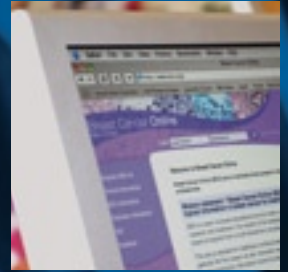
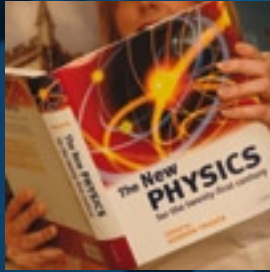


Annual Report & Accounts

for the sixteen months to 30 April 2006



CAMBRIDGE
UNIVERSITY PRESS

Annual Report & Accounts
for the sixteen months ended 30 April 2006



Organisation and governance

Cambridge University Press is the printing and publishing house of the University of Cambridge, whose right to print and sell ‘all manner of books’ was granted by Henry VIII in 1534. It is the oldest Press in the world and has printed and published continuously since 1584.

Cambridge University Press is established by Statute of the University and is an educational charitable enterprise dedicated to printing and publishing for the advancement of knowledge, education and learning worldwide.

Statute J of the University of Cambridge states:

There shall be in the University a University Press which shall be devoted to printing and publishing in the furtherance of the acquisition, advancement, conservation, and dissemination of knowledge in all subjects; to the advancement of education, religion, learning, and research; and to the advancement of literature and good letters.

The Press is a unitary organisation, with its centre in Cambridge and with an integrated international network of Branches, most of which have non-profit status in their countries of operation.

The University Press is governed by the Press Syndicate, a body consisting of the Vice-Chancellor’s deputy as Chairman and seventeen senior members of the University. The powers of the Syndicate are fully set out in Statute J (Appendix III to the Annual Report) and the supporting Ordinances of the Press.

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Press publications in 2005
A complete list of 2005
publications is available online at
www.cambridge.org/annualreport

Executive summary

- The Press delivered record financial results, with net income (after minority interests) of £15.7 million over a 16-month accounting period, plus a further actuarial gain of £12.3 million in respect of the valuation of pension scheme liabilities, giving a total net income of £28 million.
- Measured over the last 12 months (May 2005 – April 2006), sales rose 10.4% to beat most competitors' performance, and operations yielded a surplus of £2.3 million, continuing the four-year recovery trend.
- The stock markets yielded major gains, and the disposal of redundant land brought cash flow of £18.5 million to the Press.
- The adoption of the FRS 17 accounting standard has had the effect of appearing to reduce the net asset value of the Press by £40.1 million. A pension fund liability has existed for several years, but it was not previously recognised on the balance sheet. Although the Press currently has the capacity to deal with the accumulated deficit, exceptional steps have been taken to reduce the threat posed by future pension costs. With the assistance of favourable stock market movements, the deficit was reduced to £25.2 million by 30 April 2006.
- Academic publications performed strongly, with the Learning products beginning to show the benefits of intensive investment.
- *Cambridge Companions Online* and the *Historical Statistics of the United States* herald a new era of electronic publishing by the Press.
- Following the end of the accounting period, Foundation Books was acquired and renamed Cambridge University Press India Pvt. Ltd; the Press's printing business won the Grand Prix for British printers; and the Press moved into a new Manhattan home at 32 Avenue of the Americas.

Chief Executive's overview



The Vice-Chancellor, Professor Alison Richard, with Stephen Bourne at Stationers' Hall, London

Business performance

The past year, 2005/6, was a very good year for the Press. The 16-month presentation of these Annual Accounts may obscure how well the Press performed, so let me explain.

This year, for the first time in recent history, the Annual Accounts of Cambridge University Press will be integrated (in a separate document) into those of the University of Cambridge. To facilitate this process without having to generate an artificial year-end, the Press Syndicate decided to change the Press's year-end from 31 December to 30 April. Although this shift has involved a considerable amount of effort and expense to realign accounting systems, the new date is a satisfactory alternative in terms of the Press's global business cycle, and the new balance-sheet date will arguably present more normal figures than a calendar year-end, when cash balances were distorted by the influx of subscriptions for the forthcoming year's journals.

Not surprisingly, there is a downside to such a change, in that the resulting one-off accounting period of 16 months makes it difficult to present comparative figures, particularly when the business is highly seasonal.

The chart overleaf may be helpful in illustrating how seasonality affects the Press. It demonstrates that significantly different sales revenues accrue to the Press in each third of the year, but that the pattern is consistent from year to year. January to April is always a poor sales period. This is important at a time when the Press is operating close to break-even, as it has done in recent years. We incur non-variable overheads between January and April, and therefore suffer a net loss in that period, but enjoy better health as the year progresses.

All this is relevant because the accounting period upon which we are now reporting includes two loss-making January–April periods, with the consequence that the Press may appear to have had a poor year in terms of net operating income, whereas in fact performance has improved. As the chart also shows, our revenue base has been improving steadily year on year, most recently at an annual rate of 10.4%, which exceeds the growth rates being reported by most of our competitors.

The table below the chart may shed further light on the improvements in the Press's

performance. By breaking out the financial results into the more familiar 12-month periods, it shows how revenues, net operating income and net income have made good progress, year after year. I am pleased to be able to report that that progress continued through to the end of the new financial year, with strong sales from both our Academic and Learning lists, reflecting the Press's investment in them in recent years.

The Accounts have also benefited from two forms of windfall gains. First, some seven acres of land adjacent to the Edinburgh Building in Cambridge were sold early in 2005. As I explained in my report last year, this land, together with other contiguous parcels, had been acquired for the specific purpose of enabling the Press to expand its operations in Cambridge in the long term. Indeed, the Press made a considerable investment in decontaminating the land and in designing a new Distribution Centre, but the project was cancelled in 2002 following a change in strategic focus towards the overseas markets. The land accordingly became surplus to the Press's operational needs and so was disposed of for £18.5 million, yielding a gain of £10.8 million.

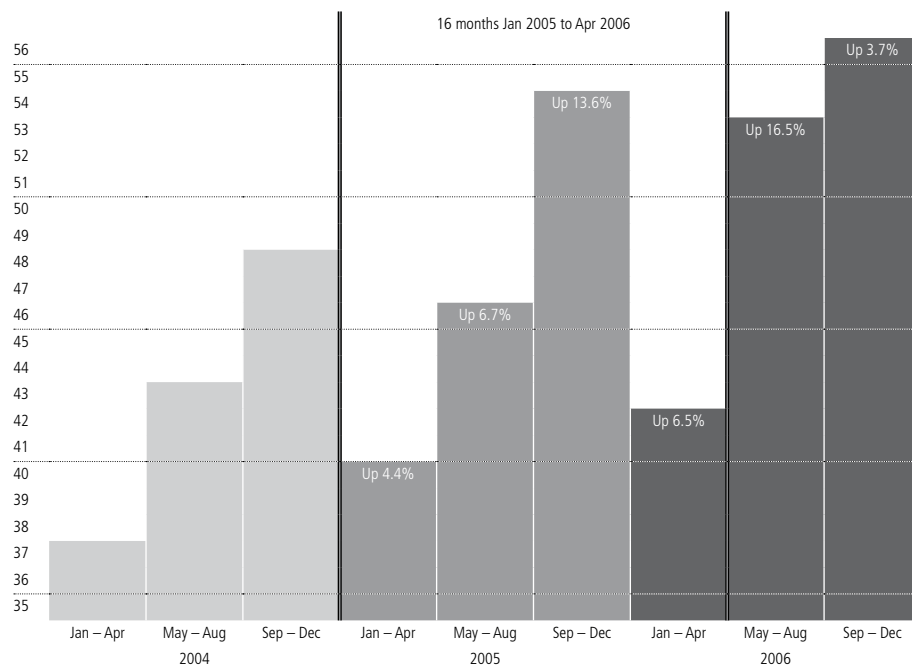
After the balance-sheet date, a further real-estate gain was made, but for rather different reasons from the above, when the Press's office at 40 West 20th Street, New York was sold on 28 July 2006. This office had been the Press's American home for 17 years, but we had significantly outgrown it. We were successful in selling our three floors to a neighbouring business for the excellent price of \$15.6 million and have now taken a 15-year lease on much larger premises at 32 Avenue of the Americas, New York. Some of this cash flow has been reinvested in the refurbishment of the new offices, but the remainder will be a useful addition to operating funds.

Both the above transactions, though undertaken entirely for operational reasons, were consistent with our long-term strategy of rationalising the Press's balance sheet and of unlocking hidden value.

A second windfall came from the stock markets, which were buoyant throughout the period, generating paper gains of some £7.5 million for the Press's investment portfolio. However, a cautionary note is appropriate, as the markets fell sharply in the first few days of May, so some of the gains were lost and there can be no certainty that the new business year will see a full recovery in the portfolio's fortunes.

These various gains have served to strengthen the Press's operating reserves and to enable us to pay down bank debt. They also permitted the Syndicate to resume financial contributions to our University rather earlier than anticipated, and it was with pleasure that they allocated an additional sum of £1 million in support of activities related to the simultaneous celebrations of the University's Octocentenary and the 200th anniversary of Charles Darwin's birth. In connection with the latter, we are very proud to be the

Operating revenues (£ million)



NB January 2004 to August 2006 revenues – actual; September 2006 to December 2006 revenues – budget.
This chart has not been audited by KPMG.

Results for 12-month periods from 2001 onwards

	Calendar 2001 £ millions	Calendar 2002 £ millions	Calendar 2003 £ millions	Calendar 2004 £ millions	Calendar 2005 £ millions	1 May 2005 to 30 April 2006 £ millions
Total revenues	132.8	129.2	125.7	129.1	140.5	143.6 ¹
Net operating income	-5.8	-2.5	-2.0	-1.0	1.2	2.3
Net income including investment activities	-11.8	-10.5	3.4	0.3	15.2	11.2

¹Prior comparable period is £130.1 million, giving a growth rate of 10.4%.
NB This table has not been audited by KPMG.

publishers of the award-winning Correspondence of Charles Darwin series, which is now approximately halfway to completion with the publication of Volume 15!

The one material blot on the financial landscape related to the defined-benefit (DB) pension funds, which I have discussed at length in previous years' reports. All three (the two principal ones in the UK, a smaller one in the USA) were closed to new entrants some time ago, and less than 50% of UK staff are now enrolled in the DB schemes. Nonetheless, and despite a welcome rise in the stock-market value of the funds' investments, there remains a substantial deficit in the funding of those plans. The shortfall is aggravated by the introduction of the FRS17 accounting standard, which takes a rather more cautious approach than prior methods. The Annual Accounts for 2005/6 give full recognition to the funding deficit for the first time, by recording it as an actual liability of the Press. As a consequence, the 2004 balance sheet has been restated with a one-time charge of £40.1 million. The revised net asset figure of £63.0 million is a more correct statement of the operating resources at the disposal of the business.

While the Press currently has the capacity to pay down the accumulated deficits in a measured funding programme (and has been doing so for several years past), it is clear that the cost of future benefits poses a serious risk to the well-being of both the Press and its pensioners in the long term. At present, the DB schemes cost the Press £5.6 million in normal contributions and £2.1 million in supplementary cash payments per annum, for some 550 current staff and 750 pensioners. This represents a level of contribution, whether in percentage or absolute terms, which is well above market norms and which must be regarded as unsustainable. Accordingly, since the close of the business year, the Officers of the Press have announced to all active staff remaining in the DB schemes a plan to limit the cost of future pension benefits.

Turning finally to matters of control and governance, the Press has established a Risk Register at a global level and is finalising similar documents at the level of each of the seven branches around the world. This has been a useful exercise, which has not only reminded us where our key financial and operational risks lie, but also provided Officers and Syndics with reassurance that those risks are generally well managed and that the Press's diversity helps to minimise the extent of any one risk. In parallel with this initiative, the Syndicate have also decided to form a sub-committee with a special focus on audit issues, to take effect from the beginning of the new academic year.

Strategic matters

The Press's strategy is centred on three simple propositions: growth, financial performance and quality.

Growth will be realised in part organically; in part through investment in products, software, services and people; and in part by opening up new channels to market, whether through partnerships, acquisitions or technology.

Financial performance will be achieved by selling more while controlling costs, both of which will improve our ratio of sales to fixed overheads; by working our balance sheet harder than ever before, to achieve a return on net assets that justifies continued investment in the business; and by giving our business managers around the world greater responsibility – and accountability – for the financial results of their bailiwicks. To this latter end, we began 'Inter-Branch Trading' (IBT) in July 2005, a process which means that purchasing and stock-holding will be more tightly controlled than previously, thereby minimising waste and releasing working capital. This is a completely new business methodology for the Press, but already it seems to be paying dividends.

The quality proposition is far more than mere marketeers' spin. It lies at the heart of what our University expects of us, and it is what the Cambridge name has come to mean to our customers. And crucially, it is where we perceive economic advantage to lie in an increasingly cut-throat market.

With all the above in mind, 2005 saw the consolidation of our ELT and Education businesses under the Cambridge Learning banner, to provide both streams with better access to staff resources and greater market presence in the future. We set out in partnership with the Saudi Arabian Obeikan Group along the road of developing courses for an exciting new Arab market. And we continued to make progress with our Cambridge–Hitachi educational software initiative, albeit against a background of a British teaching community that is reluctant to embrace new technologies.

