

**BLOOMSBURY PUBLISHING PLC**  
**Chairman's Interim Statement**

**OVERVIEW**

During the first half of 2002 Bloomsbury developed its reference activities, an area which we predict will expand rapidly over the next few years. Existing databases were further exploited in both print and electronic formats and a new database was completed, leading to today's launch of *BUSINESS: The Ultimate Resource*. We have made four acquisitions this year, and have also signed up several established best-selling authors. None of the acquisitions have made a material contribution to operations for the first six months of this year.

The diversity of the group's operations has generated organic growth during a period of economic uncertainty. Turnover increased 8.0% to £24.537m, (2001: £22.721m) on the back of a solid performance from A&C Black, the Adult and Children's lists. The gross margin for the group was 46.5% (2001: 45.1%), which was due to strong sales of the Bloomsbury Adult list. The increase in gross margin lifted the group's operating margin before goodwill amortisation to 10.7% (2001: 10.4%). Pre-tax profit before goodwill increased 9.8% to £3.128m (2001: £2.850m). Earnings per share before goodwill amortisation increased 9.6% to 12.82 pence (2001: 11.70 pence).

The group continues to generate strong cash flows, with cash on deposit increasing to £24.957m (31 December 2001: £16.792m), which includes £0.864m set aside for loan note holders (31 December 2001: £1.779m). Cash generated from operations is already being redeployed in the business with gross investment in royalty advances for future unpublished titles at the end of July up 50.2% to £10.71m (31 December 2001: £7.13m) and cash commitments after deduction of tranches of advances already paid on these titles at the end of July up 61.3% to £6.71m (31 December 2001: £4.16m).

**INTERIM DIVIDEND**

The directors have declared an interim dividend of 1.65 pence per share (2001: 1.5 pence per share), which will be paid on 22 November 2002 to those shareholders on the register at close of business on 1 November 2002. The increase on the dividend takes account of the profit growth and cash generation of the company but also reflects the need to retain funds for future organic and acquisition growth.

## ACQUISITIONS

In May, A&C Black acquired *Whitaker's Almanack* from The Stationery Office. *Whitaker's Almanack* is one of the UK's best-known reference brands, having been published annually since 1868. It offers A&C Black many opportunities to exploit the content, using the skills of both the A&C Black and Bloomsbury Reference and Electronic Media teams. We are already hard at work re-positioning the Almanack with an extensive marketing campaign and the response from the book trade has been positive. Sir Trevor McDonald is writing the Foreword to the 2003 edition, which will be released on 31 October.

The T & AD Poyser list was acquired in July, making A&C Black the world's largest ornithology publisher. The backlist consists of seventy titles and includes seven previous winners of the Best Bird Book of the Year, awarded by the journal *British Birds*, two winners of the Birdwatch Bird Book of the Year, and three titles shortlisted for the BP Natural World Book Prize.

Poyser has a strong forward programme. Specialist titles such as species monographs will continue to be published under the T & AD Poyser imprint, while others will become Helm titles. The T & AD Poyser titles appeal to the keen amateur bird watcher and the professional ornithologist.

On 9 September, A&C Black acquired the Thomas Reed Publications nautical list of over 100 titles. It has been publishing books since 1782. The list fits in well with the existing Adlard Coles nautical list and is aimed at the practical leisure boating market and professional training for merchant mariners.

On 16 September, Bloomsbury announced the acquisition of Peter Collin Publishing, a specialist dictionary and language publisher. Peter Collin Publishing is well known in academic and international markets for its range of high-quality English and bilingual dictionaries. It publishes one hundred and thirty specialist dictionaries and language titles that are used by students, translators and professionals around the world. The acquisition complements Bloomsbury's existing dictionary activities and also provides a springboard for future expansion into the reference market in the USA.

All four acquisitions show Bloomsbury's dedication to expanding and strengthening its reference activities, which are a key driver of growth for the group. The acquisitions have great potential to add to the group's future profitability.

## **OPERATIONAL REVIEW**

### **BOOK DIVISION**

#### ***Adult Books***

The Adult books division continues to build on its success, with several bestsellers from both new and established authors having been published this year, and a very strong forward list for the remainder of the year.

Long-term Bloomsbury authors with new books in 2002 include Joanna Trollope, whose new novel, *A Girl From The South*, was published in February and went straight into the bestseller list, whilst *The World Below*, by Sue Miller, was published in March simultaneously with a re-launch of her backlist. Anthony Bourdain's *A Cook's Tour*, follow-up to his bestselling *Kitchen Confidential*, was published in January and is set to become a major paperback.

