

Annual Report & Accounts

for the year ended 31 December 2004



CAMBRIDGE
UNIVERSITY PRESS

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for the year ended 31 December 2004



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 as a trust by Statute of the University and has its own charitable status separate from that of the University. It is an educational charitable enterprise dedicated to printing and publishing for the advancement of knowledge, education and learning worldwide.

Statute J of the University 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, all of which have charitable, 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.

Annual Report

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Press Publications in 2004

A complete list of 2004 publications is available online
at www.cambridge.org/annual/report

A printed copy is available on request from
Marcella Tuttle – mtuttle@cambridge.org

Executive summary

- The recovery programme which commenced in 2001 is proceeding to plan, with operating income improving annually. Net outgoings have been reduced from £5.8 million in 2001, to £2.5m in 2002, to £2.0m in 2003, to £1.0m in 2004. Without the special charges of £1.1m to top up the pension funds and £1.8m for the start-up of the Cambridge-Hitachi joint venture, the 2004 figure would have been a surplus of £1.9m, representing an improvement of £3.9m over last year, on a like-for-like basis.
- Revenues rose by 2.7% to £129.1 million, despite a 12% fall in the US dollar, in which currency many of our transactions are made. Sales in the USA surpassed the \$60 million mark, and now account for approximately one-third of the Press's global business volume.
- Academic titles are selling well, and the Press remains a leader in the publication of monographs (see Appendix 1, Table 5, for details of output). Online booksellers continue to take market share from high street bookshops, and are important customers for the Press's products.
- Roll-out commenced on the suite of new English Language courses in which the Press has been investing heavily. Their effect will be seen more fully in 2006, as they gain adoptions in the market.
- The Education group held its own in difficult market conditions, while Cambridge-Hitachi produced more than 30 packages of educational courseware in its first year of operations, to high acclaim in the industry.
- The Local Examinations Syndicate and the Press have been working ever more effectively on a range of collaborative projects.

Continued overleaf

- Against a background of over-capacity in the UK and intensified competition from abroad, and despite its fine record in winning awards, the book printing business continues to give cause for concern, and radical steps have been taken to turn it around. The other two printing businesses performed splendidly.
- On a Minimum Funding Requirement basis, the pension funds are showing a deficit, notwithstanding stock market gains and special contributions. The FRS 17 accounting standard will be adopted in future years, and will significantly change the face of the balance sheet.
- The Press's strategy was thoroughly reviewed and overhauled in 2004, and the management team was reformulated to ensure delivery of a more robust business with a closer focus on its markets.
- Shortly after year-end, some 7 acres of Cambridge land were sold for £18.5 million in cash, yielding a surplus of some £10 million and releasing to working capital some of the value represented by real estate on the balance sheet.
- The Press Syndicate transferred to the University £11.2 million of funds previously earmarked for that purpose, plus a further £0.5 million of donations and services in kind.

Chief Executive's overview



Dr Gordon Johnson, Chairman of the Press Syndicate, Professor Alison Richard, Vice-Chancellor, and Stephen Bourne, Chief Executive of the Press, greet the Chancellor upon arrival at the Edinburgh Building.

It was a matter of great pleasure to all of us to receive the Chancellor, HRH The Duke of Edinburgh, at the Press in February 2004. Revisiting the Edinburgh Building, which was named in his honour in 1981, the Chancellor toured the Customer Services Department and the Distribution Centre, before proceeding to the University Printing House, where he was shown both ancient and modern printing techniques.

Strategy

The emphasis of the Press in 2004 was on strategy: on reviewing our objectives and plans against the background of the tough lessons of the previous three years. Analysis of our own performance, as well as that of our larger friends at Oxford, of the much smaller American university presses, and of the wider commercial scene – all this reminded us of a number of fundamental principles applicable to our business:

- that scale matters materially, and that we are in the fortunate position of having built appreciable mass over the years, which we must now turn to advantage;
- that diversification – in terms of product, geographical markets and currencies – provides resilience against the fluctuations in the business environment at home and abroad;
- notwithstanding the above, that focus matters, too, and that we should play to our strengths as a disseminator of knowledge;
- that financial rewards accrue to those who invest in infrastructure and keep their product lines fresh;
- that, although we are publishers and printers, our investment portfolios – especially the pension funds, with assets of some £120 million – can have a material impact on the welfare of the underlying business, and must be accorded commensurate attention;
- that the pension benefits can carry far greater long-term cost implications than most businesses had realised when they were originally established; and

- that normal commercial disciplines must apply to university presses if they are to survive and to fulfil their potential: the only thing that makes us special is that we probably have to work harder to deliver the charitable publications that are our hallmark, while generating a reasonable degree of profitability to fund future investment.

This latter point, in particular, received our close attention in 2004. We recognised the importance of a strong finance group, with Chief Financial Officer Steven Miller making senior appointments in each of the three Regional headquarters offices. The good cost controls put in place in 2003 yielded further benefit, and the balance sheet has been worked harder than ever before. But we were also clear that the revenue line is every bit as important as the expense categories, and that we would need to commit to facilitating improvements in our marketing, in both senses of that word: we needed to ensure that our publishing reflected customer demand, and that we had the wherewithal to promote our excellent lists as professionally as any publisher.

With all this in mind, the Press Board, a unit of eight of the Press's Executive Directors, was formed to work with the Chief Executive in formulating policy and overseeing the Press's global interests; the ELT and Education businesses were merged as Cambridge Learning, to apply the expertise available in both teams to addressing the increasing demand from schools around the world for English-language courses packaged with other subjects; a matrix-management structure was rolled out, with global product strategy being defined centrally for the Academic, Learning and Printing businesses, and implementation being undertaken by three Regional organisations (Asia-Pacific; Europe, Middle East and Africa; and the Americas); and Hanri Pieterse moved from Cape Town to Cambridge to take up a key appointment as Director of Strategic Programmes.

The matrix structure mentioned above will involve the relevant Directors taking delegated responsibility for their own balance sheets, as well as for their own trading operations. To enable them to understand more precisely the profitability of their businesses and to inform their business decisions, accounting systems are being amended and product will move from originating branches (i.e. from the branches who publish the books) to their sister branches on the basis of arm's-length wholesale prices. This does nothing more than replicate the practice that exists in all other significant publishing businesses, but it is a major philosophical change for

Cambridge University Press, which reflects the increasing complexity and global dimensions of our work, as well as addressing growing demands from tax and customs authorities for our business to be conducted in a more conventional manner. More importantly, though, we believe that all this will result in a sharper focus on business performance in the Product Groups, the Regions and their Branch subdivisions.

In preparation for these new reporting demands, much work has been undertaken by our computer systems specialists. Indeed, it has been a busy year for them: further comment on this area is available later in this Annual Report. The relevance of good systems is nowhere more clear than in our relations with the online booksellers (including Amazon, now our largest customer worldwide), who are continuing to dominate the retail scene and who have justified the Press's investment in what is now the richest, most current and most highly regarded bibliographical information system in the industry.

Another area in which technology is changing the face of the publishing industry is in digital on-demand printing systems. These have enabled us to do two things: to print certain low-demand monographs in shorter runs than would have been economically viable using lithographic printing techniques; and to print-to-order a range of titles which would previously have gone out of print (OP) for lack of sufficient further prospects to justify a print run. These digital machines are serving us well for straightforward text – already they account for some £4 million of our annual turnover – and we look forward to the day when they will be able to reproduce half-tones and colour to the Press's quality standards.

Previously announced strategies are also serving the Press well. The recent investments in the Law in Context and Greenwich Medical Media lists have provided useful market presence, as has the distribution arrangement for T. M. C. Asser Press, which has done much to enhance our status as a publisher in international law. The first year of the development of Cambridge–Hitachi's product portfolio has also been very satisfying, with educators (and competing publishers) around the world taking a keen interest in our output. By year end, 33 packages of electronic courseware had been completed, and revenues are already accruing to the joint venture.

Progress with other partnership arrangements continues according to plan, with the exception of that with Ediciones Santa Maria (SM) in Spain, where our collaborative work on English language courses for Spanish schoolrooms suffered a



Geoff Andrews and David Skillings, members of the Craft Bindery team, explain the finer points of leather binding to the Chancellor and Vice-Chancellor.

setback when new educational policies were suspended, following the unexpected change of government. However, the relationship with SM remains excellent, and will yield its rewards in due time. Also in the schoolroom, a record number of textbooks and courses have been published in support of Cambridge ESOL examinations (ESOL being the Local Examinations Syndicate's division which specialises in English for Speakers of Other Languages), in an increasing collaboration between our two organisations which will provide new opportunities to promote the Cambridge brand.

For its part, Cambridge Printing performed well under conditions which continue to be very testing for the British printing industry as a whole. Even the most progressive of printers have returned sluggish performances, and nowhere has this been more true than in book printing, where new investments in Eastern Europe have further eroded the competitiveness of printers here at home. Our own book-printing business recorded a significant loss in 2004, despite winning three more awards, including the coveted Book Production Award. Regrettably, we have been unable to realise the prices to match the quality of our output, and we finished the year by initiating the process of reducing the physical dimensions of the books business and by reducing our book-printing and bindery workforce. We regret the loss of all those colleagues, many of whom had been with the Press for many years, and all of whom had served the Press faithfully and with great skill.

The Printing business, nonetheless, remains a profitable feature of the Press's make-up, consisting as it does of three specialities: Books, Confidential (exam papers for UCLES) and Promotional (colour printing and stationery, principally for the Cambridge University community). These latter two businesses did well once again, and continue to enhance their capabilities for the benefit of their customers.

During the year, Sandra Ward, having developed her entire career in the University Printing House, took over the reins as Executive Director of Cambridge Printing, in succession to Rod Willett, who moved to take on another courageous challenge after seven years in Cambridge. Another familiar face departing from the Printing House was Rod Mulvey, who retired in 2004, having most recently served as the Press's Digital Services Director. All of them merit the thanks of their colleagues for all they have done for the printing business and for the Press as a whole, and we wish them every success in the future.