However, the most innovative story of the year relates to the publication of the *Historical Statistics of the United States*, a goldmine for economic, geographical, social and other researchers, which we released as an online product, as well as in print. This massive enterprise is already being well received within the USA and elsewhere, and is reaping rewards for the energy, commitment and innovation that have gone into it. Cambridge University Press is proud to have been entrusted with its publication.

Since the year-end, we have been able to announce the acquisition of 14 journals in the CABI list; the launch of *Cambridge Companions Online*, a product which provides searchable access to an initial 220 titles in our splendid Companions series; and the acquisition of a controlling stake in our long-standing distributor in India, Foundation

Books. In recent years, Foundation have done a wonderful job in opening up the enormous potential of India's well-educated English-speaking population to Cambridge publications, and we both believe that we will be able to achieve much more together through investment in local publishing and in new locations. We are particularly delighted with the staff assembled by Managing Director Manas Saikia, and by the success that has already been achieved by the editorial team in establishing their Foundation imprint, which we will develop further alongside the Cambridge imprint.

Finally, the Printing businesses deserve individual mention. Together, they turn over some £25 million per annum, of which 40% represents work done for their Publishing sibling. This is a respectable size for a printing business, but it operates in a troubled sector, with significant over-capacity in the UK and serious competition from overseas, including Eastern Europe. British printers succumb almost on a daily basis, and our own book-printing business has plumbed the depths in the recent past. But our strategy has been to focus on that business's own particular niches; to invest in modern equipment, as required; to bring down costs; and to serve the quality end of the market, consistent with all other Cambridge strategies. And the recovery is happening, thanks to Executive Director Sandra Ward and her excellent team. There is certainly more to be done, but their standing in the market was recognised in 2006 with the award of *The Printing World Awards 2006 Grand Prix* for their beautiful production of *The Wind in the Willows* on behalf of the Folio Society. Every home should have one!

Other matters

It was our great honour to welcome His Excellency Dr Leonel Fernandez, President of the Dominican Republic, to Cambridge in March 2006. The President, First Lady and senior educational and government colleagues came to discuss business opportunities with the Press, the University Library and Cambridge Assessment. We were particularly delighted that they asked to visit our unique Bookshop, and we wish them many happy hours' reading as a consequence!

We also entertained President Fernandez in the Pitt Building, which has become a most successful venue for meetings, conferences and exhibitions. This building has developed quite a following within the University and among local businesses. In the Michaelmas Term of 2006, we will be welcoming a group of Old Schools staff to the Pitt Building, where they will occupy some spare space for the next five years. The building has sometimes been under-occupied in recent years and we are delighted to see it being fully used and earning its keep.

Comprehensive reports on our publishing, printing and office activities follow this

report, and I will not steal their thunder by discussing the highlights here. But I would like to pay tribute to two of our support teams who have been put under considerable pressure over the past couple of years, essentially for the same reasons. During this period, we have had to gear up to a new 13-digit ISBN system; we have changed our year-end from December to April, with all the attendant changes in management systems; and we introduced a new approach to moving our products around the world, the so-called 'Inter-Branch Trading', or IBT, mentioned earlier. These activities, simultaneous as they were, put tremendous strain on our tightly-staffed information technology and financial management teams, but brought the best out of them. I am very pleased to place on record our appreciation of the results they have achieved for the Press, with no interruption to our business.

The people of Cambridge University Press

We seldom make mention of individual authors and editors, as the Press has been blessed with so many world-leading contributors over the years. But I beg indulgence to refer to three on this occasion. First, I must record with gratitude and affection the work and lives of Rex Gibson and Denis Twitchett, both of whom died during the period. Rex's name is synonymous with his Cambridge School Shakespeare series, which has set the standard for teaching and understanding the Shakespeare canon, while Denis, a former Press Syndic, is similarly identified with the Cambridge History of China, which he edited for many years. Both of them will be greatly missed. On a happier note, our congratulations go to David Crystal, prolific author of encyclopaedias and language studies for the Press, whose achievements have been recognised by the University with the award of an honorary doctorate.

As always, a number of Syndics joined us and left us during the past 16 months. We were delighted to welcome Dr Richard Barker and Mrs Ann Lonsdale, and we very much hope that they will find their work with us both interesting and enjoyable. Professor Jean Rudduck has been forced to withdraw through ill health; we thank her for her wise counsel and wish her a speedy recovery.

There have been many movements among the senior staff of the Press, reflecting the increasing internationalism and dynamism of our business. Colleen McCallum became director of the African Branch, in succession to Hanri Pieterse, who moved to Cambridge to become Strategic Programmes Director. Peter Davison, Director of the Asian Branch, left Singapore to become Director, New Business Development in Cambridge, and Mark Whitehouse has joined the Printing business as Finance Director. Among other directors, Riitta da Costa (South America), Peter Donovan (Cambridge–Hitachi), Conrad Guettler

(Journals), Lynn Hieatt (Personnel) and Nick Reckert (Vice-President, Americas) all retired during the period under review. Between them, they represented a formidable body of publishing knowledge and experience, and we are fortunate to have enjoyed their company, as both colleagues and friends, for these many years. We wish all of them great joy in the future.

In closing, my thanks go to the members of the Press Syndicate and to all my colleagues around the world, who have done so much to revitalise our business. The Press has been a leader in printing and publishing for over four centuries and has survived for longer than almost any other business operating today. It has achieved this through constant innovation, renewal and attention to quality, for which it relies on the skill and enterprise of its people. I am sure that King Henry VIII, whose Letters Patent led to the formation of the Press, would be proud of what we are achieving!

Stephen R. R. Bourne

Publishing

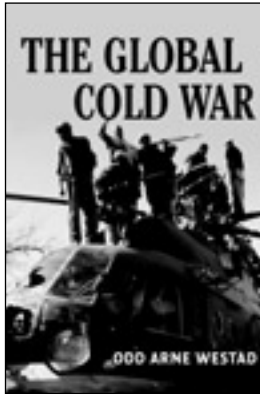
Publishing programme

Academic



The sixteen months covered by this report constitute one of the most active and successful periods of publishing ever enjoyed by the **Humanities and Social Sciences** group, following an already positive performance in 2004. Strong sales in most major markets contributed to this outcome, especially in Europe and North America. At the subject level, turnover in law almost doubled in 2005, and the latter now ranks behind history and (just) literature as the third largest subject area for the group as a whole, with a corresponding increase in resources. Significant growth was achieved also in more traditional subjects: in classics, for example, where the Press has been actively publishing for over four centuries, sales grew by over 25% in 2005 and continued this upward curve strongly into 2006. The release of the concluding volumes of the third edition of the *Cambridge Ancient History* and of the *New Cambridge Medieval History* were events of major financial importance. Even these were overshadowed, however, by the publication early in 2006 of the five print volumes of the *Historical Statistics of the United States*, a massive work of reference central to any serious understanding of American history. Hard-copy publication will be followed by the release of an online version, one of a number of electronic launches planned for 2006, including the very successful strand of Cambridge Companions.

The Press continues to resource its textbook programme vigorously, with further appointments in sales, marketing and editorial development. As in previous years, however, the imperative remains to balance publishing across a number of different levels, and the traditional scholarly monograph remains an enduring and emblematic feature of Cambridge publishing. Indeed in some fields, like political science, the output of monographs reached new heights during the 2005–2006 period, as the Press consolidated its position as the leading publisher of books and journals in politics in the Anglophone world. But the disjunction between the types of publication that the academy wishes to produce and those that it wishes to consume is particularly marked in the United Kingdom, which has long ceased to constitute a self-sustaining economy for monograph publishing. Subject areas with strong export appeal, like economics or



linguistics, are less exposed than areas of primarily domestic interest, such as post-1776 British history or modern language studies. Nonetheless, the Syndicate remains firmly committed to a strong and well-resourced programme of monographs, and continues to explore new ways of reaching scholarly readers, in particular via online marketing and sales.

Of special note among the Group's publications were *The Mind of the Master Class* by Elizabeth Fox-Genovese and Eugene D. Genovese; *The Global Cold War* by Odd Arne Westad; *Sustainable Fossil Fuels* by Mark Jaccard; *Customary International Humanitarian Law* edited by Jean-Marie Henckaerts and Louise Doswald-Beck and published in association with the International Committee of the Red Cross; the two-volume *Cambridge Economic History of Latin America* edited by Victor Bulmer-Thomas *et al.*; the *Cambridge Mozart Encyclopedia* edited by Cliff Eisen and Simon P. Keefe; the two-volume *Cambridge History of Irish Literature* edited by Margaret Kelleher and Philip O'Leary; and the opening volumes of two new major scholarly projects, the *Cambridge History of Christianity* and the *Cambridge Edition of the Works of Jane Austen*.

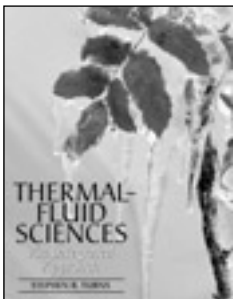
In **Science, Technology and Medicine** the period showed a continuation of the positive growth pattern of recent years, driven by strong performances in engineering and materials science, earth sciences and life sciences. Much of this was organic growth, though the acquisition of Greenwich Medical Media continued to enhance medical sales.

The life sciences and medicine team expanded its editorial presence in the United States, with significant editorial appointments in New York. Publishing highlights in the life sciences included *Evolution of the Insects* by David Grimaldi and Michael S. Engel. Major new reference titles in clinical neuroscience included *Neurodegenerative Disorders* edited by Flint Beal *et al.*, and the two-volume *Textbook of Neural Repair and Rehabilitation* edited by Michael Selzer *et al.* Practical guides on core clinical skills were augmented by titles such as *Evidence-based Psychopharmacology* by Dan J. Stein, Bernard Lerer and Stephen M. Stahl and *Psychiatric Interviewing and Assessment* by Robert Poole and Robert Higgs.

In physics the publishing highlight was *The New Physics for the 21st Century* edited by Gordon Fraser, in which an international team of experts reappraise the latest hot topics in lively and accessible style. In astronomy a publishing relationship with the International Astronomical Union was initiated. The earth sciences list saw significant growth and included publication of many high-profile graduate textbooks, as well as the research volumes *Avoiding Dangerous Climate Change* edited by Hans Joachim Schellnhuber *et al.* (with a foreword by Tony Blair), and the *Arctic Climate Impact Assessment*.

Growth in engineering was driven by key textbooks in electrical engineering such as *Wireless Communication* by Andrea Goldsmith and *The Fundamentals of Wireless*



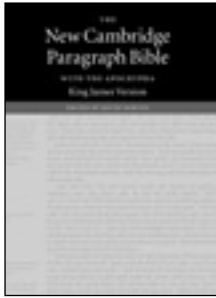


Communication by David Tse and Pramod Viswanath. The publishing highlight in mechanical engineering was the groundbreaking introductory textbook *Thermal-Fluid Sciences* by Stephen Turns. Several new series were established, including Cambridge Texts in Biomedical Engineering, the Cambridge RF and Microwave Engineering Series, and the Cambridge Wireless Essentials Series, the last two reflecting our expanding output for practitioners.

Statistics publishing continued to grow with *Essentials of Statistical Inference* by Alastair Young and Richard Smith, *Probability and Statistics by Example* by Yuri Suhov and Michael Kelbert, and *Statistical Models* by David Freedman. We also established a new series entitled Practical Guides to Biostatistics and Epidemiology. Key mathematics textbooks included *Geometry and Topology* by Miles Reid and Balazs Szendroi, and *Algebra and Geometry* by Alan F. Beardon.

The **Journals** group underwent major restructuring in 2005. With Conrad Guettler's retirement in July, three new Cambridge-based directors assumed global responsibility for editorial, sales and marketing, and production of all Cambridge's 196 journals, of which 152 originate in the United Kingdom and 44 in the United States. The sales and marketing teams in both Cambridge and New York were expanded in order to sustain increased revenues from electronic-only subscriptions and consortia sales, especially in North America and Asia. In the United States the Press gained nine major new site licenses-consortia. Highlights elsewhere included new consortia deals in Spain and Taiwan and significantly increased business in Brazil and Australia. All titles are now available online through the new, highly acclaimed version of Cambridge Journals Online (CJO) which went live in August 2005 and which provides powerful new features for both content-users and librarians. By the end of 2005, some 500,000 full text articles were being viewed each month. Cambridge joined two WHO initiatives, HINARI and AGORA, which make available to developing countries the electronic versions of academic journals in the animal and plant sciences. To keep pace with rapid developments in electronic publishing on the editorial side, 14 journals now use the online peer-review system called Manuscript Central. Four new journals were launched: *International Journal of Cultural Property*, *International Journal of Law in Context*, *Journal of Institutional Economics* and *Politics and Gender*. A further 14 titles, previously published under other imprints, were also added to the catalogue, including *Environmental Practice* and the *Proceedings of the International Astronomical Union*. There were seven losses.

The publishing operation for **Bibles and Prayer Books** fell under the umbrella of Academic Publishing in 2005. The three major market segments for this revised business



experienced quite different results: sales in North America, which initially did not replicate the pattern of 2004, had strengthened by the end of the period; sales in the United Kingdom matched the previous period; while sales of custom editions to other organisations or societies considerably exceeded expectations. Publications included a number of new styles of existing editions and versions, and the notable addition of the *New Cambridge Paragraph Bible* – the first major first textual revision of the King James Version published for over a century.

