUSINESS

Resolution 9: Adoption of new articles of association

It is proposed in resolution 9 to adopt new articles of association in order to update the Company's current articles of association (primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the new articles of association are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes have not been noted below. The new articles of association showing all the changes to the current articles of association are available for inspection, as noted in note 14 of this Notice of Meeting.

Resolution 10: Notice of general meetings

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (AGMs will continue to be held on at least 21 clear days' notice.)

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 10 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

PRINCIPAL PROPOSED CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the Company can remove these provisions by special resolution.

Furthermore the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9 (a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the new articles of association enable the Directors to pass a resolution to change the Company's name.

3. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the new articles of association reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

4. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables Directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

5. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the Directors of a company to make provision for a person employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary, may only be exercised by the Directors if they are so authorised by the Company's articles or by the Company in general meeting. The new articles of association provide that the Directors may exercise this power.

6. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the new articles of association.

The new articles of association provide an alternative option for execution of documents (other than share certificates). Under the new articles of association , when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the secretary or two Directors or such other person or persons as the Directors may approve.

7. Uncertificated securities

The current articles are being updated to permit and deal with the holding of shares in the Company in uncertificated form, such as through CREST, in line with market practice.

8. Suspension of registration of share transfers

The current articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the current articles to suspend the registration of transfers is inconsistent with this requirement and therefore is being removed.

9. Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness

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10. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution The current articles have been amended to reflect these changes.

11. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The new articles contain provisions which reflect these amendments.

Appendix to the Notice of Meeting

12. Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The current articles have been amended to reflect more closely the relevant provisions.

13. Chairman's casting vote

The new articles of association remove the provision giving the chairman an additional or casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

14. Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the Company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The new articles of association amend the provisions of the current articles to be consistent with the new requirements.

15. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The current articles have been changed to reflect this requirement.

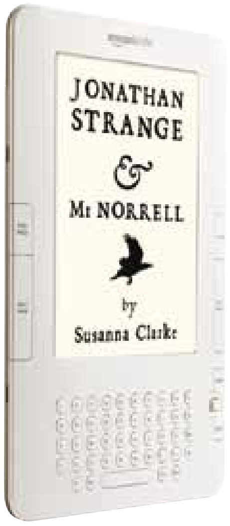
16. Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The current articles have been amended to reflect this requirement.

17. General

Generally the opportunity has been taken to bring clearer language into the new articles of association and in some areas to update the language of the current articles of association and for other changes which do not have a material impact..

B L O O M S B U R Y



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