Business performance

As ever, 2004 was a year of ups and downs, though the overall result was encouraging in a number of respects.

At the revenue level, this was the most successful year for Humanities and Social Sciences publishing for a decade, which helped to drive sales of academic books and journals to a record £57 million. This success was in part due to the development of a strand of textbook publishing alongside the more traditional monographs – figures for academic output may be found in the Appendices to this Report, and testify to the continuing commitment to scholarly publishing of the highest order.

Two academic titles are worthy of particular comment. Both demonstrate the high esteem in which Cambridge University Press is held in academic publishing circles, where we believe that we continue to be regarded as honest and courageous publishers, despite the brickbats we suffer on occasion from those who take exception to the views of some of our authors. Bjørn Lomborg, roundly vilified by some in the environmental sciences community but acclaimed by others for his book *The Skeptical Environmentalist*, put together as editor another well-received title, *Global Crises, Global Solutions*, which included contributions from no fewer than three Nobel laureates. And Karen Greenberg and Joshua Dratel brought us for publication their book *The Torture Papers: The Road to Abu Ghraib*, at a time when the American public's reaction to this exposé was uncertain. It speaks well of the Press that we were entrusted with these works, and we are grateful to their authors.

The excellent academic sales performance was achieved despite the adverse effects of a weak US dollar, which averaged an exchange rate of 1.83 against sterling, some 12% down on the previous year. This is becoming a significant issue, not only because sales in North America (which are transacted in US dollars) have now surpassed the \$60 million level, but also because a growing amount of our business is in East Asia, where currencies tend to be more closely related to the US dollar than to sterling. Indeed, we will be taking steps in 2005 to make that relationship more overt in our pricing, for the benefit of our East Asian customers. The increase in exposure to the US dollar has prompted a long-term strategy of switching certain of the Press's planned expenditures on personnel and production to dollar-based economies, as a natural hedge against a proportion of the revenues. At the same time, the Finance Department has for several years conducted a successful hedging activity, which has kept actual exposures within very acceptable limits.



Jane Chapman and Monica Stassen enjoying a moment of levity with the Chancellor.

In the Cambridge Learning strand, Education products did well in the UK and America (where Latin and Shakespeare carry the flag for Cambridge), but experienced tougher times in both South Africa and Australia. As for ELT, the overall increase to £37 million would have been even greater, but for the aforementioned setback in Spain and a sea-change in the markets of Australia and New Zealand, which, for essentially political reasons, are no longer hosting as many Asian learners of English as previously.

The highest praise is due to the ELT publishing teams in Cambridge and New York, who delivered to market seven significant new courses by year end, in addition to a host of lower-profile products. The new materials were in both British and American English, and in Grammar, where the Cambridge reputation is unrivalled. Some courses had been several years in the making, while some were far less resource-intensive. All this new output will begin to yield returns in 2005 and 2006, and initial indications suggest that market acceptance is high and that the recovery of the fortunes of Cambridge ELT has begun in earnest.

It is a feature of Cambridge publishing that we are not afraid to invest in the future, nor in publications for which we know that there may be relatively limited public demand. Such is the nature of a university press, and that is the distinction from purely commercial presses. It is also true to say that academic publications, in particular, tend to have a far longer shelf-life than trade books – several of the Press's publications continue to sell 50 years or more after their original publication date. As we discussed earlier, digital printing has made it possible to bring back to life many titles that had been declared 'OP', but it is also pleasing to note the rising level of income generated by the Press by selling rights to translate and reprint titles that are regarded as offering real longevity, as well as having international reach.

The financial results for 2004 show the Press edging closer to break-even on publishing and printing operations. Behind these figures lie the following: a planned start-up deficit of £1.8 million on the Cambridge–Hitachi venture; the impact of special funding for pension fund shortfalls; and the continued investment in ELT products which have yet to come to market, but which are only partially accounted for in work-in-progress. But for these items, the operating account would have recorded a welcome return to surplus, so there is some cause for satisfaction, at least insofar as the direction in which we are moving.

There is also cause for continued concern, notably about the UK pension funds. At the end of the year, they were in deficit, as calculated by our actuarial advisers on a

funding basis, to the tune of some £13.1 million. On the alternative basis of FRS 17 – the actuarial formula we will be required to apply to our balance sheet next year – the deficit would have been some £40 million. By any standards, these are significant figures, but are not beyond the financing capabilities of the Press. The balance sheet remains robust, and a strategy is in place for funding the deficit, as required.

The issue, then, is not about past-service liabilities, but about the cost of funding future service at similar levels. It is logical to suggest that, if past years' funding could yield shortfalls of these dimensions, future service could result in proportionately large deficits, in an adverse economic cycle. The Board has therefore taken the view that the present level of annual cost is not sustainable and must be reduced, though this will require some measure of concurrence and goodwill from the members presently in service. We dare not take the risk that, at some point in the future, the business performance of the Press will no longer be sufficient to pay out the pension obligations in full. And in the short term, we must be clear that, if business units are unable to cover their payroll bills and other costs, the consequence will be the kind of redundancies already experienced by the book-printing business. We will be continuing these discussions with staff representatives during the course of 2005.

It would be unfortunate to end the review of financial performance on a gloomy note, and I am glad to report that this will not be necessary! Shortly after year-end, the Syndicate successfully disposed of a parcel of land adjacent to the Shaftesbury Road site for an immediate cash consideration of £18.5 million, which provides a welcome injection to cash resources for reinvestment in new product and in the pension funds. After all costs of purchase, decontamination and other expenses, this yielded a surplus of some £10 million, which will be recorded in the 2005 financial statements. The land in question – formerly owned by the Charrington fuel business and by Railtrack – was bought by Tony Wilson (Chief Executive, 1992–1999) in four parcels, mostly in 1997 or subsequently. The purpose of the acquisition was to provide for expansion of the Press and, indeed, expansion of the warehouse was planned, but ultimately shelved as the strategic focus switched to overseas markets. This has proved to be a remarkable investment by Tony, which gained in value throughout the turmoil in other markets, and which will now enable the Press to pursue those new initiatives with vigour.

The people of Cambridge University Press

A number of changes occurred in the composition of the Press Syndicate in 2004. The Regius Professor of Divinity, Professor David Ford, retired from the Syndicate, as did Professor Donald Broom, while Professor Andrew Holmes returned to his native Australia. All had rendered long service to the Press and shared valued wisdom with its editors, and we remain indebted to them. The Officers are delighted that Professor Jane Heal and Dr Melissa Lane have accepted the burdens of appointment to the Syndicate, and we thank all our excellent Syndics for their contribution to the Press's business in the past year.

On a less happy note, the Press has lost four colleagues to various illnesses during the year: Carlos Barbisan in Sao Paulo, our ELT Commissioning Editor who latterly co-authored a new ELT course, *Connect*; Joyce Kholobile in Cape Town, who served as a Customer Services Assistant; Terry Moore in New York, most recently Publishing Director for the Humanities in North America, who in 25 years with the Press established a remarkable reputation as an editor and who played an important part in building the Press's pre-eminent philosophy list; and Eugene Sadie in Cape Town, who joined us as Education Sales Manager when the Roedurico Trust business became part of the Cambridge family. All were treasured friends, who are deeply missed. I celebrate them, just as I celebrate the commitment and efforts of all my colleagues in this wonderful institution.

STEPHEN R. R. BOURNE

Publishing



Publishing programme

Academic

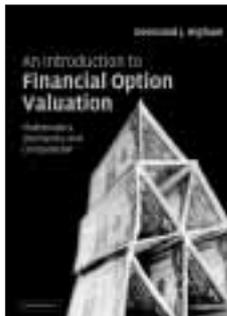
The academic publishing groups, comprising books and journals, had a successful year despite volatile currency exchange rates and difficult trading conditions in some overseas territories. Both traditional and newer product lines performed well, indicating that our strategies for rebalancing the mix of our academic lists were mostly in line with changing market requirements. Total sales revenue exceeded £57 million worldwide.

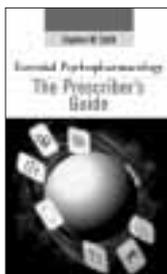
The **Humanities and Social Sciences** Group enjoyed its best year for almost a decade, with significant sales growth in both Europe and North America. Output grew by 6% to 1,118 ISBNs and overall sales reached £25.6 million, with North America accounting for more than half this figure.

Growth was driven in particular by a resurgent North American university library sector, and by the results of the progressive reorientation of our publishing programme over the past few years. Strong sales growth was achieved both in expanding professional disciplines like law, and in areas that have long been Press strengths such as classics, linguistics, religious studies and many of the social sciences. The year ended with a strong performance in the North American course adoption market, helping to fuel an overall sales growth within North America of 14% in dollar terms. Global growth of 3% in sterling terms was achieved despite the worst US dollar exchange rate for almost twenty years.

The acquisition of the Law in Context series from LexisNexis at the beginning of the year provided a strong boost to British sales of legal textbooks, complemented by the new distribution arrangement with the T. M. C. Asser Press in The Hague, consolidating further the Press's presence in international, corporate and European law. A growing undergraduate textbook programme in the social sciences was reinforced by important adjustments to sales and marketing in North America and Europe.

Amidst these new developments, the traditional research output that has been the mainstay of Cambridge publishing in the humanities and social sciences for the past



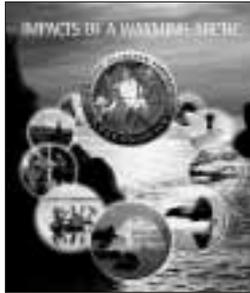
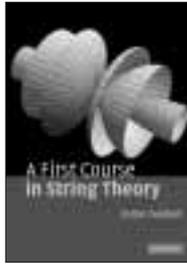


generation has not been neglected, and sales of monographs still constitute 35% of the Group's overall revenue. Though sales of individual titles continue to decline, as the academy shows itself ever less prepared to buy the monographs it remains eager to produce, Cambridge remains the largest and most varied publisher of research monographs in the humanities and social sciences. Senior Officers of the Press have been extensively involved in working parties of the Arts and Humanities Research Board and the British Academy in discussing possible new digital models for disseminating such material, but none has yet emerged that is considered at once financially viable and user friendly. Technological advances continue to encourage the 'Lazarus' programme of ultra-short-run paperback reissues of monographic titles from the huge Cambridge backlist. To date over 1000 such titles have been issued across the humanities and social sciences.