In the Press's **Electronic Book Programme**, 2005 saw continued expansion through the establishment of an e-bookstore on the website and through the continued supply of e-books to the main international suppliers. The revenue from electronic books grew by 175% during 2005, particularly in North America but also in the United Kingdom, Europe and Asia. Official statistics show that electronic products (excluding e-journals) now account for 13% of university resource budgets in the United Kingdom. The Press has also developed its own online publishing with Cambridge Companions Online (which includes most titles in the successful Cambridge Companions range) to be launched in 2006 along with an online version of the *Historical Statistics of the United States*. Further original online publishing is planned for release later in 2006.

The Press has responded to the burden of printing costs and the growth of demand for backlist titles, stimulated by online bookselling, by placing more than 7,000 titles in a **Short-run Printing Programme** with specialist printers. These books, almost entirely academic titles, comprise both those which are too expensive to reprint conventionally and a growing number of titles that were out of print and have now been brought back into print with limited stock. The quality of the short-run printing has steadily improved to approach that of conventional printing. This revenue stream has seen considerable growth (33% in 2005) and at the end of 2005 totalled £4.3 million.

Cambridge Learning

Cambridge Learning combines products and services from three of the Press's main areas of expertise – English Language Teaching, educational publishing and electronic products developed by Cambridge–Hitachi – with total recorded revenues of £76.5 million for the period January 2005 to April 2006. As the demand for integrated learning grows, and learning environments become more flexible, the Press is now able to provide customised solutions for a range of educational clients, and has been working with Local Education Authorities in the United Kingdom, ministries of education and other partners worldwide, providing research, content and technical expertise to create a variety of leading-edge publishing programmes.



A joint venture is being formed with Obeikan Research and Development, a leading Saudi company, to improve the learning and teaching of the English language in the Arab world. This will provide market-specific ELT integrated solutions to ministries of education and schools. The solutions include textbooks, e-learning and multimedia packages, and training and assessment materials.

Intel, the world's largest computer chip maker, and Cambridge Learning are collaborating in the development of digital education worldwide and will pursue opportunities presented by government and donor agencies. Cambridge–Hitachi is one of the few publishers whose learning content is exemplified on the Intel school platform.

The Press is also a lead partner in the United Nations Global e-schools and Communities Initiative (GeSCI), which is designed to advance the agenda for e-learning in the developing world. A relationship has also been established with Microsoft, and Microsoft Learning Essentials now features teaching and learning templates supplied by Cambridge–Hitachi.

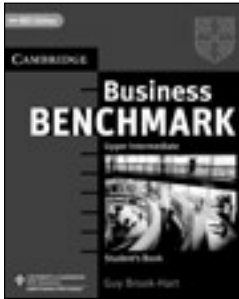
As part of the Cambridge Learning initiative the Press's **ELT** business is now dedicated to the development of resources for a changing educational environment. Significant collaborations include ELT publishing programmes with Spanish partner Ediciones Santa Maria, with German partner Ernst Klett Verlag for the Polish school system, and with Italian partner Loescher Editore. The Press also continued to strengthen the collaborative relationship with its University sibling, Cambridge Assessment, with the publication of the *TKT Course* written in collaboration with Cambridge ESOL as the preparation for the Teaching Knowledge Test.

Extensive ELT publishing output from the Press's publishing centres in Cambridge, Madrid and New York produced substantial programmes, including award-winning electronic and multimedia materials as well as high-quality books for students and teachers.

Publishing highlights in American English include the completion of the third edition of *Interchange*, the market-leading adult learning course written by Jack C. Richards, resulting in record sales. In addition, the innovative new series for adult learners, *Touchstone*, was launched. Written by Michael McCarthy, Jeanne McCarten and Helen Sandiford, it draws on extensive research into the Cambridge International Corpus of North American English.

Significant publishing activity in British English included the successful launch of *face2face* by Chris Redston and Gillie Cunningham, a new multi-level general English course including a CD-ROM, which won the English Speaking Union's President's Award in 2005. Two secondary school courses, *Messages*, written by Diana and Noel





Goodey, and further components of *English in Mind*, written by Herbert Puchta and Jeff Stranks, were launched with great success. *Hippo*, a new pre-school course for three to five year olds, written by Clare Selby and Lesley McKnight, was successfully published by the Madrid publishing centre, and includes among its many components a delightful Hippo puppet.

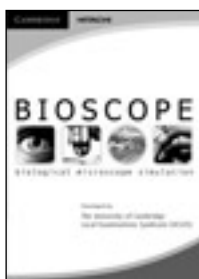
In April 2006 the flagship title, *The Cambridge Grammar of English*, was launched at the IAETFLL conference, to much acclaim and extensive press coverage. This major new reference grammar for advanced-level students and teachers is written by Ron Carter and Michael McCarthy, both highly respected experts in the field of corpus research.

The beginning of 2006 was also a major launch period for new business English courses to complement the practitioner-focused strategy in academic publishing, with the appearance of the beginner course *Business Start-Up*, written by Mark Ibbotson and Bryan Stephens, and *Business Benchmark*, a three-level course which prepares students for the BEC and BULATS examinations, written by Guy Brook-Hart and Norman Whitby. Significant textbook publishing included *International Legal English*, written by Amy Krois-Lindner and Translegal, Europe's leading firm of lawyer-linguists, as preparation for the Cambridge Legal English Certificate (ILEC).

2005 saw the formal announcement of a series of major UK curriculum reforms and new initiatives, which will be introduced across the 5-to-19 age range on a rolling schedule from 2006 to 2010. As a result, the **Education Group** embarked on a year of detailed research and development, planning new products with a focus on the core publishing areas of science, mathematics and English at secondary level.

Publishing output included a range of new titles from the Schools Mathematics Project for AS/A2 mathematics, a new edition of the flagship Cambridge School Shakespeare series, and new titles for Cambridge International Examinations and the International Baccalaureate in order to increase the Press's presence in international educational publishing. Combined with the enduring strengths of a number of core backlist brands this publishing activity helped secure growth in the Press's share of the secondary school market.

Early 2006 saw the first tranche of publications for the revised curriculum. Science has been a priority, with new science GCSE syllabuses among the first to be launched. A new edition of the successful *Science Foundations* and a new *Gateway* series reached the market on schedule for the introduction of the new course. Similarly, in partnership with SMP, materials for the two-tier mathematics GCSE have been published to a demanding schedule. The quality and innovative structure of SMP Interact, supporting all three awarding bodies, will help to secure the Press's presence in this all-important secondary mathematics arena.



Cambridge–Hitachi completed its second full year of trading and experienced some notable successes. Two products were nominated for BETT awards: the *Mult-e-Maths Toolbox*, a rich, interactive tool for teaching primary mathematics with a whiteboard, and *Bioscope*, an interactive microscope simulator, published in association with the University of Cambridge International Examinations. The first significant sale of an online product was secured in the form of the *Mult-e-Maths Problem Solving Strand*, which was purchased by the London Grid for Learning and made available free to all London primary schools, thereby creating an excellent springboard for further software sales into the capital.

In addition to developing over 65 CD-ROM components, Cambridge–Hitachi also achieved the following: the launch of online numeracy and science libraries, adapted to the Scottish curriculum, for Learning and Teaching Scotland; the creation of content packs which comply with internationally recognised technical standards for use within virtual learning environments, including Research Machines' *Kaleidos* and Microsoft's *Class Serve*; and the development of downloadable learning objects for the GeSCI pilot in developing countries. Work has commenced on assessment materials, online subscription services and participation in an EU-funded meta-data project.

Cambridge–Hitachi continues to enhance its position in the marketplace through the development of alliances with leading local and global stakeholders. These include medium-to-long-term market development projects with Intel, advanced research projects with Microsoft and the European Schoolnet, and channel development projects with Enterprise MPC, Nisai Education, Dataworks, Vertical Miles and others. These projects are creating greater brand awareness, driving market demand and resulting in an enhanced and integrated user experience. Nonetheless, e-education remains a difficult and largely experimental market. Teachers continue to embrace these new approaches with some reluctance, so publishing in the arena is not for the faint-hearted.

Regional businesses

Europe, Middle East and Africa

The Press's strategic plans for growth are principally focused on the United States (for academic and professional publishing), and on the emerging markets of Asia (for ELT). It should not be forgotten, however, that almost exactly half the Press's total sales of books and journals are still made in the core Old World markets of Europe, the Middle East and Africa. Furthermore, nearly 70% of global Press revenues derive from publications acquired and published from the three publishing offices in Cambridge, Madrid and Cape Town.

For the **UK, Middle East and Europe Branch**, based in Cambridge, all publishing groups performed well, with the exception of Education, which, nevertheless, increased its share of what proved to be a troubled domestic UK market.

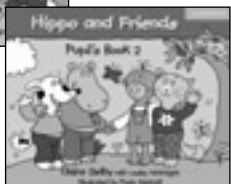
Very considerable investments were made in Cambridge in respect of new editorial appointments to support a range of ambitious strategic plans: for new academic textbook publishing; for extended professional programmes (to build on the now established base of Cambridge medical, legal and business publishing); for an expanded range of ELT courses at all levels; for the renewal of secondary Education publishing (with particular emphasis on science and maths); and for a wide-ranging overhaul and upgrading of journals editorial, marketing and production.

To do justice to this new publishing, the Branch turned its attention to the appropriate resourcing of sales and marketing. For the Academic group this meant thorough restructuring, with the creation of specialist teams to support professional, textbook and online products. Special attention is being given to key partnership development, and to direct and online marketing. New agency arrangements were established for the Middle East, which is seen as a focus of opportunity for this new publishing. ELT doubled the size of its promotional teams in Poland and in Italy, where a special edition of the schools course *English in Mind* achieved exceptional results. The recently established Switzerland office saw business there exceed £1 million for the first time. Education sales and marketing were strengthened and refocused to better manage the new blended print and software catalogue, and to concentrate on those schools whose curricula match the list, and which have access to special funding for e-learning. A new telemarketing unit scored some notable early successes.

Sales from the Press Bookshop grew very satisfactorily. Marketing activity was broadened to appeal successfully to local residents as well as to the academic community, with a range of three-for-two offers, a stronger advertising portfolio, themed window displays, promotions targeted at conference delegates and a new website. *The Story of Cambridge* by Stephanie Boyd proved a great success.

Conference and events business built steadily at the Pitt Building with an increasing volume of repeat business from the University and the local community. Customers benefited from the provision of expanded meeting areas and wireless access.

2005 proved to be an excellent year for the **Iberian Branch** with results ahead of budget. The Academic sector showed little growth, affected by internet retail and the activities of UK-based exporters. The Madrid staff underwent a period of operational changes: an office move to new premises in the Plaza Basilica; an overhaul of IT systems; wide-ranging reform of internal workflows; and the consolidation of the





African Branch office

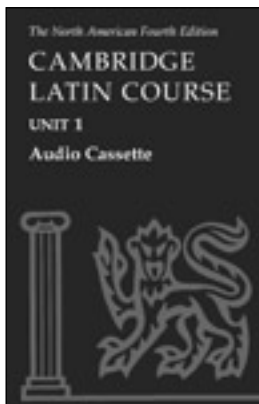
supply of academic books within the Branch. Editorial work continued to be focused entirely on ELT publishing within the joint venture between Cambridge and Ediciones Santa María (SM). The educational reforms of 2004 continue to cast a shadow over the schools sector, with the attention of all publishers now concentrated on the next window for schools adoptions in the spring of 2007. Joint venture editorial activity is also aimed at this opportunity. As a result, major course publication was limited to *Hippo*. To compensate for this, the efforts of the sales team centred on the promotion of imported UK ELT products, but sales of joint venture projects nevertheless performed above expectations.

Sales in the **African Branch** were exceptionally good, up 50% in the period as a whole. Although there were increases in every category, most of the growth came from education sales in the South African school market, and in particular from the acquisition of Roedurico Trust in 2003. Curriculum implementation reached Grade 10 level, where Roedurico's Study & Master brand has enjoyed high recognition, allowing the Branch to trade on an established market share with the new titles, using similar branding and retaining many of the same respected authors. While the Caribbean performed well, business in West Africa was disappointing. The new levels of the Stay Tuned English course for Cameroon suffered from a ministry decision not to approve any new books this year. The African Branch published 90 titles during 2005 and made its first foray into the world of e-publishing by producing an interactive assessment CD for Mathematical Literacy at Grade 10 level. This was undertaken in partnership with the e-learning publisher Learnthings.

The Americas

Following a year of recovery during 2004, the American Branch had an outstandingly good sixteen months to the end of April 2006, with total external sales of books finishing \$8 million up on the equivalent period ending April 2005.

The pattern of growth was consistent across the Press's publishing, with the exception of STM books. HSS saw very strong growth as new products were introduced, counterbalancing the flat performance from STM and leaving Academic book sales well ahead of budget. The most notable new academic product was the *Historical Statistics of the United States*, issued as five printed volumes, to be followed by an interactive online edition. The release of the print version was the subject of a full-page article in *Newsweek* magazine as well as reviews in other major media, and 'HSUS' will be a significant asset to our reputation as a publisher of important reference works. Both Journals and Rights sales performed well, finishing the year ahead of plan.



Education sales exceeded expectations, benefiting from a massive one-off injection of cash from the Texas state school system where the *Cambridge Latin Course* was adopted during the period. ELT recovered well as new courses were launched into welcoming markets, especially in Mexico. The third edition of *Interchange* and the first components of *Touchstone* were ELT course highlights.