The Bloomsbury list has been further strengthened with the addition of several established bestselling authors, including the distinguished Booker shortlisted author, Romesh Gunsekera, who brings his third novel *Heaven's Edge*, and Ethan Hawke, the Hollywood actor whose second novel, *Ash Wednesday* has just been published. The second half is also strong for Adult Fiction; Donna Tartt, who experienced huge success with her first novel, *The Secret History*, will have her new book *The Little Friend* published by Bloomsbury in October, whilst bestselling author Tim Pears' new novel, *Wake Up*, is also due out in the Autumn. In October, we will publish Jeffrey Eugenides' remarkable novel *Middlesex* which has the makings of a classic.

It was recently announced that Bloomsbury will be publishing the actress Sheila Hancock's memoir of her late husband, John Thaw, beloved by millions for his portrayal of Inspector Morse. This book is destined to be an enormous bestseller.

#### ***Children's Fiction***

Children's Fiction is experiencing a busy 2002, with sales of both new titles and backlisted books remaining buoyant.

*Sorceress*, the sequel to the highly acclaimed *Witch Child*, was published in March. The book has generated strong sales in both the UK hardback market and the paperback export markets, whilst *Witch Child*, now on the Bloomsbury backlist, also remains popular. The Children's Fiction backlist continues to strengthen, with books such as *Missing* and Louis Sachar's bestselling *Holes*, now in its third year of publication. A film of *Holes* is due to be released later this year, and is expected to further boost sales.

Since the end of the period under review, Bloomsbury has published cult adult writer Neil Gaiman's first book for children, *Coraline*. Other forthcoming publications include *Stravaganza - City Of Masks* by Mary Hoffman, a book which aroused considerable interest at the Bologna Book Fair in April and resulted in very strong international rights' sales.

The Harry Potter backlist continues to sell extremely well and we expect that the release of the second film, *Harry Potter and the Chamber of Secrets*, on 15th November, will further boost sales of the existing books. The publication date of the fifth Harry Potter will be announced after it has been delivered.

## **USA**

Bloomsbury USA has experienced an exciting six months and several important developments. In line with the plans announced at the end of 2001, the Children's list was launched in May 2002 and was enthusiastically received and supported by the US children's book market. The US division continues to work closely with the Bloomsbury team in the UK, simultaneously publishing with the UK on a regular basis. This co-operation has resulted in the new Children's list enjoying the benefits of larger print runs and lower production costs.

The Autumn promises more activity, with two Bloomsbury authors to be featured on the NBC Today Show. The highlight of the year is expected to be the worldwide publication of Professor Derrick Bell's *Ethical Ambition*.

## **REFERENCE AND ELECTRONIC MEDIA**

The first six months of 2002 was a period where we completed in a number of significant projects in the Reference and Electronic Media Division.

Publication of the *Encarta World English Dictionary* in 1999 was the first in a planned range of dictionaries across key formats and price points. In early 2002, the third main dictionary to be derived from the Encarta database was finished - the *Encarta Pocket English Dictionary*, which was published in August 2002. Alongside the *Pocket Dictionary* we published the *Encarta Pocket Thesaurus*, derived from last year's successful *Encarta Thesaurus*. Bloomsbury's US partners have published the American English editions of these titles at the same time. About fourteen million words of text from the *Encarta Dictionary Database* have now been published in the various editions.

The first publication from Bloomsbury's second major dictionary database aimed at the one billion learners of the English language around the world was launched in March 2002 to critical acclaim and sales success. Published as the *Macmillan English Dictionary* and sold through Macmillan's global sales network for the English Language Teaching market, the dictionary sold over a quarter of a million copies in its first six months and has been reprinted three times.

The division's main activity in the first half of 2002 has been the completion of *BUSINESS - The Ultimate Resource*™, which is launched today. This volume, praised by *The Wall Street Journal* as 'the most ambitious business book ever' has been three years in the making and adds another four million words to Bloomsbury's range of reference content. Among the 245 contributors to the work are Charles Handy, Meredith Belbin, Philip Kotler and Edward de Bono.

Bloomsbury now has over eleven international publishing partners for the project and there is excellent further development potential for the database in a variety of electronic formats and higher margin professional markets. Central to this project have been Perseus Books, who publish in North America, the economist.com who have licensed non-exclusive electronic rights, London Business School, who will make part of the database available to their students, alumni and executive training customers, and Franklin Inc, who will publish versions for PDA devices, such as Palm.

## **A & C BLACK**

During 2002, A & C Black has made three acquisitions. In May, the company acquired *Whitaker's Almanack*, and is building a significant media campaign for the 2003 edition, which will be published in October 2002. T&AD Poyser was acquired in July and the Thomas Reed nautical list acquired in September. All three acquisitions are a good strategic fit for A & C Black's existing specialist publishing lists, two of them confirming the company's market leading position in ornithology and nautical publishing.