The publications that attracted most media attention in 2004 were *Global Crises, Global Solutions* edited by Bjørn Lomborg, a volume deriving from the 'Copenhagen Consensus' meeting and including contributions by three Nobel laureates; and *America Alone* by Stefan Halper and Jonathan Clarke, a survey of the neo-conservative impact on American foreign policy. Both books proved best sellers.

Taken as a whole, the sales of the **Science, Technology and Medicine** Group (STM) increased by 2% on 2003 levels. The acquisition of Greenwich Medical Media at the start of the year provided a new and immediate presence in anaesthesia and intensive care in both books and journals. In addition to good international performance in medicine, earth sciences and engineering, the mathematics and physics lists were particularly successful. As an STM publisher the Press remains committed to a broad international publishing programme in the key areas of mathematical sciences, physics and engineering, earth sciences and astronomy, medicine and the life sciences. Whilst a commitment to science monographs remains wherever there is a viable market, adoptable textbooks have become an increasingly important component of STM publishing, and the new textbook sales team in North America has helped to exploit this programme.

Notable publications included *The Prescriber's Guide*, the latest addition to the Essential Psychopharmacology portfolio by Stephen Stahl, the first book in our new brand of medical student textbooks; *Essential Evidence-Based Medicine* by Dan Mayer; and an acclaimed third edition of *Principles of Medicine in Africa*, edited by Eldryd Parry et al. Bioinformatics, systems biology and related areas became an increasing priority alongside more traditional publishing areas in the life sciences.



The Press entered into an exclusive publishing relationship for a series known as Ecological Reviews produced by the British Ecological Society. In mathematical sciences, new textbooks included *An Introduction to Financial Option Valuation* by Desmond Higham and *Talking with Computers* by Thomas Dean. The first books in a new series on ‘Mathematics Finance and Risk’ have already been reprinted.

In physics, the most successful book in 2004 was *A First Course in String Theory* by Barton Zwiebach, while the earth and environmental sciences list was boosted by several major titles including *Impacts of a Warming Arctic*, derived from the Arctic Climate Impact Assessment. The first three titles in the new Cambridge Planetary Science series were published. The engineering programme achieved its best ever performance in 2004, driven by key new titles such as the second edition of *The Design of CMOS Radio-Frequency Integrated Circuits* by Tom Lee, and a particular focus on electrical engineering was underlined by a further senior editorial appointment in this area.

2004 was a busy year for the **Journals** Group. Seven new titles were launched: *Biofilms*, *Eighteenth-Century Music*, the *International Journal of Asian Studies*, *Modern Intellectual History*, *Neuron Glia Biology*, *Twentieth-Century Music* and *Du Bois Review*, published for the Du Bois Institute of African American Research of Harvard University. Four further titles were taken over from other publishers: *International Psychogeriatrics*, published on behalf of the International Psychogeriatric Association; *Legal Information Management*, published for the British and Irish Association of Law Librarians; *The Lichenologist*, published for the British Lichen Society; and *Utilitas*. A new marketing and distribution agreement was reached with T. M. C. Asser Press for *European Business Organization Law Review* and *Netherlands International Law Review*, and a similar long-standing arrangement with the London Mathematical Society was extended to add the distribution of *Compositio Mathematica* to the Press’s list of mathematics journals.

Revenue from global sales of journals was £16.8 million. The total number of titles published by the Press grew to 178, of which 38 were managed by the American Branch. Nearly all of them (175) were available online from the Cambridge Journals Online (CJO) service, which recorded an average of 3.5 million accesses per month during the year, many of these encouraged by the CJO indexing licensed to the Google internet search engine.

Other notable developments were the implementation of an online peer review system which speeds up manuscript processing and generates an increase in

submissions. Extra resources were directed towards electronic marketing activities, resulting in a threefold increase in full-text article downloads and a fivefold increase in the number of articles downloaded as samples. Expansion of consortia sales continued, notably where the Press was able to participate in government-funded projects to promote online access to institutions in India and Brazil. We also participated in low price schemes for poorer countries and achieved real growth in mature markets such as the United Kingdom and Australia through collections of site licences.



Cambridge Learning

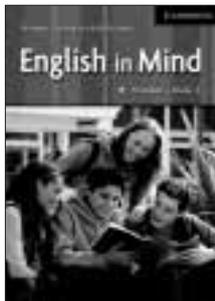
The Press's business activities in ELT and educational publishing have been consolidated under the umbrella of Cambridge Learning, in order to coordinate the global opportunities represented by the Cambridge brand. In 2004 these businesses provided just under half of the Press's total publishing revenues, with annual sales of £53 million.

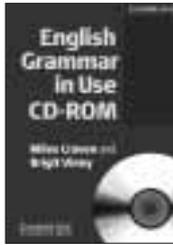
As the global e-learning agenda continues to gain momentum, there are new business opportunities that can make use of the learning content in our ELT and educational publishing activity together with the type of electronic product Cambridge–Hitachi is now developing. The creation of Cambridge Learning as an umbrella banner has been designed to coordinate our response to such opportunities in an integrated way.

In recent years, the Press has been engaged in a business recovery plan for **ELT publishing**. Significant investment in the development of new learning materials in both British and American English has ensured that a number of new products were brought to market during the course of the year.

The provision of ELT materials for young learners of English is a key strategic aim within the ELT business plan. Two major courses for young adolescents, *English in Mind* and *Connect*, were successfully launched in their respective British and American English markets, and *Cool English* and *Team Up!* were published for the primary and secondary schools in Spain. Work was also completed to secure the launch in early 2005 of a new British English course, *Messages*, aimed at students in the lower secondary school age group.

The rejuvenation of publishing for adult learners of English began in earnest with the publication of a third edition of the market-leading American English course *Interchange*, and with the publication of *English 365*, a new general course in British





English for work and social purposes. Work on two brand new courses – *Touchstone*, an American English course, and *face2face*, a British English course – was completed in 2004 for launch in 2005.

The first four levels of *Stay Tuned*, the English series for Cameroon, were completed to critical acclaim and encouraging sales.

The publication in April of a third edition of the classic *English Grammar in Use* by Raymond Murphy helped to safeguard the Press's position as market leader in this important market sector. The launch of the revised edition proved highly successful, with sales exceeding expectation. The book is now available with a new CD-ROM which has also been well received.

The strategic plan entails an increase in publishing support for Cambridge ESOL examinations and qualifications. The ELT programme included a record number of new courses and texts for the Cambridge ESOL assessment suite and the collaboration between the two organisations provided new opportunities to promote the Cambridge brand.

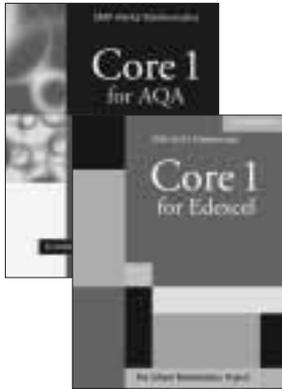
Global ELT sales increased by 4% over 2003, with a particularly strong performance in the United Kingdom, Europe and the Middle East, where sales grew by 12%. ELT sales in Spain grew by 28%.

Cambridge–Hitachi, the Press's e-learning joint venture with Hitachi software, had its first year of operation in 2004. The full complement of staff was established, new workflows put in place, and a total of 33 CD-ROMs were published in core areas from primary literacy and numeracy to secondary science.

Cambridge–Hitachi quickly established a high profile as a new entrant to the UK e-learning market. Its products, which are particularly suited for use on interactive whiteboards (while working equally well on individual PCs or across networks), were favourably received, particularly by government-endorsed websites, as well as by teachers and local education authority advisers. At the end of 2004 work began on converting CD-ROM material for online delivery. Outline agreements are in place with major online suppliers to the UK market. From 2005 content will be configured for delivery online or on CD-ROM.

In addition to material for UK schools, work began on a number of ELT products for the interactive whiteboard, initially for the adult market, later to be developed across different levels and ages. The Cambridge–Hitachi facility has given Cambridge Learning a substantial complement to its key ELT courses.





The global alliance of the Press and Hitachi Software puts us in an ideal position to take advantage of major international opportunities.

Educational publishing sales in the United Kingdom grew by 15% over 2003, boosted by some important new government contracts. In 2004 the Education Group commenced planning for an expansion of publishing activity in response to anticipated curriculum reform in the 14–19 segment. A distinction has been introduced between concept development and content development, enabling the publishers to spend more time researching the market and identifying author teams for a range of subjects with academic, vocational and assessment dimensions. A secondary mathematics publisher and a secondary humanities publisher were appointed to bring our core competencies in those areas up to strength. The senior management team is structured to ensure coordination of resources and publishing plans across the Group and Cambridge–Hitachi.

All schools markets, and in particular the primary sector, are increasingly demanding ‘blended’ or integrated print and electronic resources. Leading publications in 2004 included *Penpals for Handwriting*, a blended offering of pupil books, teacher files and interactive whiteboard software estimated to have secured some 30% of this niche market.

A modest market share gain at secondary level was secured by the continuing success of the *Cambridge Latin Course* and the *Cambridge School Shakespeare*. Revenue growth also resulted from the publication of *SMP Interact for GCSE* mathematics and three new A level mathematics courses.

The stream of new publications in English, sciences, mathematics and social sciences for the South African school market has provided a firm foundation for further publishing development and for Cambridge to be recognised as a serious participant in this market. The publishing strategy for Zambia took account of the new curriculum change with the submission of two new courses at primary level in mathematics and English.

Recent investment in support of Cambridge International Examinations, accounting for some 40 titles, came to fruition with a threefold increase in revenues driven by sales in the Middle East.

Regional businesses

During 2004 the Press moved to a three-region organisational structure, dividing business responsibilities into the broad time zones of Asia–Pacific; Europe, Middle East and Africa; and the Americas. A brief account of the business performance and development of each region follows.