Regional sales throughout the United States showed growth. Mexico, Central America and South America were strong, as was Brazil, now managed from New York. The changeover of supply to South American markets from West Nyack went smoothly. Canada, however, continued to disappoint.

Business conditions remained fairly consistent and despite periodic fluctuations the value of the dollar remained reasonably constant against sterling. One short-term exception to normality was the impact of Hurricane Katrina, which delayed shipments to a number of customers. The hurricane also hampered publicity for several major titles on terrorism, a subject understandably pushed aside in the media by the devastation in the south.

It seems that the Branch outperformed its competitors, even allowing for the difficulty of measuring performance across an industry sector. Entering new markets means facing new challenges, for example in textbooks, where used-book sales driven by the internet provide firms with the opportunity to serve a nationwide market.

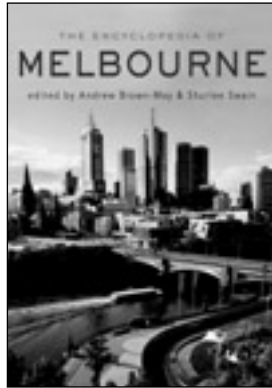
Within the various sales channels there was a mixed picture among wholesalers, with Ingram (the biggest trade supplier) showing a downturn and Baker & Taylor (the biggest library supplier) showing strong growth. There was good growth in retail sales from the two major chains, Barnes & Noble and Borders, and in internet sales, predominantly through Amazon. There was also gratifying growth in direct sales, notably via the Press's website. The trade sales force was reorganised to put it more in line with current market conditions, and the college sales department began to have a real impact on adoption sales of textbooks.

The rebuilding of the North American STM editorial team began with the appointment of Mark Strauss as Publishing Director and the hiring of two more editors. Some restructuring of the ELT group enabled staff to develop new product streams in a more effective way.

It could be argued, however, that the most far-reaching event of the year was not in publishing but in real estate: after a lengthy search, an agreement was concluded to lease new and much larger offices in Manhattan and to sell the Branch's three floors at 40 West 20th Street to its neighbour, the Natural Resources Defense Council. In the summer of 2006, the New York office relocated downtown to 32 Avenue of the Americas, thus



New American
Branch office at
32 Avenue of the
Americas



removing a major obstacle to business development – lack of space. Staff will have a much better working environment in one of the more interesting locations in the city, and in one of the most vibrant cities in the publishing world.

Asia-Pacific

During 2005 and early 2006, the Australian and Asian businesses continued to develop opportunities for expansion through increased market coverage of all Press titles.

Australia delivered a very sound result in terms of both sales and contribution. Curriculum change provided a pathway to success in the schools area in the face of severe competition. The new editions of *Essential Mathematics* titles for senior schools exceeded expectations and were supported by a successful range of humanities titles.

Throughout the sixteen-month period, the Australian academic publishing programme performed well, helped by increased sales of textbooks originating in the other branches. Local highlights were the *Encyclopedia of Melbourne* and *The Geology of Australia*.

ELT sales in Australia were weakened by the growing tendency for Chinese students to study at home rather than travel to foreign language schools. This trend is likely to continue.

Asia achieved substantial revenue growth during the sixteen-month period. This was exceptionally good in view of the Branch's concurrent transformation from a sales and marketing focus to a full operation including credit management, distribution and customer services. The changes also entailed the setting up of a warehouse in Singapore, the implementation of a branch information system and the recruitment and training of twelve new staff.

Further Asian expansion resulted in the establishment of Press offices in South Korea and Malaysia for the first time, and a Vietnam office in Ho Chi Minh City in 2006. A restructuring of the Branch created three sub-branches: South East Asia, Greater China and North East Asia. These are managed from Bangkok, Hong Kong and Tokyo respectively.

The Press's business with Foundation Books in India continues to grow in all areas, including journals and Cambridge–Hitachi. Foundation Books's own publishing programme supports Cambridge Assessment's examinations business, and is also expanding in terms of titles published.

A new Publishing centre was established in order to expand the Press's intellectual property reach throughout a range of Asian markets. This operation is led by Sandra McComb, Executive Director of the Australian Branch. Research has been undertaken and staff appointed to ensure that two major activities are occurring: versions,

adaptations and reprints of existing intellectual property are being modified to serve the needs of individual markets, often in conjunction with local publishers; and new book publishing will further expand the business base of the Press in specific categories such as primary ELT. The main opportunities for this programme are the markets in China, India and Japan. Research into the development of original primary English material for Japan and Korea is in progress, alongside the adaptation of existing US material in particular.

The creation of the Asia-Pacific region incorporating the Australian and Asian Branches has provided the opportunity to create a strong regional management team from the senior staff in both Branches. Australia-based managers are responsible for directing the Asian publishing program and the distribution and customer services operation, while the regional sales, marketing and finance control is in Singapore.

Printing



The printing business has experienced one of the most difficult yet strangely satisfying trading years in recent times. Past reports have reflected upon the increasingly tough trading conditions facing UK printers as foreign competition offers good quality printing at extraordinarily low prices. As publishers make the most of these foreign opportunities, UK printers vie for a decreasing share of UK book manufacturing. The current feeling of gloom in the industry is accentuated by its inability to raise prices at a time of cost increases for power and consumables. Consequently, profit margins continue to be squeezed more severely.

That industry gloom, though, is not reflected in the Press's printing business, where clear signs of economic recovery can be seen. The strategy for this recovery is twofold: first, to build revenues through the systematic targeting of superior and niche product markets, i.e. developing and building on the Press's unique selling points, and second, to identify, challenge and seek to remove costs which limit the Press's competitive ability in the marketplace.

Both strategies yielded good results. A growth of 27% in book manufacturing revenue helped to mitigate the decline in other markets that were acknowledged to be of less importance in the long term.

Building on the contracts won in the previous year, the Confidential product stream was successful in securing additional sales from another UK examination body, AQA, through printing short-run support material. Within Cambridge Promotional, although there was a drop in sales as the Department for Education and Science cut back on print in favour of online materials, new markets were researched and work begun, with some success, to gain new business from other educational organisations such as independent schools and colleges.

Notable new business opportunities arose with the Open University, in the form of a contract worth £1.2 million over four years, and with St James's House, for whom the Press produced a beautiful book created as part of the Trafalgar celebrations, *Britain and the Sea*. Other successes include the high quality promotional material used to launch the University's Octocentenary campaign across the world; a complete website design for Trinity Hall; and several superior projects for the Arcadian Library, the British Library, the Ashmolean Museum and the Folio Society.

Regarding cost control, the most significant expense is that of employee pay and

benefits. During the year, successful negotiation brought staff wages closer to industry norms, ensuring the Press's ability to trade competitively while recognising staff skills. Since period-end, the staff of Cambridge Printing have voted to accept more affordable pension terms, thereby resolving a major competitive challenge for the business.

A key priority is customer care. In this context, best practice is identified and implemented so as to improve efficiency and effectiveness both in production and administration. Underpinning this is a comprehensive training and development programme, ensuring that staff are highly skilled and up-to-date with developments in technology. Such commitment is regularly rewarded by industry accolades for Cambridge's expertise in book production including, in 2005, a prestigious award from Japan in the foreign language section. Further recognition of the training programme came in April 2006 when one of the younger staff members, Michael Brookes, won the title of Digital Apprentice of the Year, presented by the British Printing Industries Federation at their Excellence Awards Ceremony held in Birmingham.

In order to demonstrate their ethos of consistent high quality, best-practice working methods and excellent service, the combined businesses of Cambridge Promotional and Confidential registered for and achieved the ISO 9001 award, an internationally recognised standard for quality management. During the process of registration, more formal systems were developed so that it is now easier to demonstrate to potential customers the Press's objectives of exemplary service and commitment to quality.

There is growing pressure for books and printed papers to be produced using environmentally friendly materials. Cambridge Printing is already dedicated to sound environmental practice, and can declare 'chain of custody' certification by the Forest Stewardship Council (FSC), confirming its commitment to well-managed forestry and the environment. An example of good practice came to the fore when Cambridge Printing won a prestigious three-year contract from the Open University, whose policy from July 2006 is to appoint only FSC-certified printers.

In summary, the printing business is demonstrating clear signs of recovery: its continuing strong relationships with customers and partners are based on exemplary service and high quality products, while new techniques are keeping it at the forefront of the industry and building a highly skilled workforce. These optimistic signs give confidence for the future.

Global Business Services

Finance

The past sixteen months have been an extremely busy and exciting time for the Press's Finance Department. The change of the end of the financial year from 31 December to 30 April required significant preparation and planning. There has also been considerable effort involved in the forthcoming consolidation of the Press's financial accounts with those of the University. In addition, the new Inter-Branch Trading business model was introduced during the year, enabling a better understanding of the financial performance of the Press's various operations around the world.

The Finance team was also involved in various acquisitions, the introduction of a new system of Key Performance Indicators (KPIs), pensions planning, an investment review and other systems projects.

Last year, steps were taken to strengthen the publishing side of the Finance team. Following that initiative, the printing team has now been reinforced by the appointment of Cambridge Printing's own Finance Director, Mark Whitehouse. Mark is a very welcome addition and is already making his presence felt in a positive way.

Distribution

During this sixteen-month period the Press embarked on several major initiatives which required significant changes to internal systems: ISBN-13 (the lengthening of ISBNs from 10 to 13 digits), customer and title re-coding, and Inter-Branch Trading (IBT). These developments had a major impact on order processing and distribution operations in each branch, and their successful implementation involved the full participation of many Press distribution colleagues around the globe.

In Cambridge, the distribution team continued to focus on striking the right balance between service and cost. To support growth in journals publishing, it was recognised that significant capital investment would be required to replace and update the in-house fulfilment equipment. It was decided that more cost-effective support could be provided by a specialist supplier, and so a contract for the physical fulfilment of journals was placed with Mercury, a leading provider of international mailing services. A journals archive was set up, and stockholding of back issues was reduced to a rolling three-year period, freeing up space to accommodate the growing base of journal titles. The



perpetual inventory process, already established in the bulk warehouse, was extended to include loose book stocks in the forward warehouse. The ageing mechanical handling equipment was replaced with a new fleet of modern narrow-aisle and fork-lift trucks. In recognition of the growing importance of online trading and the proliferation of electronic access control systems, the Customer Services department was restructured to provide service and support for these business areas.

In West Nyack, the transition of supply arrangements for South America was completed, resulting in a volume throughput increase of 2 million units (47%) through the distribution centre. Because of the extensive capacity for growth of the materials handling equipment infrastructure at West Nyack, this sustained increase was achieved with only a few additional staff. To cope with the influx of ultra-short digital reprints from the centrally managed programme, the receiving process was streamlined by implementing equipment able to handle large shipments containing few copies of many different titles. The order processing and customer service sections for books and journals were restructured to create a totally integrated Customer Services department with a focus on servicing distinct customer groupings and business streams. The new department was launched at the end of 2005 and is already providing a significantly improved service to our customers, both external and internal.

In Singapore, the Asian Branch transformed itself into a full service operation with local customer service and distribution responsibilities. The Vista computer system was implemented and electronic interfaces were created between the Branch and its third-party distributor (Keppel).

In Port Melbourne, the Australian Branch implemented the AuthorNet system and introduced health and safety programs in the distribution centre. The African Branch continued its outsourced distribution arrangement, and the transfer of Roedurico stock was successfully completed. In Madrid, the Iberian Branch began a successful expansion of academic book supply, and systems were developed to cope with the resultant increase in distribution workload.

Information and Publishing Services

Following the new regional structure and the introduction of trading between the regions, IT systems around the world were modified in support of the new business practices. These went into operation on 1 July 2005. A significant part of this project was the introduction of a global data warehouse separate from the Cambridge financial system. The Cognos reporting tool was chosen to provide better visibility of sales data. In addition, to effect the change in the Press's financial year, a substantial data conversion

exercise was necessary. The majority of the Press's systems were converted to ISBN-13, the new book numbering scheme which comes into effect from 1 January 2007. A new ISBN-13 compliant computer system was also installed in the Press Bookshop. Electronic trading with partners was improved by additional EDI gateways, linking to the 'batch.co.uk' payments service and the PubEasy system, increasing the visibility of books to booksellers.

E-commerce systems continued to prove valuable sources of income. The global value of orders placed through the websites for the sixteen-month period was approximately £2.8 million from trade customers and £1.6 million from individuals.

In August 2005 the new Cambridge Journals Online website went live with significant enhancements over the system it replaced. Developed internally by the Press's own software development group in Manila, Philippines, the system uses open source components to provide a reliable and scalable platform for electronic journals. Also developed in Manila were the new DataShop bibliographic data delivery system with ONIX 2.1 support, a new title maintenance application, a rights sale system, and a replacement marketing support system for the Americas.

A substantial investment in the Press's websites resulted in a new Content Management System which allows smaller country offices to create and maintain their local websites. A Google search appliance on the intranet now provides staff with advanced search functionality and the AuthorNet has been redesigned. The creation of a proper 'web farm' for all external facing sites has enabled fewer servers and faster response times to users. The target is to move all web applications into the web farm environment during the next year.

The Press's data storage requirements grow at an accelerated pace and a further 22Tb of storage was commissioned. Conscious of the growing threats from hackers, viruses, malware, phishers and the like, the IT department strengthened security worldwide by implementing a standard set of firewalls, administered according to a central policy.