Publications during the first six months include the *Blue Guide: London*, which was published in May with an extensive marketing campaign, and *Food For Fitness*, by Anita Bean. The growth of A & C Black's sports list reflects the rapidly expanding fitness and health market. Early 2002 also saw the publication of the 40th edition of *Black's Medical Dictionary*, a title which has sold over one million copies since it was first published in 1904.

A & C Black won the tender to be one of two publishing partners to the Royal Society for the Protection of Birds, which has over one million members, and in May published the *RSPB Handbook of British Birds*, already a bestseller.

The children's educational resources list was expanded with a new series of photocopiable resources, *Ideas to Go*, and was the runner up for the prestigious Aventis Science award for its *Cartoon History of the World* series for children.

## OUTLOOK

The Autumn 2002 list is Bloomsbury's strongest ever, reflecting the considerable investment Bloomsbury has made in acquiring major titles and recruiting skilled staff. The Reference and Electronic Media division is proving to be a key growth area; the development of the *Encarta English Dictionary* database has demonstrated the increasing potential of electronic publishing. This capability has already been applied to other titles; January saw the publication of the electronic version of *Who's Who*, a title ideally suited to electronic medium, which paves the way for further exploitation of that database and others such as *Whitaker's Almanack*. *Business: The Ultimate Resource*, launched today in print and electronic format, may become a business classic.

The Board remains confident of a satisfactory outcome to the year.

Nigel Newton  
Chairman  
17 September 2002

## RESULTS

The consolidated unaudited profit and loss account for the six months ended 30 June 2002 was as follows:

	<b>6 months ended 30 June 2002 (unaudited) £'000</b>	<b>6 months ended 30 June 2001 (unaudited) £'000</b>	<b>Year Ended 31 December 2001 (audited) £'000</b>
Turnover	24,537	22,721	61,140
Cost of sales	(13,132)	(12,468)	(34,086)
Gross profit	<u>11,405</u>	<u>10,253</u>	<u>27,054</u>
Marketing and distribution costs	(3,221)	(2,565)	(8,482)
Administrative expenses	(5,560)	(5,333)	(10,096)
Goodwill amortisation	(300)	(299)	(600)
Operating profit	<u>2,324</u>	<u>2,056</u>	<u>7,876</u>
Net interest receivable	<u>504</u>	<u>495</u>	<u>877</u>
Profit on ordinary activities before taxation	2,828	2,551	8,753
Taxation	(953)	(872)	(2,852)
Profit on ordinary activities after taxation	1,875	1,679	5,901
Dividends	(282)	(254)	(1,068)
Retained profit for the period	<u>1,593</u>	<u>1,425</u>	<u>4,833</u>
Basic earnings per share	<u>11.05p</u>	<u>9.93p</u>	<u>34.86p</u>
Diluted earnings per share	<u>10.33p</u>	<u>9.25p</u>	<u>32.50p</u>
Basic earnings per share before goodwill	<u>12.82p</u>	<u>11.70p</u>	<u>38.41p</u>
Diluted earnings per share before goodwill	<u>11.98p</u>	<u>10.90p</u>	<u>35.80p</u>

## CONSOLIDATED BALANCE SHEET

	30 June 2002 (unaudited) £'000	30 June 2001 (unaudited) £'000	31 December 2001 (audited) £'000
<b>Fixed assets</b>			
Intangible assets	11,417	11,368	11,067
Tangible assets	<u>1,218</u>	<u>1,167</u>	<u>1,139</u>
	12,635	12,535	12,206
<b>Current assets</b>			
Stocks	12,359	13,494	12,493
Debtors due within one year	9,604	11,404	26,165
Debtors due after more than one year	3,663	5,240	3,859
Cash at bank and in hand	<u>24,957</u>	<u>15,610</u>	<u>16,792</u>
	50,583	45,748	59,309
<b>Creditors: amounts falling due within one year</b>	<u>16,655</u>	<u>14,463</u>	<u>26,441</u>
<b>Net current assets</b>	<u>33,928</u>	<u>31,285</u>	<u>32,868</u>
Total assets less current liabilities	46,563	43,820	45,074
<b>Creditors: amounts falling due after more than one year</b>	298	936	279
Provisions for liabilities and charges	<u>971</u>	<u>2,703</u>	<u>1,166</u>
	<u>45,294</u>	<u>40,181</u>	<u>43,629</u>
<b>Equity capital and reserves</b>			
Called up share capital	850	846	848
Share premium account	31,343	31,235	31,273
Capital redemption reserve	9	9	9
Profit and loss account	<u>13,092</u>	<u>8,091</u>	<u>11,499</u>
<b>Total shareholders' funds</b>	<u>45,294</u>	<u>40,181</u>	<u>43,629</u>



## CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 June 2002 (unaudited) £'000	6 months ended 30 June 2001 (unaudited) £'000	Year ended 31 December 2001 (audited) £'000
<b>Net cash inflow from operating activities</b>	12,045	8,508	12,506
<b>Returns on investments and servicing of finance</b>			
Interest paid	(22)	-	(68)
Interest received	<u>526</u>	<u>495</u>	<u>945</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>	504	495	877
<b>Taxation</b>			
Tax paid	(2,278)	-	(2,716)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(229)	(208)	(320)
Sale of tangible fixed assets	<u>16</u>	<u>10</u>	<u>16</u>
	(213)	(198)	(304)
<b>Acquisitions</b>			
Purchase of publishing assets	(1,050)	-	-
<b>Equity dividends paid</b>	-	(676)	(930)
<b>Financing</b>			
Repayment of loans	(915)	-	(210)
Share options exercised	<u>72</u>	<u>9</u>	<u>97</u>
Net cash (outflow) / inflow	(843)	9	(113)
<b>Increase in cash</b>	<u>8,165</u>	<u>8,138</u>	<u>9,320</u>

## RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	6 months ended 30 June 2002 (unaudited) £'000	6 months ended 30 June 2001 (unaudited) £'000	Year ended 31 December 2001 (audited) £'000
Operating profit	2,324	2,056	7,876
Depreciation of tangible fixed assets	140	134	268
Goodwill amortisation	300	299	600
Profit on disposal of tangible fixed assets	(6)	(6)	(6)
Decrease / (increase) in stocks	496	(1,995)	(994)
Decrease in debtors	16,795	17,143	3,704
(Decrease) / increase in creditors	(8,004)	(9,123)	1,058
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Net cash inflow from operating activities	<u>12,045</u>	<u>8,508</u>	<u>12,506</u>

## RECONCILIATION TO NET FUNDS / DEBT

	6 months ended 30 June 2002 (unaudited) £'000	6 months ended 30 June 2001 (unaudited) £'000	Year ended 31 December 2001 (audited) £'000
Increase in net cash in the period	8,165	8,138	9,320
Decrease in debt	<u>915</u>	<u>-</u>	<u>210</u>
Movements in net funds in the period	9,080	8,138	9,530
Net funds / (debt) at 1 January	<u>15,013</u>	<u>5,483</u>	<u>5,483</u>
Net funds at 30 June / 31 December	<u>24,093</u>	<u>13,621</u>	<u>15,013</u>

## ANALYSIS OF NET FUNDS

	1 January 2002 (audited) £'000	Cashflow (unaudited) £'000	30 June 2002 (unaudited) £'000
Cash at bank	16,792	8,165	24,957
Debt due within one year	<u>(1,779)</u>	<u>915</u>	<u>(864)</u>
Total	<u>15,013</u>	<u>9,080</u>	<u>24,093</u>

Debt due within one year comprises the loan notes in connection with the acquisition of A&C Black.

### NOTES TO THE ACCOUNTS:

1. The earnings per ordinary share for the six months to 30 June 2002 is based on the profit after taxation of £1,875,000 (2001 - £1,679,000) and on a weighted average number of ordinary shares in issue of 16,972,017 (2001 - 16,901,244). The earnings per ordinary share for the twelve months to 31 December 2001 is based on the profit after taxation of £5,901,000 and a weighted average number of ordinary shares in issue of 16,926,075. The fully diluted earnings per share has been calculated by reference to a weighted average number of Ordinary Shares in issue of 18,155,284 (6 months ended 30 June 2001 - 18,143,263, year ended 31 December 2001 - 18,158,383) which takes account of share options.
2. The figures for the six months ended 30 June 2002 do not comprise full accounts. The financial information included in this document has been approved by the Directors and prepared on a consistent basis with the accounts for the year ended 31 December 2001. Accounts for the year ended 31 December 2001, which received an unqualified audit report, have been lodged with the Registrar of Companies. This announcement is being sent to shareholders and will be made available at our registered office.

# **INDEPENDENT REVIEW REPORT TO BLOOMSBURY PUBLISHING Plc**

## **Introduction**

We have been instructed by the company to review the financial information set out on pages 8 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The accounting policies and presentation applied to the interim figures are consistent with those applied in preparing annual accounts except where any changes, and the reasons for them, are disclosed.

## **Review work performed**

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

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

## **Baker Tilly**

Chartered Accountants  
London  
17 September 2002