Europe, Middle East and Africa

2004 was a very successful year for the **UK and Europe**, where all book publishing Groups significantly outperformed budgets and generated double-digit growth over the previous year.

Academic sales returned strong growth; STM was up 14% and Humanities and Social Sciences up 8%. The Press's public profile was strong throughout the region in 2004, with a number of major titles at the centre of vigorous policy debates, following the earlier example of Bjørn Lomborg's *The Skeptical Environmentalist*. Gratifying rewards for the new textbook publishing initiative came earlier than expected, with sales growth of 30%, mainly in the UK and the north of the region. Sales through internet retailers continued to grow, justifying the Press's investment in perhaps the richest, most current and comprehensive bibliographic information systems in the industry.

Sales from the Press Bookshop grew by 6%. Marketing and merchandising to the University community were strengthened and there were frequent evening receptions for book launches, conference and summer school delegates. The Bookshop took part in local activities such as the Cambridge Science Festival, Children's Festival and History Festival.

The Pitt Building, which housed the printing and publishing offices of the Press for over a hundred years, was renovated in 2004, re-opening in July as a state-of-the-art conference facility. Business got off to a brisk start, with clients from local business and the University taking advantage of the central location, attractive setting and catering packages.

The launch of the new performance-review and staff reward scheme in Cambridge Publishing (the 'Performance Recognition Scheme') was a key achievement of 2004. The planning and assessment of performance is based on assessing a combination of objectives – specific, measurable descriptions of what an individual is expected to achieve – and competencies – how each individual carries out the role. Training needs are identified at the mid-year review, and managers



The Pitt Building:
Darwin Room.

themselves now attend a modular ‘Management Foundation Programme’ to help them support and manage their staff.

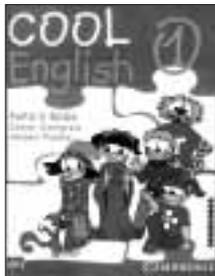
Education sales were up 31% in the region, boosted by some important new government contracts. ELT grew by 12%. Of this ELT increase, nearly one third came from the new edition of Raymond Murphy’s *English Grammar in Use*. The Press’s exclusive distributor in Turkey reorganised its sales force in time to benefit from the launch of *English in Mind*, our new teenage course, and this resulted in a 190% increase in sales which took Turkey from a troubled past to fifth-largest ELT market within the region. Italy became the region’s leading market, again boosted by the launch of *English in Mind*. A new ELT sales office for the Middle East was opened in Dubai, covering the Gulf, where sales rose by 23%. The Press deepened its ties with Klett, the German educational publisher, with ELT exclusivity in Bulgaria, as well as in Germany and Poland.

In the **Iberian Branch**, editorial activity is now focused on ELT publishing, within the joint venture between Cambridge and Ediciones Santa María (SM). In March, educational publishing in Spain was disrupted when the unexpected change of government resulted in the curriculum plans of the previous administration being cancelled. This change severely impacted the ELT market, but the Branch controlled costs and concentrated on alternative market segments – private language schools, universities and trade. Academic sales were once again flat. As elsewhere it is difficult to measure the increasing impact of internet retailers and of UK and US library and wholesale exporters. Overall Branch sales increased by 16% over the previous year.

The Branch published two courses jointly with SM: *Team Up!* and *Cool English*. This was a considerable achievement, adapting ten course levels and originating new components in record time. The courses were supported with a special edition of 20 selected readers and versions of the Pocket and Compact English–Spanish dictionaries. Significant investment will be required to meet the ambitious plans of the joint venture, and major opportunities for Cambridge–Hitachi are also being explored within the context of the venture.

The **African Branch** had a mixed year. There was good growth, 96 new publications, some major achievements in individual markets, but a disappointing result for sales into the region as a whole.

Academic sales grew by 11% and ELT by 108%, helped by some special deals. Cambridge Low Priced Editions were up by 39%. East and West Africa and the Caribbean performed well; collectively they exceeded budget by 33%. In southern





The new Cape Town office.

Africa all countries performed better than budget with the exception of the Branch's largest market – South Africa. Here a combination of lower government spending and late orders from some of the provinces resulted in a significant shortfall against what had been an aggressive budget for the schools and Roedurico programmes.

The Branch moved offices in September. It was a great disappointment to have to leave Dock House, but everyone is now delighted with the spacious and modern offices at the Water Club, on the Cape Town waterfront.

2004 saw the first intake of two students into an internship programme, which includes a three-month assignment to Cambridge. This rewarding initiative will promote and develop skills in publishing management for the Branch and the industry as a whole.

After six highly successful years with the Press as Director of the Branch, Hanri Pieterse moved to Cambridge to take up a position as the Press's Strategic Programmes Director. Hanri has been replaced by Colleen McCallum, who has been a strong deputy during the past five years in her capacity as Sales and Marketing Director for southern Africa.

The Americas

In 2004, North America had a good year, meeting or beating most of its targets. Total sales exceeded \$60 million for the first time. The most gratifying performance came in academic books, where recovery accelerated sharply after several difficult years. Total academic book sales were just under \$36.5 million – almost \$4 million higher than in 2003. All three parts of the group saw sales rise – STM by 7%, Humanities by 12% and Social Sciences by 19%.

One reason why performance in this sector has improved so much is the Press's continued commitment to publish good books and to publish them well, and to develop lists according to perceived needs in the academic and allied communities. In that context, senior editorial appointments were made in law and medicine during the year. But probably the most significant factor in sales growth was the expansion of our textbook publishing programme, which complements our strengths in monograph publishing. Adoption sales were strong as a result of publishing more books with real course potential and selling them through the right channels. A major overhaul of the discount system led to a more market-oriented approach to our publishing; the additional focus on college marketing had a positive effect, and investment in this area continues.



The New York office.



ELT publishing had a much weaker year, with sales down 4%. The rapid decline in sales of *New Interchange* and delays in getting new courses to market were major factors. The most significant losses came in Mexico. However, the new publications (the third edition of *Interchange*, *Connect* and *Touchstone*) have been well received and recovery is anticipated in 2005 as the course components reach their markets, both in the Americas and elsewhere.

Education – mainly in Shakespeare and Latin – is a small segment for the Branch, but 2004 was an excellent year with sales up by 39%, rising well over the \$2 million mark and beating the budget by 28%.

Journals, on the other hand, had another difficult year, with sales shrinking by 1%. Journals is proving a hard area for all publishers at the moment, with the pressures of electronic supply and open access, as well as continued budget constraints on libraries.

In the book sector, concentration in the market meant that the top five customers accounted for some 47% of business in 2004. While sales to wholesalers rose, business with the retail sector was mixed. Sales to internet retailers rose dramatically, while sales to the big bookstore chains fell back. Business with independent bookstores was flat, while sales to college stores gained significantly – a result of the new efforts being made in the textbook market.

2004 was the first full year in the West Nyack Distribution Center, and the new facility lived up to its promise to provide better service than had been possible in the confines of Port Chester. The search for more office space in Manhattan has begun, and the Mexican office moved to new quarters in the spring.

There were some important changes in management in 2004. On a very sad note, Terry Moore, Publishing Director for the Humanities in New York and the mainstay for seventeen years of the acclaimed Cambridge philosophy list, lost his long battle with cancer. Few editors have made so outstanding a contribution to the Press's academic list, or been held in such affection by colleagues and authors alike.

On the positive side, there were four new appointments to the Board of Management: Liza Murphy (Sales and Marketing Director, Academic books), Bruno Paul (Sales and Marketing Director, ELT), Louisa Hellegers (Publishing Director, ELT), and most recently George Rubich in the new post of Chief Financial Officer. In addition, Frank Smith was promoted to Academic Editorial Director. These changes have given us a very powerful management team, ready to take on the new challenges we face.

Also in 2004, the Branch was reconfigured to take in South America. Brazil, though directed from New York, became a self-contained Branch with a small editorial team and its own local distribution supplied by West Nyack. The rest of South America was merged with North and Central America in the latter part of the year to form a new Americas Region. Individual countries responded positively to the major new ELT publications which came on stream from mid-year.

Asia–Pacific

In 2004, the Australian and Asian Branches became components of a new Asia–Pacific Region. Both Branches, despite weak sales, delivered their budgeted contribution through active overhead management.

Sales of books and journals in Asia decreased slightly for the first time since 1998, due largely to a shortfall in ELT sales. The income from the sale of permissions to use Cambridge publications grew markedly and was a useful addition to the total income of the Australian Branch.

Asian currencies tend to track the US dollar more closely than they do sterling or the euro; there has been a 20% decline in the purchasing power of a number of our major trading partner currencies over the last four years. This has squeezed library budgets already under pressure from increased journal prices. Of our major Academic markets, only Korea grew with any vigour. From 2005, the Press's trading policies in Asia will reflect more closely US dollar parities.

In Asia, in the ELT sector, 2004 was the last year of dependence on *New Interchange*. The third edition, along with the new course, *Touchstone*, will feature significantly in the 2005 promotion seasons.

In both Australia and New Zealand, ELT student numbers dropped by approximately 30% and drastically affected sales. A structural change in the market has led to more language schools being established in home countries and fewer students travelling to Australia and New Zealand to study English.

In educational publishing there were few opportunities for the Press to benefit from curriculum changes in Australia. While New South Wales boasts the largest student base, it is reliant on schools purchasing books; in Victoria parents generally provide the funding. Sales of the New Cambridge Shakespeare edition in Australia, chiefly to secondary schools in NSW, have increased impressively, making Australia the second biggest market for the edition after the United Kingdom.

The bestsellers within the Education programme remained the *Essential*



The Singapore office.



The Melbourne office.



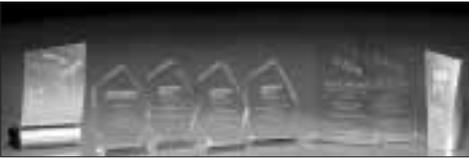
Mathematics titles for the junior and senior secondary schools in the state of Victoria. Successful books for senior school students included the two *Essential Business Management* titles.