Pilot projects to familiarise the IT team with web services technologies and service-oriented architecture were introduced, with a plan to migrate all future development to this environment.

During 2005 the **Corporate and Marketing Design (CMD)** Department carried out a thorough review of the Press's corporate identity. This has resulted in new house fonts, a new corporate blue, a shield which now fully matches that of the University and the creation of a single set of design guidelines for corporate, product and marketing use.

CMD has created an online image library for marketing around the world, updated all point-of-sale material, and supplied branches and main offices with generic exhibition stands – all with the aim of achieving a more consistent presentation.

Appendices

1 Statistical data January 2005 – April 2006

Table 1 **Hardback and paperback ISBNs, by publishing centre**

	Cambridge	Americas	Australia	Africa	Iberia	Asia	Total
Humanities & Social Sciences	920	580	28	1	0	6	1535
Bibles	27	0	0	0	0	0	27
STM	394	87	3	2	0	32	518
Education	76	4	82	71	0	3	236
ELT	358	137	0	1	82	56	634
Total	1775	808	113	75	82	97	2950

Table 2 **Sales revenue ranked by country (first fifteen by value)**

Academic and Professional	Education	ELT
USA	South Africa	Brazil
UK	UK	Spain
Australia	Australia	UK
Germany	USA	USA
Japan	Namibia	Mexico
Canada	Cameroon	Japan
The Netherlands	Botswana	South Korea
Italy	India	Italy
South Korea	Trinidad and Tobago	Germany
Taiwan	Jamaica	Switzerland
China	United Arab Emirates	Taiwan
Switzerland	Germany	Thailand
India	Mauritius	Peru
Spain	Malawi	China
South Africa	New Zealand	France

Table 3 Sales revenue (% rounded) by market, subdivided by category						
	Academic/Pro	Education	ELT	Journals	Bibles	Total
Europe & Middle East	32	11	29	26	2	100
Americas	56	4	24	16	0	100
Australia	34	50	16	0	0	100
Iberia	11	1	88	0	0	100
Africa	6	87	7	0	0	100
Asia	29	4	67	0	0	100
Brazil	0	0	100	0	0	100
Total	36	13	34	16	1	100

Table 4 Sales revenue (% rounded) by category, subdivided by market						
Europe & Middle East	36	34	35	67	97	42
Americas	50	9	23	33	2	32
Australia	4	17	2	0	1	4
Iberia	1	0	9	0	0	3
Africa	1	37	1	0	0	5
Asia	8	3	21	0	0	11
Brazil	0	0	9	0	0	3
Total	100	100	100	100	100	100

Appendices

Table 5	
New hardback-only publications from the Academic Group January 2005 – April 2006	
American history	6
American literature	6
Anthropology	2
Archaeology	3
Art	42
Astronomy	26
British history	20
Cambridge University publications	1
Chemistry	3
Classical studies	38
Computer science	8
Earth, atmospheric sciences	25
Economics, business studies	41
Engineering	40
English language and linguistics	15
English literature	76
European history	24
European literatures and languages	3
Experimental biology and biomedicine	18
General Science	5
Geography, the environment	1
History - other areas	22
Law	98
Materials science	2
Mathematics	41
Medicine	37
Music	6
Other literatures and languages	1
Philosophy	35
Physics	13
Politics, social theory, history of ideas	32
Psychology	12
Religion	25
Sociology	6
Zoology, botany	18
Total	751

Table 6	
New paperback publishing from the Academic Group January 2005 – April 2006	
American history	11
American literature	9
Anthropology	9
Archaeology	9
Art	5
Astronomy	2
British history	8
Cambridge University publications	2
Chemistry	2
Classical studies	13
Computer science	9
Earth, atmospheric sciences	15
Economics, business studies	40
Engineering	11
English language and linguistics	37
English literature	30
European history	25
European literatures and languages	6
Experimental biology and biomedicine	8
Film, media, mass communication	6
General Science	2
History - other areas	30
History of science	1
Law	42
Mathematics	44
Medicine	40
Music	7
Other literatures and languages	2
Philosophy	62
Physics	13
Politics, social theory, history of ideas	90
Psychology	30
Religion	20
Sociology	46
Zoology, botany	23
Total	709

II Awards and prizes

Among the awards and prizes for Press publications received in 2005 were:

Daron Acemoglu and James A. Robinson, *Economic Origins of Dictatorship and Democracy*, winner of the 2005 John Bates Clark Medal, American Economic Association.

Shlomo Aronson, *Hitler, the Allies, and the Jews*, winner of the Israel Political Science Association for the best book published in English in 2005 and winner of The German Studies Association Sybil Halpern Milton Memorial Book Prize for 2005.

Adam Balen, Sarah Creighton, Melanie Davis, Jane MacDougall and Richard Stanhope, *Paediatric and Adolescent Gynaecology*, highly commended in the obstetrics and gynaecology category of the 2005 British Medical Association Medical Book competition.

Seyla Benhabib, *The Rights of Others*, winner of the North American Society for Social Philosophy award for best book in 2004.

David Bradshaw, *Aristotle East and West*, winner of the 2004 Morris D. Forkosch Prize for the best book in intellectual history.

Anne Brickhouse, *Transamerican Literary Relations and the Nineteenth-Century Public Sphere*, honourable mention by the Committee of the 2005 Lora Romero First Book Publication Prize awarded by the American Studies Association.

Roger W. Byard, *Sudden Death in Infancy, Childhood and Adolescence*, highly commended in the paediatrics category of the 2005 British Medical Association Medical Book competition.

David Castle and Robin Murray, *Marijuana and Madness*, first prize in the mental health category of the 2005 British Medical Association Medical Book competition.

Brian A. Catlos, *The Victors and the Vanquished*, winner of the American Historical Association's John E. Fagg Prize for the best publication on Spanish, Portuguese or Latin American history in 2005.

Melba Cuddy-Keane, *Virginia Woolf, the Intellectual, and the Public Sphere*, was named an Outstanding Academic Title by Choice magazine.

Knut Dormann, *Elements of War Crimes under the Rome Statute of the International Criminal Court*, winner of the ASIL Award for a work in a specialised area of international law.

Appendices

- Steven R. Finch, *Mathematical Constants*, winner of the 2005 Lester R. Ford Award for expository excellence.
- B. J. Fischer and C. A. Pinnock, *Fundamentals of Regional Anaesthesia*, first prize in the anaesthesia category of the 2005 British Medical Association Medical Book competition.
- Jonathan H. Gillard, Adam D. Waldman and Peter B. Barker, *Clinical MR Neuroimaging*, highly commended in the radiology category of the 2005 British Medical Association Medical Book competition.
- Andrew Gurr, *The Shakespeare Company, 1594–1642*, joint winner of the David Bevington award for 2005, given by the Medieval and Renaissance Drama Society for the best new book in early drama.
- Malachi Haim Hacoheh, *Karl Popper – The Formative Years, 1902–1945*, winner of the 2003 Friedrich Adler State Prize.
- William W. Hagen, *Ordinary Prussians*, winner of the Hans Rosenberg Book Prize.
- Adam Hedgecoe, *The Politics of Personalised Medicine*, winner of the Sociology of Health and Illness Book of the Year awarded by the British Sociological Association Medical Sociology Group.
- Desmond Higham, *Introduction to Financial Option Valuation*, winner of the 2005 Germund Dahlquist Prize awarded by SIAM.
- Errol G. Hill and James V. Hatch, *A History of African American Theatre*, was named an Outstanding Academic Title of 2005 by Choice magazine.
- Shannon Jackson, *Professing Performance*, winner of the Lilla A. Heston Award for outstanding scholarship in interpretation and performance studies from the National Communication Association, and the Best Book Award from the Association for Theatre in Higher Education.
- Edward James and Farah Mendlesohn, *The Cambridge Companion to Science Fiction*, winner of the Hugo Prize 2005.
- Biodun Jeyifo, *Wole Soyinka*, winner of an Outstanding Academic Title prize from the American Library Association.

Loren Kruger, *Post-Imperial Brecht*, winner of the Aldo and Jeanne Scaglione Prize for Comparative Literary Study 2005, awarded by the Modern Language Association.

Richard Ned Lebow, *The Tragic Vision of Politics*, winner of the Alexander George Book Award of the International Society of Political Psychology.

Peter Lindert, *Growing Public* (two volumes), joint winner of the Gyorgy Ranki Prize for the best book in European economic history in 2003–2004, awarded by the Economic History Association, and of the Allan Sharlin Award for the best book published in 2004, awarded by the Social Science History Association.

Zachary Lockman, *Contending Visions of the Middle East*, recommended by Foreign Affairs Review as one of the best books on the Middle East.

Gerry Mackie, *Democracy Defended*, winner of the Gladys Kammerer Award of the American Political Science Association.

Michael McCormick, *Origins of the European Economy*, winner of the Haskins Medal of the Medieval Academy of America.

Michael Musgrave and Bernard D. Sherman, *Performing Brahms*, winner of the 2004 Association for Recorded Sound Collections Award for Excellence in Recorded Sound Research.

Nicoli Nattrass, *The Moral Economy of Aids in South Africa*, winner of the 2005 UCT Book Award.

Eldryd Parry, Richard Godfrey, David Mabey and Geoffrey Gill, *Principles of Medicine in Africa*, first prize in the public health category of the 2005 British Medical Association Medical Book competition.

Marcus Radetzki, Marian Radetzki and Niklas Juth, *Genes and Insurance*, winner of The British Insurance Law Association Book Prize for 2004.

M. J. D. Roberts, *Making English Morals*, winner of the Royal Historical Society's Whitfield Prize 2004.

Frank Schimmelfennig, *The EU, NATO and the Integration of Europe*, winner of the EUSA prize for the best book in 2003 and 2004.

Gerry Simpson, *Great Powers and Outlaw States*, winner of ASIL Certificate of Merit for pre-eminent contribution to creative legal scholarship.

Appendices

Harriet Turner and Adelaida López de Martínez, *The Cambridge Companion to the Spanish Novel*, was named an Outstanding Academic Novel 2004 by Choice magazine.

Mark Warr, *Companions in Crime*, winner of the Michael J. Hindelang Award for most outstanding contribution to research in the field of criminology.

Paul J. Weithman, *Religion and the Obligations of Citizenship*, winner of the North American Society for Social Philosophy Book Prize 2002.

Heike Wiese, *Numbers, Language, and the Human Mind*, winner of the MEA's 2005 Susanne K. Langer Award for outstanding scholarship in the ecology of symbolic form.

Benson R. Wilcox, Andrew C. Cook and Robert H. Anderson, *Surgical Anatomy of the Heart*, highly commended in the cardiology category of the 2005 British Medical Association Medical Book competition.

III Statute J The University Press

1. There shall be in the University a University Press which shall be devoted to printing and publishing in the furtherance of the acquisition, advancement, conservation, and dissemination of knowledge in all subjects; to the advancement of education, religion, learning, and research; and to the advancement of literature and good letters.
2. There shall be in the University a Press Syndicate. The management of the finance, property, and affairs generally of the University Press shall be the responsibility of the Press Syndicate which shall exercise in relation thereto all the powers of the University except in so far as the Statutes and Ordinances expressly or by necessary implication provide otherwise. The Press Syndicate shall consist of the Vice-Chancellor or a duly appointed deputy as Chairman and such number of members of the Senate appointed in such manner as shall be determined from time to time by Ordinance.
3. The Press Syndicate shall have power in the name of the University and for the purposes of the University Press to purchase, lease, retain, sell, or transfer property real or personal and to purchase, retain, sell, or transfer securities (which term shall include stocks, funds, and shares) of any description whether or not authorized by law for the investment of trust funds, and this power shall extend to the investment (including the variation of the investment) of all endowments or other funds of the University Press.
4. All income accruing to the University Press shall be credited to the accounts of the Press Syndicate and all University Press capital and income shall be controlled by the Press Syndicate and applied by them at their sole discretion for the purposes of the University Press.
5. The Press Syndicate shall have power to borrow money for the purposes of the University Press and to make the property or income of the University Press security for any loan, provided that
 - (a) the Council shall have authority to impose limitations on the power of the Press Syndicate to borrow money under this section, and
 - (b) the terms of any loan so secured on the property or income of the University Press shall be in accordance with the Universities and College Estates Acts 1925 and 1964, and shall be approved by the Vice-Chancellor on behalf of the Council.

-
6. The Press Syndicate shall have power in the name of the University to engage persons for employment in the service of the University Press, determine their salaries and pensions, and prescribe the conditions of their service.
 7. Persons holding certain posts in the University Press which have been specially designated under this section by the Council on the recommendation of the Press Syndicate shall be treated as University officers for the purposes of Statute A, III, 7(b), Statute B, I, 1, Statute B, III, 6, and Statute K, 3(h). The following have been specially designated under this section: the Secretary of the Press Syndicate, Directors, Associate Directors, Senior Editors, and Senior Managers of the Press.
 8. The accounts of the University Press shall be audited annually by one or more qualified accountants appointed by the Council. The Council shall in every year appoint one or more persons from among the members of the Finance Committee, who shall examine these accounts, confer with the auditor or auditors, and report to the Council.
 9. There shall be a Press Seal, as a seal of the University to be used on the directions of the Press Syndicate in matters relating to the affairs of the University Press; but the existence of the Press Seal shall not invalidate the use in connection with such matters of any other seal of the University. The University shall have power to make Ordinances concerning the custody and affixing of the Press Seal.
 10. The Press Syndicate shall have power to delegate any of their powers under this Statute subject to any limitations imposed by Ordinance.
 11. The term property of the University Press here and elsewhere in Statutes and Ordinances shall refer to property of the University held or used for the purposes of the University Press. In favour of any person having dealings with the University Press a certificate signed by the Registry that any particular property is the property of the University Press, or that any limitations on borrowing have been complied with, shall be conclusive.
 12. The Press Syndicate shall make an Annual Report to the Council, which shall be published to the University either as a whole or in summary.

13. Notwithstanding the provisions of the foregoing sections, the Council shall have power in circumstances which the Council deems to be exceptional, on the advice of its Finance Committee, to discharge the Press Syndicate, and to assume full responsibility itself for the management of the Press for the time being. If the Council has occasion to exercise the powers available under this section, the Council shall make a full report to the University on the circumstances necessitating such action.

IV The Press Syndicate

during the sixteen months ended 30 April 2006

Members of the Press Syndicate receive no remuneration in their role as trustees. No individual member of the Press Syndicate received any remuneration from Cambridge University Press, other than in their capacity as authors, series editors or editorial advisors. The remuneration that these individuals would receive in this capacity is under normal contract terms. There were no reimbursed expenses in the period (1 January 2005 – 30 April 2006, Nil). Members of the Press Syndicate during the period were as follows:

Dr G. Johnson, *The President of Wolfson* (Chairman)*
Professor T. Minson, *Acting Treasurer of the University**
Professor W. A. Brown, *The Master of Darwin**
Mrs A. M. Lonsdale, *The President of New Hall*
Professor R. N. Perham, *The Master of St John's**
Professor S. A. Collini
Professor T. M. Cox
Professor U. C. Goswami
Professor G. P. Hawthorn*
Professor B. J. Heal
Professor C. J. Humphreys
Professor D. J. Ibbetson
Professor T. W. Körner
Professor J. S. Morrill*
Professor J. Rudduck
Dr R. G. Barker*
Dr C. Y. Barlow
Dr M. S. Lane
Dr D. J. McKitterick*

*Members of the Press Syndicate's Finance Committee.

Mr S. J. Webster, OBE, also served on the Press Syndicate's Finance Committee.

The Secretary of the Press Syndicate is Mr Stephen R. R. Bourne, the Chief Executive of the Press and University Printer.

V Executive Directors

during the sixteen months ended 30 April 2006

Dr R. W. Barling

S. R. Bennett

C. P. Boughton*

S. R. R. Bourne*

J. R. Bradie

Dr A. M. C. Brown*

P. J. Davison

R. K. Fisher

A. C. Gilfillan*

Dr C. Guettler

L. M. Hieatt

M. Y. Holdsworth*

S. A. McComb

S. H. Miller*

J. M. Pieterse

N. A. Reckert*

J. G. Tuttle

S. J. Ward

Dr R. L. Ziemacki*

* Also members of the Press Board

**VI Professional Advisors and
Principal Office**

for the sixteen months ended 30
April 2006

Professional Advisors

Bankers

Barclays Bank
Bene't Street
PO Box No 2
Cambridge
CB2 3PZ

Solicitors

Mills & Reeve Solicitors
Francis House
112 Hills Road
Cambridge
CB2 1PH

External Auditor

KPMG LLP
Chartered Accountants and
Registered Auditor
37 Hills Road
Cambridge
CB2 1XL

Internal Audit Service Provider

Deloitte and Touche LLP
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

Investment Managers

Barclays Global Investors
54 Lombard Street
London
EC3P 3AH

Legal & General Investment

Management Limited
Bucklersbury House
3 Queen Victoria Street
London
EC4N 8NH

Principal Office

The Edinburgh Building
Shaftesbury Road
Cambridge
CB2 2RU

VII Statement of Risk Management and Reserves Policy

for the sixteen months ended April 2006

Cambridge University Press is both the oldest publishing and printing house in the world and the oldest university press, and has been operating continuously as a publishing and printing business since the first Cambridge book was printed in 1584. Very few organisations anywhere in the world have survived and prospered for more than four centuries. The Press Syndicate adopts a very long-term view, monitors both risks and opportunities, and aims to mitigate the former whilst taking advantage of the latter.

The Press Syndicate and its Finance Committee adopt a number of complementary approaches to managing risk. First, the Press Syndicate has for many years followed a Reserves Policy, maintaining bank balances and invested funds, both to provide funding for Press growth and expansion, and to counteract potential business risk. The Press Syndicate considers that its level of reserves is consistent with this policy. Second, in 2005, the Press Syndicate conducted a detailed risk analysis, resulting in the preparation of a Risk Register, which evaluated the possible effects on the Press of a series of potentially damaging business factors, any or all of which are familiar problems in the world of international business. Third, executive management sets detailed budgets for all areas of income, expenditure and cash flow, monitors performance monthly, and takes prompt action in response to departures from budget. The financial results are reported to, and reviewed by, the Finance Committee. Fourth, the Finance Committee operates a rolling internal audit programme, which is undertaken by Deloitte & Touche LLP. This programme raises awareness of risk and improves internal control in the Press, measured against private sector and industry best practices. Finally, the Press has developed arrangements for business continuity planning, with the intention of quickly restoring operations in the aftermath of a major disaster.

The management of invested funds is also consistent with the principles of the reserves policy and progress towards the achievement of the policy's objectives has been satisfactory. Through a combination of these and other measures, the Press Syndicate is confident that the major risks to which it is exposed have been reviewed and that systems are in place to mitigate those risks.

Annual Accounts

for the sixteen months ended 30 April 2006

Consolidated Statement of Financial Activities

for the sixteen month period ended 30 April 2006

	<i>Notes</i>	<i>2006 (16 mths)</i>	<i>2004 (12 mths) Restated (see note 2)</i>
		<i>£m</i>	<i>£m</i>
Incoming resources			
Income from activities in furtherance of charity's objectives			
Value of publishing and printing services supplied		185.6	128.4
Investment income			
Income from invested funds and bank balances	3	1.4	0.7
Total incoming resources		187.0	129.1
Resources expended			
Charitable expenditure			
Costs of activities in furtherance of charity's objectives	4	(188.2)	(128.7)
Pension Finance Costs (FRS17)	18	(0.8)	(1.1)
Net incoming/(outgoing) resources for the period		(2.0)	(0.7)
Other recognised gains/(losses)			
Gain on disposal of land	5	10.8	
Exchange gains/(losses)		0.8	(0.6)
Net gains/(losses) on invested funds	9	7.5	1.9
Actuarial gain/(loss) on Defined Benefit pension scheme	18	12.3	(5.8)
Net movement in funds before transfer of funds to the University of Cambridge		29.4	(5.2)
Transfer to the University of Cambridge	14	(2.4)	(11.7)
Minority interest	19	1.0	0.7
Net movement in funds		28.0	(16.2)
Fund balances brought forward at 1 January		63.4	79.6
Fund balances carried forward at 30 April		91.4	63.4

As set out in note 1, all funds are unrestricted funds.

The restatement of 2004 figures is detailed in note 2.

There are no other recognised gains or losses apart from those disclosed above, all of which derive from continuing activities. These accounts should be read in conjunction with the annual report. The notes on pages 48–67 form part of these accounts.

Consolidated Balance Sheet

as at 30 April 2006

	<i>Notes</i>	<i>30 April 2006</i>	<i>31 December 2004 Restated (see note 2)</i>
		<i>£m</i>	<i>£m</i>
Fixed assets			
Intangible fixed assets	6	2.0	3.1
Tangible fixed assets	7	40.9	41.1
Invested funds	9	32.9	24.8
		75.8	69.0
Current assets			
Stock and work in progress	10	39.2	35.3
Debtors	11	35.6	28.9
Land held for resale	5		7.6
Bank balances and short-term deposits	17	6.3	3.5
		81.1	75.3
Creditors			
Amounts falling due within one year	12	37.9	40.5
Net current assets		43.2	34.8
Long term financing	13	3.2	2.5
Net assets excluding pension fund liability		115.8	101.3
Defined Benefit pension scheme liability	18	25.2	38.4
Net assets including pension fund liability		90.6	63.0
Funds			
General		116.6	101.8
Pension reserve		(25.2)	(38.4)
Minority Interest	19	(0.9)	(0.4)
		90.6	63.0

The notes on pages 48–67 form part of these accounts.

Press Balance Sheet

as at 30 April 2006

	<i>Notes</i>	<i>30 April 2006</i>	<i>31 December 2004 Restated (see note 2)</i>
		<i>£m</i>	<i>£m</i>
Fixed assets			
Intangible fixed assets	6	2.9	1.4
Tangible fixed assets	7	40.9	41.1
Fixed asset investments	8	2.0	2.0
Invested funds	9	32.9	24.8
		78.7	69.3
Current assets			
Stock and work in progress	10	37.8	34.4
Debtors	11	38.9	31.5
Land held for resale	5		7.6
Bank balances and short-term deposits		5.4	3.3
		82.1	76.9
Creditors			
Amounts falling due within one year	12	40.1	40.5
Net current assets		42.0	36.4
Long term financing	13	0.5	1.5
Net assets excluding pension fund liability		120.2	104.2
Defined Benefit pension scheme liability	18	25.2	38.4
Net assets including pension fund liability		95.0	65.7
Funds			
General		120.2	104.1
Pension reserve		(25.2)	(38.4)
		95.0	65.7

The notes on pages 48–67 form part of these accounts.

Approved by the Press Syndicate on 6 October 2006 and signed on its behalf by:

Dr GORDON JOHNSON
Chairman of the Press Syndicate

Mr STEPHEN R. R. BOURNE
Secretary of the Press Syndicate

Consolidated Cash Flow Statement

for the sixteen month period ended 30 April 2006

	<i>Notes</i>	<i>2006 (16 mths) £m</i>	<i>2004 (12 mths) Restated £m</i>
Net incoming/(outgoing) resources for the period		(2.0)	(0.7)
Income from invested funds and bank balances		(1.4)	(0.7)
Exchange differences		0.8	(0.7)
Depreciation and amortisation	6,7	4.6	3.1
Pension Finance costs	18	0.8	1.1
Loss on sale of fixed assets			0.1
Pension contributions in excess of current service cost		(1.5)	(1.4)
(Increase)/decrease in stock and work in progress		(3.9)	(2.1)
(Increase) in debtors		(6.7)	(2.7)
Increase in creditors		2.6	2.1
Net cash inflow/(outflow) from operating activities		(6.6)	(1.9)
Returns on investment and servicing of finance		1.4	0.7
Capital expenditure and movement in invested funds			
Purchase of fixed assets	6,7	(3.4)	(2.1)
Disposal of fixed assets	6,7	0.1	0.4
Disposal of land held for resale		18.5	
Investment income reinvested	9	(0.6)	(0.7)
		14.6	(2.4)
Transfer of funds to the University of Cambridge	14	(2.4)	(0.6)
Cash inflow/(outflow) before management of liquid resources and financing		7.0	(4.2)
Financing			
Issue of ordinary share capital in subsidiary undertaking to minority interest	19	0.5	
Issue of loan from minority interest	13	1.7	0.8
(Repayment)/receipt of secured loan	13	(1.0)	(1.0)
Increase/(decrease) in cash in the period		8.2	(4.4)

The notes on pages 48–67 form part of these accounts.

1 Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice “Accounting and Reporting by Charities” issued in October 2000 and applicable accounting standards under the historical cost accounting rules, modified to include the revaluation of certain investments.

These policies are consistent with the previous year, except for the adoption of FRS17 “Retirement Benefits”. Previously the transitional disclosures of that standard have been followed. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly (see note 2).

During 2005, Cambridge University Press (The Press) changed its accounting period end from 31 December to 30 April. The financial statements have therefore been prepared for the period 1 January 2005 to 30 April 2006.

Basis of consolidation

The consolidated financial statements include the financial statements of the charity and its subsidiary undertakings made up to 30 April 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated Statement of Financial Activities from the date of acquisition or up to the date of disposal.

The Press has taken advantage of the concession conferred by paragraph 304 of the Statement of Recommended Practice. Accordingly these financial statements include only a consolidated Statement of Financial Activities.

Charitable exemption

The Press is recognised as being engaged in charitable activities, and therefore is not subject to taxation on those activities in the United Kingdom, nor in its principal Branch locations, namely Australia, Brazil, Spain, Singapore, and the United States of America.

Value of publishing and printing services supplied

The value represents the amount of goods and services, net of value added tax and other sales taxes, and excluding trade discounts and anticipated returns, provided to external customers in the United Kingdom and overseas.

Income is recognised upon delivery of the goods to the customer. Payments received in advance are initially recorded as subscriptions income received in advance. Anticipated returns are based primarily on historical return rates.

Investments

Invested funds are stated at market value. It is the Press's policy to keep valuations up to date, so that, when investments are sold, no gain or loss arises relating to previous periods. As a result, the Consolidated Statement of Financial Activities does not distinguish between the valuation adjustments relating to sales and those relating to continuing holdings, since they are together treated as changes in the value of the investment portfolio during the year. Investments in subsidiary undertakings are held at historic cost.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Intangible assets are amortised to nil by equal annual instalments over their useful economic lives.

Tangible fixed assets and depreciation

Fixed assets are stated at cost, less depreciation. Assets costing less than £5,000 per individual item are written off during the period in which they are purchased.