The two most successful titles in the academic programme for Australia were *Herbarium*, by Robyn Stacey and Ashley Hay, which illustrates the history of Australia's flora as evidenced by the Botanic Gardens in Sydney, and *The Geology of Australia*, by David Johnson, designed for both trade and student markets. During 2004 an increased number of tertiary textbooks were commissioned and new staff were appointed to consolidate such publishing.

Within the publishing programme of the Asian Branch, two further levels of the children's course, *Primary Colours*, were adapted into American English and launched in Korea, Japan and Taiwan. At the end of the year, a Korean adaptation of *Basic Grammar in Use* was published and achieved an initial sale of 40,000 copies.

In 2003, the Branch began a modest programme of manufacturing low-cost editions of price-sensitive textbooks and reference materials in India for South Asian markets. This activity expanded in 2004 to reach approximately 200 ISBNs, and these special editions now represent about a third of Press sales revenue in the Indian subcontinent.

Printing



As far as industry recognition was concerned, it proved another good year for Cambridge Printing. 2004 saw the business win *Printing World's* most coveted Book Production Award for the second year in succession. In total, a further three national awards were added to the six awarded in 2003.

Business developments

In order to meet certain key objectives of publishing colleagues, the continued development of digital technologies was a major focus in 2004. As the European Development Partner of the Dutch digital equipment manufacturer Océ, Cambridge Printing uses the most up-to-date technologies available. There are many advantages to this technology. It enables publishers to make books available in different markets simultaneously, improving cash flows and maximising sales opportunities. It allows business growth without a consequential increase in warehouse space, or an increase in working capital tied up in stock, or a risk of overprinting. Authors and publishers also have the opportunity to update texts more regularly than was possible previously. Cambridge Printing offers market competitive prices for digital printing, and the uptake by customers has been promising.

On a more challenging note, the books business went through a second significant period of restructuring, resulting in the loss of 24 jobs. A reduction of manufacturing capacity took place partly as a consequence of changes in the US market for high-quality Bibles, but also because of the significant over-capacity in the British book-printing industry, which is being exacerbated by new developments in Eastern European countries. As competitive pressures continue, one of the main challenges facing the Printing business is the control of costs, particularly the high cost of employing staff. We continue to work with our trades unions to find solutions which will safeguard jobs by enabling Cambridge Printing to compete effectively with the rest of the market.

As one part of the business was contracting, all other areas were focused on

business improvement initiatives intended to maximise resources, offering better customer service and business results. While the focus in 2004 was on improving production and work flows, building a conspicuous customer service culture throughout the business is now a priority.

Business performance

A second major objective in 2004 was the hunt for new third-party business. Measures to sharpen sales performance were introduced, led by market research. As a result, good progress was made towards reaching sales targets, with sales of books increasing by 29% over 2003. Books were being produced for 65 new and lapsed customers by the end of the year, and new business accounted for more than £500,000.

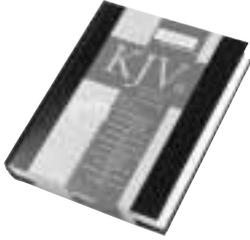
Alongside the growth in new business for books, significantly more was generated from existing customers. Sales to *The Folio Society* increased by 11% in 2004, and existing customers made good use of new digital capabilities.

The hunt for new business within our Promotional and Confidential printing markets led to a combined revenue increase of 13%. Work for the University and Colleges increased by 5%, but it was largely the training materials produced on behalf of the Government's Department for Education and Skills which contributed to the significant increase in revenues.

Cambridge Confidential continued to provide a print and procurement service to UCLES with the renewal of a three-year contract. Developments in this area include the new Languages Ladder Assessment Scheme and the introduction of trials to produce examination papers with variable data.

In order to double the capacity for print in the Confidential stream, a Business Development Executive was appointed to seek new work with other examination boards and professional bodies. Success was achieved toward the end of 2004 when two new contracts were awarded, for the print and supply of examination papers to the Georgia Education Project Coordination Centre and for the confidential typesetting and printing of exam papers for the Northern Ireland Council for Curriculum Examinations and Assessment (CCEA).

Cambridge City Council and Cambridge Printing further developed their relationship, helped by Arts & Business New Partners. The investment enabled the



City Council to hold the World Music Day on Parker's Piece, while Cambridge Printing did more print work for the Council.

An interactive website seminar was held in the newly refurbished conference room in the Pitt Building. Open to all Colleges and Departments of the University, the demonstration aimed to provide a link with alumni. The well-attended seminar displayed the web development service that the business offers.

Alongside successful efforts to build new business, there was one big disappointment. The growth in sales of books was more than offset by the drop in revenue from Bible printing for the year. This was partly the result of the current strength of the pound against the dollar, and partly the result of adverse international trading conditions affecting the biggest external Bibles customer. A large amount of anticipated work, both internally produced and externally managed, was lost, and Bible manufacturing revenues fell by 81%. However, publishing revenue from Bibles and Prayer Books increased worldwide by 17% in 2004, with notable growth in the United Kingdom. In North America, still the primary market for traditional Bibles in fine bindings, strong sales growth of 34%, as reported in US dollars, went some way towards restoring our market position, but the continued adverse exchange rate severely affected the converted value of those sales, showing an increase of just 18% in sterling terms.

In summary, although Cambridge Printing experiences significant competitive pressure on pricing, capacity and margins as the UK printing industry competes for a decreasing volume of work available from publishers, 2004 revealed the first signs of strong potential growth in niche markets, which Cambridge Printing and its staff are well placed to exploit.

Global business services

Distribution

2004 was a year of transition and consolidation. The volume of books shipped directly from the Press's three main distribution centres in the United Kingdom, United States and Australia was 4.6% lower than in 2003. The decrease reflects difficult global business conditions and the continuing move towards manufacturing and distributing closer to market. In alignment with the Press's new regional structure, changes were made to several traditional supply routes, with the responsibility for the servicing and supply of Brazil, and subsequently the rest of South America, being transferred from Cambridge to West Nyack.

In Cambridge, the distribution team focused on achieving cost reductions while maintaining and improving service. A review of operational costs resulted in new contracts for the provision of freight and postage services and the supply of packing materials – all of which achieved significant cost savings. To improve service levels, a same-day despatch Hotline service was introduced, enhancing our ability to secure time-sensitive sales; and to further improve efficiency and productivity, an order pool schedule was implemented, providing delivery on pre-arranged days.

In West Nyack, too, projects were initiated with the aim of reducing operating costs. Lighting was replaced with highly energy-efficient fluorescent fixtures, automatically activated by sensors as the lift trucks enter each aisle. A multi-currency software module was installed, facilitating for the first time the billing of Canadian customers in their own currency. New 'immediate invoicing' ensures that urgent customer orders received before midday are processed and shipped that same day. Mirroring the UK process for the production of ultra-short digital reprints, software was implemented for the supply of titles direct to West Nyack from our digital printer's US operation. Finally, preparations were completed for the transition of supply arrangements for South America.

In Port Melbourne, important enhancements were made to the fulfilment process, including an automated re-order process for imported titles; the automation of purchase order and backorder data, enabling prediction of accurate shipping and delivery date information for customers; the implementation of e-commerce

software within the new Academic website; and a partial reconfiguration of the warehouse, enabling excess space to be leased to other companies.

The African Branch began to investigate the integration of its disparate distribution, financial and production systems and the absorption of the Roedurico stock from its current distributor. The Iberian Branch continued to reduce its stockholding base and increase the frequency of deliveries from Cambridge, implementing an automatic email notification system for stock arrivals. Finally, the Asian Branch began outline planning to subcontract from Singapore a logistics function for ELT materials across Asia, with systems support for local order processing being provided by their Australian colleagues.

Information and Publishing Services

2004 was a year of significant activity and growth in the department. In August Digital Services and Corporate Marketing Design were amalgamated with Information Management to create a new department, Information and Publishing Services. As a result of this merger, some staff positions were rationalised and the Publishing and Printing Help Desk operations were combined.

The Manila software development group grew to 24 people, which necessitated a move to a larger office within the same building. The Manila team is working on a number of significant projects including the rewrite of the Cambridge Journals Online delivery platform, the North American marketing system, Data Shop 2 and the new Rights Control system.

The Vista systems, which are the core of the Press's commercial operations, were enhanced through a link to the PubEasy network. There are plans for further electronic links to increase the visibility of Cambridge products in the book trade and to enable electronic file delivery where manual rekeying has been the norm.

A new method of video conferencing over the internet has been installed, enabling more economical communication between the various Press branches.

A study of the Press's desktop computers early in the year led to a replacement of older equipment which was more vulnerable to viruses. A three-year replacement policy is now under way, moving the majority of the Press's employees to a PC platform. Two hundred PCs were bought during the year, and over 1,000 of the Press's 1,300 employees are now using the Lotus Notes platform. BlackBerry mobile

devices are being introduced for senior and sales staff to improve productivity by making their email continuously available to them.

In the Printing House, the existing Sanderson system for books and Bibles was upgraded and the Optimus MIS system selected for the Promotional and Confidential business streams.

Daily web traffic in Cambridge increased from an average of 26.6Gb in January to 50Gb in December. Most of this is attributable to the number of new outward-facing websites within Cambridge, diverting traffic from sites in New York and Australia.

Website developments included the acquisition of a new content management system, Rhythmyx from Percussion; new catalogue pages incorporating 13-digit ISBNs; new homepages for the main websites and new functionality for Cambridge authors, allowing them to collaborate online as they develop future publications. A range of sample material online allows users of the Press website to browse pages from inside new titles.

Orders placed by trade customers online (<http://forbooksellers.cambridge.org>) in 2004 more than tripled 2003 figures, realising over £2 million in revenue. Sales to individuals worldwide also increased on 2003, to some £1 million.