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

	Estimated life for depreciation
Freehold properties	50 years
Plant, machinery and vehicles	4 to 10 years
Leasehold properties	Over life of leases
Intangible assets	5 years

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value after making provision against slow moving and obsolete items. Except in the case of a Group company where development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is charged from the month of publication over the lesser of the life of the project or 3 years.

In order to estimate net realisable value, the Press fully provides for any stocks in excess of 18 months' worth of sales with publication dates more than two years old.

Debtors

Debtors are shown net of bad and doubtful debt and credit note provisions.

Foreign currencies

Income and expenditure for the overseas branches have been translated into sterling at the rate of exchange on the date of the transaction or at weighted average exchange rates.

Assets and liabilities have been translated at the period-end exchange rates.

Pensions

The Press operates a number of defined contribution and defined benefit pension schemes. The assets of all the schemes are held in separate trustee-administered funds.

For the defined contribution schemes, the amounts charged in the Statement of Financial Activities represent the contributions payable to the scheme in respect of the accounting period.

For the defined benefit schemes, the scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent to which it is recoverable) or the deficit is recognised in full on the face of the balance sheet. The movement in the scheme surplus is split between resources expended, pension finance costs, and, in other recognised gains/(losses), actuarial gains and losses.

Leases

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2 Prior Year Restatement Due to Adoption of FRS 17

As discussed in Note 1 above, the recognition and measurement requirements of FRS17 “Retirement Benefits” have been adopted in these financial statements. Previously the transitional disclosures of that standard have been followed.

This change in accounting policy has led to a restatement of comparative financial information:

	<i>Prepayment £m</i>	<i>Pension liability £m</i>	<i>Effect on net Funds £m</i>
Adoption of FRS 17 at 1 Jan 2004	(0.6)	(32.8)	(33.4)
Net incoming resources for the year ended 31 December 2004			
Amounts previously charged		(6.2)	(6.2)
Difference in pension costs due to FRS 17 adoption		(0.9)	(0.9)
Contributions in year	(1.2)	7.4	6.2
Actuarial gains/(losses)		(5.8)	(5.8)
Prior year adjustment	(1.8)	(38.3)	(40.1)
2004 as previously reported	2.8		103.1
2004 restated	1.0	(38.3)	63.0

3 Income from Invested Funds and Bank Balances

	2006 (16 mths)	2004 (12 mths)
	<i>£m</i>	<i>£m</i>
Distributions from invested funds reinvested (Note 9)	0.6	0.5
Interest on bank deposits	0.8	0.2
Total income	1.4	0.7

4 Costs of Activities in Furtherance of Charity's Objectives

	2006 (16 mths)	2004 (12 mths) <i>Restated</i>
	<i>£m</i>	<i>£m</i>
Staff costs	63.9	44.3
Other costs in connection with publishing and printing activities	124.3	84.4
	188.2	128.7
<i>Staff costs consist of</i>	2006 (16 mths)	2004 (12 mths) <i>Restated</i>
	<i>£m</i>	<i>£m</i>
Gross wages and salaries	48.8	34.0
Employer's national insurance	6.2	4.1
Pension contributions as restated	8.8	6.2
	63.9	44.3

The number of staff whose emoluments for the average 12-month period exceeded £50,000, or the equivalent in other currencies, is shown in the table below. During the 16-month period ending April 2006, staff received two annual pay reviews. These have been averaged to generate the figures in the table below. The effect of the inclusion of two reviews is that the 2006 figures are not directly comparable with 2004. Emoluments of Press staff outside the United Kingdom have been translated at the relevant exchange rate applied to the Statement of Financial Activities.

	<i>£000s</i>	<i>2006</i>	<i>2004</i>
	50–59	43	33
	60–69	12	11
	70–79	10	4
	80–89	5	3
	90–99	4	5
	100–109	4	4
	110–119	2	
	120–129	3	1
	130–139	2	1
	140–149	1	
	160–169	1	
	210–219		1
	220–229	1	
		88	63
		<i>2006</i>	<i>2004</i>
Monthly average number of permanent staff was		1,416	1,328

Other costs

Fees for external audit services were £253,350 (2004 £134,000). Payments for non-audit work in the period were £18,000 (2004 £0). Fees for internal audit services were £45,000 (2004 £30,000).

5 Gain on Disposal of Land

Land held for operational use at 31 December 2004 was sold during the period ended 30 April 2006 for £18.5m and resulted in a gain on disposal of £10.8m.

6 Intangible Fixed Assets Group

	<i>Book lists £m</i>	<i>Goodwill £m</i>	<i>Total £m</i>
Cost			
1 January 2005	2.6	4.1	6.7
Additions	0.1	0.4	0.5
Disposals and foreign exchange differences	0.0	0.0	0.0
30 April 2006	2.7	4.5	7.2
Amortisation			
1 January 2005	2.4	1.2	3.6
Charge for the period	0.0	1.7	1.7
Disposals and foreign exchange differences	(0.1)	0.0	(0.1)
30 April 2006	2.3	2.9	5.2
Net book value			
30 April 2006	0.4	1.6	2.0
31 December 2004	0.2	2.9	3.1

Intangible Fixed Assets Press

	<i>Books Lists</i> <i>£m</i>	<i>Goodwill</i> <i>£m</i>	<i>Total</i> <i>£m</i>
Cost			
1 January 2005	2.6	2.0	4.6
Additions	2.1	0.1	2.2
Disposals and foreign exchange differences	(0.1)	0.0	(0.1)
30 April 2006	4.6	2.1	6.7
Amortisation			
1 January 2005	2.4	0.8	3.2
Charge for the period	0.1	0.6	0.7
Disposals and foreign exchange differences	(0.1)	0.0	(0.1)
30 April 2006	2.4	1.4	3.8
Net book value			
30 April 2006	2.2	0.7	2.9
31 December 2004	0.2	1.2	1.4

During the period, the assets of Greenwich Medical Media Ltd were transferred to Cambridge University Press for £2.1m, which was the estimated fair market value at the date of transfer.

7 Fixed Assets Group and Press

	<i>Freehold property £m</i>	<i>Plant, machinery, vehicles & office equipment £m</i>	<i>Leasehold properties £m</i>	<i>Total £m</i>
Cost				
1 January 2005	40.9	21.6	1.1	63.6
Additions	0.8	1.2	0.9	2.9
Disposals and foreign exchange differences	(0.4)	(1.8)	0.0	(2.2)
30 April 2006	41.3	21.0	2.0	64.3
Accumulated depreciation				
1 January 2005	3.3	18.5	0.7	22.5
Charge for the period	1.2	1.7	0.0	2.9
Disposals and foreign exchange differences	(0.2)	(1.8)	0.0	(2.0)
30 April 2006	4.3	18.4	0.7	23.4
Net book value				
30 April 2006	37.0	2.6	1.3	40.9
31 December 2004	37.6	3.1	0.4	41.1

8 Fixed Asset Investments Group and Press**Press** **Share in Group undertakings**
£m**Cost**

At 1 January 2005 and 30 April 2006 2.0

The undertakings in which the Group's interest at the year end is more than 20% are as follows:

	<i>Country of Incorporation</i>	<i>Principal activity</i>		<i>Class and percentage of shares held</i>
Subsidiary undertakings			Group	Press
Cambridge University Press (Holdings) Limited	England	Holding company	1,000 ordinary £1 shares 100%	1,000 ordinary £1 shares 100%
Greenwich Medical Media Limited	England	Non-trading	2,000,000 ordinary £1 shares 100%	2,000,000 ordinary £1 shares 100%
Oncoweb Limited	England	Non-trading	100,000 ordinary £1 shares 100%	
Prescribing Professionals Network Limited	England	Non-trading	10,000 ordinary £1 shares 100%	
Cambridge University Press Japan KK	Japan	Representative office	200 ordinary Yen 50,000 shares 100%	
Cambridge-Hitachisoft Educational Solutions PLC	England	Electronic educational publishing	13,200 ordinary £100 shares 60%	
Cambridge Knowledge (China) Limited	Hong Kong	Representative office	10,000 ordinary HK\$1 shares 100%	

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	Cambridge University Press (Holdings) Limited		Cambridge University Press Japan KK		Cambridge-Hitachisoft Educational Solutions PLC	
	30/04/2006 (16 mths)	31/12/2004 (12 mths)	30/04/2006 (16 mths)	31/12/2004 (12 mths)	30/04/2006 (16 mths)	31/12/2004 (12 mths)
Turnover	0.6				1.7	0.7
Profit before and after taxation	0.1	(0.1)	(0.7)	(0.6)	(2.4)	(2.0)
Fixed assets	1.4	0.7				0.6
Current assets	1.5	0.7	0.1	0.1	2.0	0.4
Liabilities due within one year	(2.8)	(1.6)	(1.3)	(0.6)	(0.2)	(0.4)
Liabilities due after one year					(4.0)	(1.6)

None of the subsidiary undertakings is a registered charity.

Cambridge University Press (Holdings) Limited is a multi-purpose holding company, and was set up to simplify the process of raising funding from financial institutions.

Cambridge University Press Japan KK is a Japanese company established to provide the Press with improved access to the Japanese market.

Cambridge-Hitachisoft Educational Solutions PLC is the Press's e-learning joint venture with Hitachi software; it had its first full year of operations during 2004.

Cambridge Knowledge (China) Limited is a Hong Kong based company established to provide the Press with improved access to the Hong Kong and Chinese market.

9 Invested Funds Group and Press

Legal & General Investment Management Ltd manage general funds, which are invested in companies listed on recognised UK and international stock exchanges. These funds are held in unit trusts consisting of UK, US and European equities.

	<i>General funds</i>		<i>Designated funds</i>		<i>Total funds</i>	
	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Movements in market value						
Market value at 1 January	24.8	22.3		11.2	24.8	33.5
Distribution	0.6	0.5			0.6	0.5
Net investment gains/(losses)	7.5	2.0		(0.1)	7.5	1.9
Transfer to the University of Cambridge				(11.1)		(11.1)
Market value at 30 April (30 December 2004)	32.9	24.8		0.0	32.9	24.8
	<i>General funds</i>	<i>Designated funds</i>	<i>Total funds</i>			
	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Asset allocation						
UK						
Equities	26.6	20.0			26.6	20.0
Non-UK						
Equities	6.3	4.8			6.3	4.8
Total	32.9	24.8			32.9	24.8
Historic cost	17.2	17.0			17.2	17.0

10 Stock and Work in Progress

	Group		Press	
	30/04/2006	31/12/2004	30/04/2006	31/12/2004
	£m	£m	£m	£m
Raw materials	0.3	0.3	0.3	0.3
Work in progress	8.2	8.6	7.0	7.8
Stocks of publications	30.7	26.4	30.5	26.3
	39.2	35.3	37.8	34.4

11 Debtors

	Group		Press	
	30/04/2006	31/12/2004 <i>Restated</i>	30/04/2006	31/12/2004 <i>Restated</i>
	£m	£m	£m	£m
Debtors for publishing and printing services	31.8	27.9	31.8	28.0
Amounts owed by group undertakings			3.4	2.6
Prepayments and accrued interest	3.8	1.0	3.7	0.9
Pension prepayment as restated				
	35.6	28.9	38.9	31.5

12 Creditors

	Group		Press	
	30/04/2006	31/12/2004	30/04/2006	31/12/2004
<i>Amounts falling due within one year</i>	£m	£m	£m	£m
Bank overdraft	2.1	7.5	2.1	7.5
Bank loans	1.0	1.0	1.0	1.0
Creditors for publishing and printing services	22.4	17.2	22.5	17.0
Amounts owed to group undertakings			2.3	0.2
Income received in advance	10.0	12.2	10.0	12.2
Accruals	2.4	2.6	2.2	2.6
	37.9	40.5	40.1	40.5

Income received in advance represents cash received during the period in respect of subscriptions for journals that are yet to be issued. During the period £12.2m brought forward from 2004 was recognised as the journals were issued during the period and £9.2m was received in respect of journals to be issued after 30 April 2006.

13 Creditors

<i>Amounts falling due after one year</i>	Group		Press	
	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank Loans	0.5	1.5	0.5	1.5
Loan from minority interest	2.7	1.0		
	3.2	2.5	0.5	1.5

Analysis of debt

	Group		Press	
	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Falling due:				
Within 1 year	1.0	1.0	1.0	1.0
Between 1 and 2 years	3.2	1.0	0.5	1.0
Between 2 and 5 years		1.5		0.5
	4.2	3.5	1.5	2.5

At 30 April 2006, the Press had in place financing of £1.5 million, in the United Kingdom, for a project to extend the UK warehousing facilities. The project was terminated in December 2002. The loan is secured on the equity portfolio of the Press.

The loan from the minority interest represents an unsecured loan from Hitachi Software Engineering (UK) Limited for general commercial purposes. The outstanding debt bears interest at 2% above the Bank of England base rate and is repayable by 31 December 2007.

14 Support for the University of Cambridge

Support for the University of Cambridge in the period, including cash transfers and printing services, amounted to £2.4m (2004 £0.6m). During 2004, the Designated Fund (£11.1m) was transferred to the University of Cambridge (see note 9). This amount had been accumulated over a number of years and held for the University's benefit.

15 Related Party Transactions Group and Press

During the year, the Press entered into transactions with the University of Cambridge Local Examinations Syndicate. The Press and UCLES are both part of the University of Cambridge. During the period, sales of printing services to the value of £7.8m were made by the Press to UCLES. At the period end, there was a debtor balance of £0.9m outstanding in favour of the Press.

16 Operating Leases Group and Press

The annual commitments for assets held under operating lease contracts are as follows

	<i>Land and buildings</i>		<i>Other</i>		<i>Total</i>	
	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Expiry date:						
Less than 1 year	0.5		0.7	0.2	1.2	0.2
Between 2 and 5 years	0.3	0.1	1.2	1.5	1.5	1.6
After 5 years	1.1			0.4	1.1	0.4
	1.9	0.1	1.9	2.1	3.8	2.2

	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>(16 mths)</i>	<i>(12 mths)</i>
	<i>£m</i>	<i>£m</i>
Operating lease charges for the period were	4.0	2.5

17 Bank Balances and Short-term Deposits

Group	<i>31 Dec 2004</i>	<i>Cashflows</i>	<i>Other non-cash changes</i>	<i>30 Apr 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash at bank and in hand	3.5	2.8		6.3
Overdraft	(7.5)	5.4		(2.1)
Bank balances and short term deposits	(4.0)	8.2		4.2
Debt due within 1 year	(1.0)			(1.0)
Debt due after 1 year	(2.5)	(0.7)		(3.2)
Net funds	(7.5)	7.5		(0.0)

18 Pensions

Cambridge University Press operates both defined benefit and defined contribution pension schemes. In the UK, the Press operates a defined contribution stakeholder pension scheme and two defined benefit pension schemes - the Contributory Pension Fund (CPF) and the Senior Staff Pension Scheme (SSPS). In the US, the Press operates the Cambridge University Press Defined Benefit Plan (DBP). This plan builds on a long-standing defined contribution scheme, and state-funded social security benefits, to deliver defined benefits comparable with those provided under the CPF. The Press also has defined contribution and defined benefit schemes in the Australian Branch, and a defined contribution scheme in the African Branch. The defined benefit schemes provide benefits based on final pensionable pay, contributions being charged to the Statement of Financial Activities so as to spread the cost of pensions over employees working lives with the Press. The assets of all the schemes are held in separate trustee-administered funds. All of the Press's defined benefit plans have been closed to new members.

A triennial valuation of each defined benefit scheme was undertaken by independent qualified actuaries at 31st December 2003, using the Attained Age Method in the UK and the Projected Unit Credit Cost Method in North America, and the annual contributions to the schemes are paid in accordance with their recommendations.

The total pension cost of the defined benefit schemes in the 16 month period ended 30th April 2006 was £7.6m (12 months ended 31st December 2004 £6.8m) and for the defined contribution schemes was £0.4m (2004 £0.3m).

As noted in the accounting policies, the Press has adopted FRS17 – “Retirement Benefits”. The latest full valuations were carried out at 1 January 2005 and have been updated by the actuaries on a FRS 17 basis as at 30 April 2006.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, owing to the timescale covered, may not necessarily be borne out in practice.

The major assumptions are:

	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>30/04/2006</i>	<i>31/12/2004</i>
	<i>CPF/SSPS</i>	<i>CPF/SSPS</i>	<i>DBP</i>	<i>DBP</i>
Discount rate applied to scheme liabilities	5.0%	5.3%	6.0%	6.0%
Rate of increase in salaries	3.0%	3.5%	3.5%	3.5%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%	3.0%	3.0%
Inflation assumption	2.5%	2.5%	3.0%	3.0%

The fair value of the schemes' assets so estimated at the end of each period, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Scheme assets	30/04/2006	31/12/2004	30/04/2006	31/12/2004	30/04/2006	31/12/2004
	CPF	CPF	SSPS	SSPS	DBP	DBP
	£m	£m	£m	£m	\$m	\$m
Property	9.1	7.3	6.0	4.8	2.3	
Equities	54.3	43.7	36.0	28.8	13.9	13.0
Bonds	27.2	21.9	18.0	14.4	8.5	7.2
Cash	0.3	0.3	0.2	0.6	0.1	
Total	90.9	73.2	60.2	48.6	24.8	20.2
Present value of scheme liabilities	(96.7)	(87.4)	(78.2)	(70.5)	(27.2)	(24.5)
Surplus (deficit)	(5.8)	(14.2)	(18.0)	(21.9)	(2.4)	(4.3)

Movement in deficit during the period

	30/04/	31/12/	30/04/	31/12/	30/04/	31/12/	30/04/	31/12/	30/04/	31/12/
	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004
	CPF	CPF	SSPS	SSPS	DBP	DBP	Reclassification of FURBS Liability	Total	Total	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Deficit in scheme at beginning of period.	(14.2)	(11.8)	(21.9)	(18.5)	(2.3)	(2.6)	(0.3)	(0.3)	(38.7)	(33.2)
Current service cost	(5.2)	(4.2)	(1.6)	(1.2)	(0.8)	(0.7)			(7.6)	(6.0)
Contributions paid	4.6	3.2	3.5	3.2	1.3	1.0			9.5	7.4
Other finance income/(cost)	0.0	(0.4)	(0.9)	(0.7)	0.1	0.1			(0.8)	(1.1)
Actuarial gain/(loss)	8.9	(1.1)	2.8	(4.6)	0.2	(0.0)	0.3	0.3	12.3	(5.5)
Foreign currency translation difference					0.1	0.0			0.1	0.0
Deficit in scheme at end of period.	(5.9)	(14.2)	(18.0)	(21.9)	(1.3)	(2.2)	0.0	0.0	(25.2)	(38.4)

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Analysis of other pension costs charged in arriving at net incoming/(outgoing) resources for the period

	30/04/2006	31/12/2004	30/04/2006	31/12/2004	30/04/2006	31/12/2004
	CPF	CPF	SSPS	SSPS	DBP	DBP
	£m	£m	£m	£m	\$m	\$m
Current service cost	5.2	4.1	1.5	1.2	1.5	1.2
Past service cost	Nil	Nil	Nil	Nil	Nil	Nil
Previously unrecognised surplus deducted from past service cost	Nil	Nil	Nil	Nil	Nil	Nil
Gains/losses on settlements or curtailments	Nil	Nil	Nil	Nil	Nil	Nil
Previously unrecognised surplus deducted from settlement or curtailment losses	Nil	Nil	Nil	Nil	Nil	Nil

Analysis of amounts included in other finance income/(costs) for the period

	30/04/2006	31/12/2004	30/04/2006	31/12/2004	30/04/2006	31/12/2004
	CPF	CPF	SSPS	SSPS	DBP	DBP
	£m	£m	£m	£m	\$m	\$m
Expected return on pension scheme assets	6.2	3.8	4.1	2.6	2.1	1.4
Interest on pension scheme liabilities	(6.2)	(4.2)	(5.0)	(3.3)	(1.9)	(1.3)
	0.0	(0.4)	(0.9)	(0.7)	0.2	0.1

Analysis of amount recognised as other gains and losses for the period

	30/04/2006 CPF £m	31/12/2004 CPF £m	30/04/2006 SSPS £m	31/12/2004 SSPS £m	30/04/2006 DBP \$m	31/12/2004 DBP \$m
Actual return less expected return on scheme assets	11.6	2.5	7.6	1.6	1.0	0.1
% of year end scheme assets	12.7%	3.4%	12.6%	3.4%	4.2%	0.5%
Experience gains and losses arising on scheme liabilities	1.4	0.3	(2.0)	(2.2)	(0.2)	
% of PV of period end scheme liabilities	1.5%	0.3%	(2.5%)	(3.1%)	(0.8%)	
Changes in assumptions underlying the PV of the scheme liabilities	(4.0)	(3.9)	(2.8)	(4.1)		(0.5)
% of PV of period end scheme liabilities	(4.2%)	(4.4%)	(3.6%)	(5.8%)		2.0%
Actuarial gain/(loss) recognised in statement of total recognised gains & losses	9.0	(1.1)	2.8	(4.7)	0.8	(0.4)
% of PV of period end scheme liabilities	9.3%	(1.3%)	3.6%	(6.6%)	3.1%	1.6%

History of experience gains and losses

CPF	30/04/2006	31/12/2004	31/12/2003
<i>Difference between the expected and actual return on scheme assets:</i>			
Amount (£m)	11.6	2.5	6.4
Percentage of period end scheme assets	12.7%	3.4%	9.7%
<i>Experience gains and losses on scheme liabilities:</i>			
Amount (£m)	1.4	0.3	0.1
Percentage of period end present value of scheme liabilities	1.5%	0.3%	0.1%
<i>Total amount recognised as other recognised gains/(losses)</i>			
Amount (£m)	9.0	(1.1)	6.5
Percentage of period end present value of scheme liabilities	9.3%	(1.3%)	8.4%

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<i>SSPS</i>	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>31/12/2003</i>
<i>Difference between the expected and actual return on scheme assets:</i>			
Amount (£m)	7.6	1.6	3.9
Percentage of period end scheme assets	12.6%	3.4%	8.8%
<i>Experience gains and losses on scheme liabilities:</i>			
Amount (£m)	(2.0)	(2.2)	(0.1)
Percentage of period end present value of scheme liabilities	(2.5%)	(3.1%)	(0.2%)
<i>Total amount recognised as other recognised gains/(losses)</i>			
Amount (£m)	2.8	(4.7)	2.6
Percentage of period end present value of scheme liabilities	3.6%	(6.6%)	6.1%
<i>DBP</i>	<i>30/04/2006</i>	<i>31/12/2004</i>	<i>31/12/2003</i>
<i>Difference between the expected and actual return on scheme assets:</i>			
Amount (\$m)	1.0	0.1	2.3
Percentage of period end scheme assets	4.2%	0.5%	13.3%
<i>Experience gains and losses on scheme liabilities:</i>			
Amount (\$m)	(0.2)		(0.3)
Percentage of period end present value of scheme liabilities	(0.8%)		1.5%
<i>Total amount recognised as other recognised gains/(losses)</i>			
Amount (\$m)	0.8	(0.4)	2.6
Percentage of period end present value of scheme liabilities	3.1%	(1.6%)	11.9%

19 Minority Interest

The minority interest represents 40% of the invested share capital in Cambridge Hitachisoft Educational Solutions plc.

	<i>2006</i> <i>(16 mths)</i>	<i>2004</i> <i>(12 mths)</i>
	<i>£m</i>	<i>£m</i>
Minority interest brought forward	(0.4)	0.3
Loss for the period	(1.0)	(0.7)
Issue of shares to minority interest	0.5	
Minority interest carried forward	(0.9)	(0.4)

Responsibilities of the Press Syndicate for the Preparation of the Financial Statements

for the sixteen month period ended 30 April 2006

The Press Syndicate as a body of trustees is responsible for keeping proper accounting records which disclose at any time, with reasonable accuracy, the financial position of the Press. It also has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of Cambridge University Press and to prevent and detect fraud and other irregularities.

Statute J requires that the accounts of the Press Syndicate of Cambridge University Press are audited annually by one or more qualified accountants appointed by the Council. In order to give a true and fair view of the state of affairs of Cambridge University Press and of the incoming resources and applications of resources for that period, the Press Syndicate has decided that the financial statements will be presented in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities'. The Press Syndicate satisfy themselves that the accounting policies selected by the executive management are appropriate, and the Press Syndicate as a body approves the financial statements. In preparing those financial statements, the executive management are required to:

- 1 Select suitable accounting policies and then apply them consistently.
- 2 Make judgements and estimates that are reasonable and prudent.
- 3 State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 4 Make a judgement as to whether the Press is a going concern, and account for it accordingly.

Report of the Independent Auditors to the Press Syndicate
for the sixteen month period ended 30 April 2006

We have audited the financial statements of Cambridge University Press and its group (the 'financial statements') for the 16 month period ended 30 April 2006 which comprise the statement of financial activity, the balance sheets of Cambridge University Press and the group, and the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Press Syndicate of trustees as a body. Our audit work has been undertaken so that we might state to the Press Syndicate 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 Cambridge University Press and the Press Syndicate as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Press Syndicate and auditors

As described in the Statement of Responsibilities of the Press Syndicate on page 68, the Press Syndicate is responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Our responsibilities as independent auditors, are established in the United Kingdom by our engagement letter dated 30 July 2002, by Auditing Practises Board and by our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable accounting standards. We also report to you if, in our opinion, the Annual Report is not consistent with the financial statements, if proper accounting records have not been kept, or if we have not received all the information and explanations we require for our audit.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of Cambridge University Press and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of Cambridge University Press and the group as at 30 April 2006 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with applicable accounting standards; and
- the information given in the Annual Report is consistent with the financial statements.

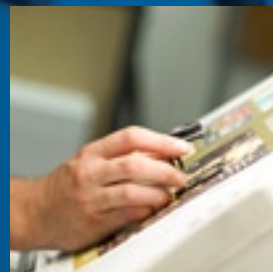
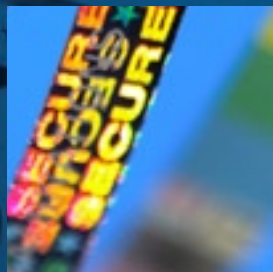
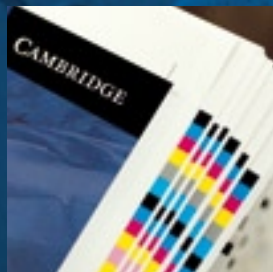
KPMG LLP

Chartered Accountants

Registered Auditor

6 October 2006

The maintenance and integrity of the Cambridge University Press web site is the responsibility of the management of the Press; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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