The latter half of the year was taken up with designing and planning for two major projects scheduled for completion in 2005. These are ISBN-13 and Inter-Branch Trading. ISBN-13 is an industry-wide change to the book numbering standard, from 10 digits to 13 digits, which has to be completed by 1 January 2007. The Press plans to complete the bulk of this work in the major branches by the end of March 2005. Inter-Branch Trading is a new business practice for the Press. In the past, publishing branches have given books to other branches to sell. With Inter-Branch Trading in place, branches will buy books from each other at arm's-length discounts from list price. This is designed to give branches better control of their balance sheets by giving them responsibility for the product that they stock and sell, while at the same time providing the Press with an improved understanding of the economics of its businesses throughout the world.

Finance

The Finance Department continues to evolve in order to meet the increasingly complex needs of the Press's international operations. Balancing commercial reality with the Press's educational enterprise, the Finance Department is not only the steward of the Press's assets, but also provides management with the timely and accurate information needed to run our various businesses.

During 2004 the Finance Department took significant steps towards further decentralisation, mirroring the regional operating structure put in place over previous years. In order to continue this migration of accountability and responsibility to the various local operations, several key financial appointments were made in 2004. Chrisjan Stimie, originally Finance Director of the South African Branch, was promoted to Finance Director of the newly formed UK/Europe, Middle East and African Region. Suzanne Hall, formerly Financial Controller in Cambridge, was promoted to a global role as Manager, Financial Reporting, Planning and Analysis. George Rubich was appointed to the new position of Chief Financial Officer in the Americas and Tony Lund was appointed to the new position of Regional Finance Director, Asia-Pacific. These appointments will allow the Press to create the foundation on which to build an increasingly effective finance organisation.

Looking forward, the Finance Department is involved in the new Inter-Branch Trading business model to be introduced in 2005, whereby the Press will begin a system of transfer pricing among its various worldwide locations. The implementation of this new model will show accurate regional financial performance for the first time. Finally, the University has taken the decision to include the Press's accounts within its own annual accounts, as from July 2005. Press staff are working with the University to minimise the cost implications of this change in practice and to ensure that the new format will be informative and appealing to the University's and Press's various audiences.

This Annual Report was approved by the Press Syndicate on 10 June 2005 and signed on its behalf by:

Dr GORDON JOHNSON
Chairman of the Press Syndicate

Appendices

I Statistical data

Table 1 2004 hardback, paperback and e-publication units, by publishing centre

Publishing Group	Cambridge	N America	Australia	Africa	Iberia	East Asia	Total
Humanities & Social Sciences	697	404	20	1	0	5	1127
Science, Technology and Medicine	323	88	3	0	0	8	422
Education	52	12	53	85	0	0	202
ELT	232	90	1	6	93	11	433
Bibles	15	0	0	0	0	0	15
Others	15	3	0	0	0	0	18
Total	1334	597	77	92	93	24	2217

Table 2 2004 sales revenue ranked by country (first fifteen by value)

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

Table 3 2004 results (% rounded) by market, subdivided by category

	Academic and Professional	Education	ELT	Journals	Bibles	Total
UK/Europe	33	19	32	15	1	100
N America	59	3	18	19	1	100
Australia	30	44	16	10	0	100
Iberia	9	1	83	7	0	100
Africa	8	76	12	4	0	100
Other International	18	2	64	16	0	100
All markets	36	14	34	15	1	100

Table 4 2004 (% rounded) by category, subdivided by market

	Academic and Professional	Education	ELT	Journals	Bibles	All
UK/Europe	36	54	39	37	41	39
N America	50	8	16	39	58	31
Australia	4	15	2	3	1	5
Iberia	1	0	10	2	0	4
Africa	1	20	1	1	0	4
Other International	8	3	32	18	0	17
Total	100	100	100	100	100	100

Table 5	
New hardback-only publications in 2004, from the Academic Group	
American history	10
American literature	12
Anthropology	1
Archaeology	2
Art	22
Astronomy	16
British history	10
Chemistry	3
Classical studies	24
Computer science	4
Earth, atmospheric sciences	10
Economics, business studies	33
Engineering	18
English language and linguistics	17
English literature	62
European history	25
European literatures and languages	2
Experimental biology and biomedicine	9
Film, media, mass communication	1
General Science	2
Geography, the environment	3
History – other areas	13
History of science	5
Law	52
Materials science	1
Mathematics	41
Medicine	27
Music	8
Other literatures and languages	1
Philosophy	33
Physics	16
Politics, social theory, history of ideas	27
Psychology	10
Religion	11
Sociology	6
Zoology, botany	14
Total	551

Table 6	
New paperback publishing in 2004 from the Academic Group	
American history	10
American literature	4
Anthropology	5
Archaeology	10
Art	2
Astronomy	12
British history	7
Chemistry	2
Classical studies	11
Computer science	12
Earth, atmospheric sciences	12
Economics, business studies	18
Engineering	6
English language and linguistics	16
English literature	39
European history	14
European literatures and languages	7
Experimental biology and biomedicine	6
Film, media, mass communication	6
General	1
History - other areas	14
Law	32
Mathematics	38
Medicine	32
Music	8
Other literatures and languages	2
Philosophy	45
Physics	11
Politics, social theory, history of ideas	59
Psychology	24
Religion	19
Sociology	22
Zoology, botany	15
TOTAL	521

II Awards and prizes

Among the awards and prizes for Press publications received in 2004 were:

- S. E. Alcock, *Archaeologies of the Greek Past*, winner of the Spiro Kostof Award, given by the Society for Architectural Historians.
- Scott L. Althaus, *Collective Preferences in Democratic Politics*, winner of the 2004 David Easton Prize, awarded by the American Political Science Association's Foundations of Political Theory section.
- Masanao Aoki, *Modeling Aggregate Behavior and Fluctuations in Economics*, winner of the Nihon Keizai Shimbun/Japan Center for Economic Research Book of the Year Award, 2003.
- Janine Barchas, *Graphic Design, Print Culture, and the Eighteenth-Century Novel*, winner of the SHARP Book Prize for 2003.
- Derek Beales, *Prosperity and Plunder*, winner of the ISI Paolucci/Bagehot Book Award.
- Nora Berend, *At the Gate of Christendom*, winner of the American Association for the Study of Hungarian History Book Award 2003.
- John R. Bowen, Islam, *Law and Equality in Indonesia*, winner of the Law and Society Association Herbert Jacob Book Prize.
- Daniele Caramani, *The Nationalization of Politics*, winner of the Stein Rokkan Prize.
- Georgia Clarke, *Roman House – Renaissance Palaces*, which received an honourable mention for the Salembini Prize, 2003.
- Nicola Courtright, *The Papacy and the Art of Reform in Sixteenth-Century Rome*, which received an honourable mention for the Salembini Prize, 2003.
- C. Crais, *The Politics of Evil*, winner of the Ohio Academy of History Book Prize.
- S. J. Dick, *Sky and Ocean Joined*, winner of the John Lyman Award of the North American Society for Oceanic History for best book in 2002 in Science & Technology and also the Naval Observatory's Captain James Melville Gilliss Award for extraordinary dedication and exemplary service.

- J. L. Gibson and A. Gouws, *Overcoming Intolerance in South Africa*, winner of the Alexander L. George Book Award, given by the International Society for Political Psychology for the best book in the field of political psychology in 2003.
- Paul R. Gregory, *The Political Economy of Stalinism*, winner of the Hewitt Prize of the American Association for the Advancement of Slavic Studies.
- E. G. Hill and J. V. Hatch, *A History of African American Theatre*, winner of the Barnard Hewitt Award for Excellence in Theatre History, given by the American Society for Theatre Research.
- Duncan Ivison, *Postcolonial Liberalism*, winner of the C. B. MacPherson Prize of the Canadian Political Science Association.
- Michael Kennedy, *Richard Strauss: Man, Musician, Enigma*, winner of the French critic's prize.
- V. Lieberman, *Strange Parallels*, winner of the Book Prize of the World History Association.
- M. McCormick, *Origins of the European Economy*, winner of the 2003 Economic History Association's Gyorgi Ranki Biennial Prize for an Outstanding Book on the Economic History of Europe.
- Norbert Peabody, *Hindu Kingship and Polity in Precolonial India*, joint winner of The Gladstone Prize for 2003.
- Christine Peters, *Patterns of Piety*, winner of The Whitfield Prize for 2003.
- Michael Rowe, *From Reich to State*, joint winner of The Gladstone Prize for 2003.
- Jim Samson, *Virtuosity and the Musical Work*, winner of the 2004 Royal Philharmonic Society Book Award.
- Seth Shostak, *Cosmic Company*, winner of the Klumpke-Roberts Award given by the Astronomical Society of the Pacific.
- K. Solomson, *The Chicago Tribune Tower Competition*, winner of the Alice Davis Hitchcock Award, given by the Society for Architectural Historians.
- Kathy Stuart, *Defiled Trades and Social Outcasts*, winner of the Hans Rosenberg Biennial Book Prize 2000.

Anders Winroth, *The Making of Gratian's Decretum*, winner of the John Nicholas Brown Prize for 2004 given by the Medieval Academy of America for an outstanding first book in the field of medieval studies.

Edward Ziter, *The Orient on the Victorian Stage*, which received an honourable mention for the Joe Callaway Prize for best book on drama.

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, the Treasurer, 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 Treasurer 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(*b*).
- 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 Treasurer 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

for the year ended 31 December 2004

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 year (2003 Nil). Members of the Press Syndicate in the year 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* *

Professor R. N. Perham, *The Master of St John's* *

Professor D. M. Broom

Professor S. A. Collini

Professor T. M. Cox

Professor D. F. Ford

Professor U. Goswami

Professor G. P. Hawthorn *

Professor A. B. Holmes

Professor C. J. Humphreys

Professor D. Ibbetson

Professor T. W. Körner

Professor J. S. Morrill *

Professor J. Rudduck

Dr C. Y. Barlow

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 Cambridge University Press.

V Executive Directors

for the year ended 31 December 2004

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. Heatt

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 year ended 31 December 2004

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 Auditors

Deloitte and Touche LLP
Chartered Accountants and
Registered Auditors
Leda House, Station Road
Cambridge
CB1 2RN

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 year ended 31 December 2004

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 1997, the Press Syndicate commissioned a detailed risk analysis from Arthur Andersen, 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. This risk analysis reinforced the necessity for the Press Syndicate's Reserves Policy, as a hedge against business risk and uncertainty. 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, and which covers the Press's major operating centres in Cambridge and New York. 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 year ended 31 December 2004

Consolidated Statement of Financial Activities
for the year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> <i>General</i> <i>Funds</i> £m	<i>2004</i> <i>Designated</i> <i>Funds</i> £m	<i>2004</i> <i>Total</i> £m	<i>2003</i> <i>Total</i> £m
Incoming resources					
Income from activities in furtherance of charity's objectives					
Value of publishing and printing services supplied		128.4		128.4	124.5
Investment income					
Income from invested funds and bank balances	6	0.7		0.7	1.2
Total incoming resources		129.1		129.1	125.7
Resources expended					
Charitable expenditure					
Costs of activities in furtherance of charity's objectives	2	(130.1)		(130.1)	(127.7)
Net incoming/(outgoing) resources for the year		(1.0)		(1.0)	(2.0)
<hr/>					
Net incoming/(outgoing) resources for the year		(1.0)		(1.0)	(2.0)
Exchange gains/(losses)		(0.6)		(0.6)	0.5
Net gains/(losses) on invested funds	6	1.9		1.9	4.9
Net movement in funds before transfer of funds to the University of Cambridge		0.3		0.3	3.4
Transfer to the University of Cambridge	11	(0.5)	(11.2)	(11.7)	(1.2)
Minority interest		0.7		0.7	
Net movement in funds		0.5	(11.2)	(10.7)	2.2
Fund balances brought forward at 1 January		103.0	11.2	114.2	112.0
Fund balances carried forward at 31 December		103.5		103.5	114.2

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

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 48–65 form part of these accounts.

Consolidated Balance Sheet

at 31 December 2004

	<i>Notes</i>	<i>2004</i>	<i>2003</i>
		<i>£m</i>	<i>£m</i>
Fixed assets			
Intangible fixed assets	3	3.1	3.5
Tangible fixed assets	4	41.1	49.4
Invested funds	6	24.8	33.5
		69.0	86.4
Current assets			
Stock and work in progress	7	35.3	33.2
Debtors	8	30.7	28.0
Land held for resale		7.6	
Bank balances and short-term deposits	14	3.5	1.7
		77.1	62.9
Creditors			
Amounts falling due within one year	9	40.5	32.0
Net current assets		36.6	30.9
Long term financing	10	2.5	2.7
Net assets		103.1	114.6
Funds			
General		103.5	103.0
Designated	11		11.2
		103.5	114.2
Minority Interest		(0.4)	0.4
		103.1	114.6

The notes on pages 48–65 form part of these accounts.

Press Balance Sheet

at 31 December 2004

	<i>Notes</i>	<i>2004</i>	<i>2003</i>
		<i>£m</i>	<i>£m</i>
Fixed assets			
Intangible fixed assets	3	1.4	1.7
Tangible fixed assets	4	41.1	49.4
Fixed asset investments	5	2.0	2.0
Invested funds	6	24.8	33.5
		69.3	86.6
Current assets			
Stock and work in progress	7	34.4	32.6
Debtors	8	33.3	29.1
Land held for resale		7.6	
Bank balances and short-term deposits	14	3.3	
		78.6	61.7
Creditors			
Amounts falling due within one year	9	40.5	31.4
		38.1	30.3
Net current assets			
Long term financing	10	1.5	2.5
		105.9	114.4
Net assets			
Funds			
General		105.9	103.2
Designated	11		11.2
		105.9	114.4

The notes on pages 48–65 form part of these accounts.

Approved by the Press Syndicate on 10 June 2005 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 year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> <i>£m</i>	<i>2003</i> <i>£m</i>
Net incoming/(outgoing) resources for the year		(1.0)	(2.0)
Income from invested funds and bank balances		(0.7)	(1.2)
Exchange differences		(0.7)	0.5
Depreciation and amortisation	3,4	3.1	2.9
Profit on sale of fixed assets		0.1	(0.6)
(Increase)/decrease in stock and work in progress		(2.1)	1.8
(Increase)/decrease in debtors		(2.7)	(1.4)
Increase/(decrease) in creditors		2.1	0.1
Net cash inflow/(outflow) from operating activities		(1.9)	0.1
Returns on investment and servicing of finance		0.7	1.2
Capital expenditure and movement in invested funds			
Purchase of fixed assets	3,4	(2.1)	(7.0)
Disposal of fixed assets	3,4	0.4	1.0
Investment income reinvested	6	(0.7)	(0.6)
		(2.4)	(6.6)
Acquisitions and disposals			
Purchase of Greenwich Medical Media	3		(2.2)
Purchase of Roedurico Trust	3		(0.8)
Transfer of funds to the University of Cambridge	11	(0.6)	(1.2)
Cash inflow/(outflow) before management of liquid resources and financing		(4.2)	(9.5)
Management of liquid resources			
(Increase)/decrease in cash on short-term deposits			9.0
Financing			
Issue of ordinary share capital in subsidiary undertaking to minority interest			0.4
Issue of loan to minority interest	10	0.8	0.2
(Repayment)/receipt of secured loan	10	(1.0)	(1.7)
Increase/(decrease) in cash in the year		(4.4)	(1.6)

The notes on pages 48–65 form part of these accounts.

Notes to the Financial Statements

for the year ended 31 December 2004

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the charity and its subsidiary undertakings made up to 31 December 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year 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

Cambridge University 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, South Africa 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. Subscription income is recognised on a straight line basis over the length of the subscription period. 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 Cambridge University Press's policy to keep valuations up to date, so that, when investments are sold, no gain or loss arises relating to previous years. 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 historical 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.

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.

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.

General funds

These are unrestricted funds which are available for use at the discretion of the Press Syndicate in furtherance of the general objective of the Press and which have not been designated for other purposes.

Designated funds

These are funds earmarked by the Press Syndicate and available at the discretion of the Syndicate for specific University purposes consistent with the Press's statutory objectives.

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 year-end exchange rates.

Pensions

The Press operates a number of defined contribution and defined benefit pension schemes. The defined benefit schemes provide benefits based on final pensionable pay, contributions being charged to the Consolidated 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.

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 Costs of Activities in Furtherance of Charity's Objectives

	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>
Staff costs	45.2	41.6
Other costs in connection with publishing and printing activities	84.9	86.1
	130.1	127.7

Staff costs consist of

	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>
Gross wages and salaries	34.0	32.5
Employer's national insurance	4.1	4.0
Pension contributions	7.1	5.1
	45.2	41.6

The number of staff whose emoluments for the year exceeded £50,000, or the equivalent in other currencies, is shown in the table below. 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>2004</i>	<i>2003</i>
		33	30
		11	15
		4	5
		3	6
		5	5
		4	1
			1
		1	1
		1	2
		1	1
		63	67
		<i>2004</i>	<i>2003</i>
The monthly average number of permanent staff was		1,328	1,232

Other costs

Fees for external audit services were £134,000 (2003 £120,750). There were no additional payments for non-audit work in 2004 (2003 £0).

Fees for internal audit services were £30,000 (2003 £38,000).

3 Intangible Fixed Assets Group

	<i>Book lists £m</i>	<i>Goodwill £m</i>	<i>Total £m</i>
Cost			
1 January 2004	2.5	3.4	5.9
Additions	0.1	0.2	0.3
Adjustment to goodwill acquired in the prior period		0.3	0.3
Foreign exchange differences		0.2	0.2
31 December 2004	2.6	4.1	6.7
Amortisation			
1 January 2004	2.1	0.3	2.4
Charge for the year	0.3	0.8	1.1
Foreign exchange differences		0.1	0.1
31 December 2004	2.4	1.2	3.6
Net book value			
31 December 2004	0.2	2.9	3.1
31 December 2003	0.4	3.1	3.5

During the year, an adjustment was made to the value of goodwill that arose on the acquisition of Greenwich Medical Media. This increase in goodwill arose due to a revaluation of the stock purchased on acquisition.

Intangible Fixed Assets Press

	<i>Book Lists</i> <i>£m</i>	<i>Goodwill</i> <i>£m</i>	<i>Total</i> <i>£m</i>
Cost			
1 January 2004	2.5	1.6	4.1
Additions	0.1	0.2	0.3
Foreign exchange differences		0.2	0.2
31 December 2004	2.6	2.0	4.6
Amortisation			
1 January 2004	2.1	0.3	2.4
Charge for the year	0.3	0.4	0.7
Foreign exchange differences		0.1	0.1
31 December 2004	2.4	0.8	3.2
Net book value			
31 December 2004	0.2	1.2	1.4
31 December 2003	0.4	1.3	1.7

4 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 2004	47.2	22.0	1.1	70.3
Additions	1.5	0.2	0.1	1.8
Transfer between categories	(7.6)			(7.6)
Disposals	(0.2)	(0.6)	(0.1)	(0.9)
31 December 2004	40.9	21.6	1.1	63.6
Accumulated depreciation				
1 January 2004	2.5	17.7	0.7	20.9
Charge for the year	0.8	1.1	0.1	2.0
Disposals		(0.3)	(0.1)	(0.4)
31 December 2004	3.3	18.5	0.7	22.5
Net book value				
31 December 2004	37.6	3.1	0.4	41.1
31 December 2003	44.7	4.3	0.4	49.4
Capital commitments				
			<i>2004 £m</i>	<i>2003 £m</i>
Contracted but not provided for			NIL	0.6

The capital commitment of £0.6m relates to the refurbishment of the Pitt Building.

5 Fixed Asset Investments Group and Press

Press *Share in group undertakings*
£m

Cost

At 1 January 2004 and 31 December 2004 2.0

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

Subsidiary undertakings	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>	
			<i>Group</i>	<i>Press</i>
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	Medical publishing	2,000,000 ordinary £1 shares 100%	2,000,000 ordinary £1 shares 100%
Oncoweb Limited	England	Non-trading	180,000 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	6,000 ordinary £100 shares 60%	
Cambridge Knowledge (China) Limited	Hong Kong	Representative office	10,000 ordinary HK\$1 shares 100%	

	Cambridge University Press (Holdings) Limited		Greenwich Medical Media		Cambridge University Press Japan KK		Cambridge-Hitachisoft Educational Solutions PLC		Cambridge Knowledge (China) Limited	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Turnover			1.1				0.7			
Profit before and after taxation	(0.1)	(0.1)	(0.3)		(0.6)		(2.0)	(0.1)	(0.1)	
Fixed assets	0.7	0.7					0.6	0.2		
Current assets	0.7	0.1	0.2	1.0	0.1	0.1	0.4	1.5		
Liabilities due within one year	(1.6)	(0.8)	(0.3)	(0.8)	(0.6)		(0.4)	(0.2)	(0.0)	
Liabilities due after one year							(1.6)	(0.5)		

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.

Greenwich Medical Media is a publisher of medical books and journals. It also provides the Press with website resources.

Cambridge University Press Japan KK is a Japanese company established to provide us 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 us with improved access to the Hong Kong and Chinese market.

6 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. The designated funds, managed by Foreign & Colonial Management Ltd (equities and fixed income investments) and La Salle Investment Management Ltd (property investments), were transferred to the University of Cambridge as at 31 July 2004 (see Note 11).

	<i>General funds</i>		<i>Designated funds</i>		<i>Total funds</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</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	22.3	18.3	11.2	9.7	33.5	28.0
Purchases						
Distribution	0.5	0.6		0.6	0.5	1.2
Net investment gains/(losses)	2.0	3.4	(0.1)	1.5	1.9	4.9
Transfer to the University of Cambridge			(11.1)	(0.6)	(11.1)	(0.6)
Market value at 31 December	24.8	22.3	0.0	11.2	24.8	33.5
Asset allocation						
UK						
Equities	20.0	17.8		4.7	20.0	22.5
Fixed interest				1.1		1.1
Property				1.7		1.7
Cash				0.6		0.6
Non-UK						
Equities	4.8	4.5		2.7	4.8	7.2
Fixed interest				0.4		0.4
Total	24.8	22.3		11.2	24.8	33.5
Historic cost	17.0	16.9		9.9	17.0	26.8

7 Stock and Work in Progress

	Group		Press	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Raw materials	0.3	0.5	0.3	0.5
Work in progress	8.6	7.4	7.8	7.2
Stocks of publications	26.4	25.3	26.3	24.9
	35.3	33.2	34.4	32.6

8 Debtors

	Group		Press	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Debtors for publishing and printing services	27.9	26.9	27.9	26.6
Amounts owed by group undertakings			2.6	1.5
Prepayments and accrued interest	0.9	0.5	0.9	0.4
Pension prepayment	1.9	0.6	1.9	0.6
	30.7	28.0	33.3	29.1

9 Creditors

	Group		Press	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts falling due within one year				
Bank overdraft	7.5	1.1	7.5	1.1
Bank loans	1.0	1.0	1.0	1.0
Creditors for publishing and printing services	17.2	16.5	17.0	16.2
Amounts owed to group undertakings			0.2	
Income received in advance	12.2	9.8	12.2	9.6
Accruals	2.6	3.6	2.6	3.5
	40.5	32.0	40.5	31.4

Income received in advance represents principally cash received during the year in respect of subscriptions for journals that are yet to be issued. During the year £9.6m brought forward from 2003 was recognised as journals were issued and £12.2m was received in respect of journals to be issued in 2005.

10 Creditors

Amounts falling due after more than one year	Group		Press	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank Loans	1.5	2.5	1.5	2.5
Loan to minority interest	1.0	0.2		
	2.5	2.7	1.5	2.5

Analysis of debt

	Group		Press	
	2004 £m	2003 £m	2004 £m	2003 £m
Falling due:				
Within 1 year	1.0	1.0	1.0	1.0
Between 1 and 2 years	1.0	1.0	1.0	1.0
Between 2 and 5 years	1.5	1.7	0.5	1.5
	3.5	3.7	2.5	3.5

At 31 December 2004, the Press had in place financing of £2.5 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.

11 Designated Fund Group and Press

Following approval by the Press Syndicate, the Designated Fund was transferred to the University of Cambridge at 31 July 2004.

No designated fund income was due to the University of Cambridge at 31 December 2004 (2003 £0.6m). Other support for the University of Cambridge provided from general funds in 2004 amounted to £0.5m (2003 £0.6m).

12 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 2004, sales of printing services to the value of £8.9m were made by the Press to UCLES. At the year end, there was a debtor balance of £0.5m outstanding in favour of the Press.

Cambridge University Press is the printing and publishing house of the University of Cambridge, governed by a Statute of the University. As such the Press enters into related party transactions as described in note 11.

13 Operating Leases Group and Press

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

	Land and buildings		Other	Total
	2004	2003	2004	2003
	£m	£m	£m	£m
Expiry date:				
Less than 1 year		0.1	0.2	1.0
Between 2 and 5 years	0.1		1.5	0.6
After 5 years		0.1	0.4	0.4
	0.1	0.2	2.1	2.0
			2004	2003
			£m	£m
Operating lease charges for the year were			2.5	2.2

14 Bank Balances and Short-Term Deposits Group

	31 Dec 2003	Cashflows	Other non - cash changes	31-Dec 2004
	£m	£m	£m	£m
Cash at bank and in hand	1.7	1.8		3.5
Overdraft	(1.1)	(6.4)		(7.5)
Bank balances and short term deposits	0.6	(4.6)		(4.0)
Debt due within 1 year	(1.0)	1.0	(1.0)	(1.0)
Debt due after 1 year	(2.7)	(0.8)	1.0	(2.5)
Net funds	(3.1)	(4.4)	0.0	(7.5)

15 Pensions

In the UK, Cambridge University Press operates two defined benefit pension schemes – the Contributory Pension Fund (CPF) and the Senior Staff Pension Scheme (SSPS) – and also a defined contribution stakeholder pension arrangement. In the USA, 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 scheme is undertaken by independent qualified actuaries, using an 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 was £6.8m (2003 £4.9m) and for the defined contribution schemes was £0.3m (2003 £0.2m). There was a prepayment of £1.3m in the balance sheet representing the difference between the amount charged in the SOFA and the amount paid into the pension schemes.

A summary of the most recent valuations for the principal schemes is as follows:

	<i>CPF</i>	<i>SSPS</i>	<i>DBP</i>
Valuation date	01-Jan-04	01-Jan-04	01-Dec-03
Assumed rate of return on investments	6.5%	6.5%	7.5%
Assumed rate of increase in salaries	3.5%	3.5%	5.0%
Assumed rate of increase in pensions	3.0%	3.0%	3.5%
Assumed price inflation	2.5%	2.5%	3.5%
Total liabilities	(£66.1m)	(£54.4m)	(\$21.1m)
Assets	£65.6m	£44.3m	\$18.6m
Surplus (deficit)	(£0.5m)	(£10.1m)	(\$2.5m)

As noted in last year's annual report, it was expected that the CPF and the SSPS schemes would shift from a surplus to a deficit position once the triennial valuation had been completed. These deficits have arisen primarily as a result of the global equity market declines in 2001 and 2002. In accordance with the Governments Minimum Funding rules, the Press is providing additional funding over a 10 year period, starting with an additional contribution made to the SSPS of £2.065m in 2004.

The Press is currently considering ways in which its defined benefit schemes might be reshaped, with the dual aim of retaining a key staff benefit whilst ensuring the business can afford to keep up the required contributions.

FRS 17

Whilst the Press continues to account for pension costs in accordance with the Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required.

The Press will adopt FRS 17 in 2005.

The valuations in the table below have been updated and amended by the actuaries on an FRS 17 basis at 31 December 2004. 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>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>CPF/SSPS</i>	<i>CPF/SSPS</i>	<i>DBP</i>	<i>DBP</i>
Discount rate applied scheme	5.3%	5.5%	6.0%	7.5%
Rate of increase in salaries	3.0%	3.5%	3.5%	5.0%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%	3.0%	3.5%
Inflation assumption	3.0%	2.5%	3.0%	3.5%

The fair value of the schemes' assets so estimated at 31 December 2004, 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:

	2004	2003	2004	2003	2004	2003
Scheme assets	<i>CPF</i>	<i>CPF</i>	<i>SSPS</i>	<i>SSPS</i>	<i>DBP</i>	<i>DBP</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>\$m</i>	<i>\$m</i>
Equities	51.0	48.1	33.6	32.3	13.0	11.2
Bonds	21.9	16.5	14.4	11.1	7.2	6.1
Cash	0.3	1.3	0.6	0.9		
Total	73.2	65.9	48.6	44.3	20.2	17.3
Present value of scheme	(87.4)	(77.7)	(70.5)	(62.8)	(24.5)	(21.9)
Surplus (deficit)	(14.2)	(11.8)	(21.9)	(18.5)	(4.3)	(4.6)

Movement in surplus/(deficit) during the year

	<i>CPF</i>	<i>SSPS</i>	<i>DBP</i>
	<i>£m</i>	<i>£m</i>	<i>\$m</i>
Surplus/(deficit) in scheme at beginning of year	(11.8)	(18.5)	(4.6)
Current service cost	(4.1)	(1.2)	(1.2)
Contributions paid	3.2	3.2	1.8
Past service cost	Nil	Nil	Nil
Other finance income/(cost)	(0.4)	(0.7)	0.1
Actuarial gain/(loss)	(1.1)	(4.7)	(0.4)
Surplus/(deficit) in scheme at end of year	(14.2)	(21.9)	(4.3)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been as follows.

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

	<i>CPF</i>	<i>SSPS</i>	<i>DBP</i>
	<i>£m</i>	<i>£m</i>	<i>\$m</i>
Current service cost	4.2	1.6	1.2
Past service cost	Nil	Nil	Nil
Previously unrecognised surplus deducted from past service cost	Nil	Nil	Nil
Gains/losses on settlements or curtailments	Nil	Nil	Nil
Previously unrecognised surplus deducted from settlement or curtailment losses	Nil	Nil	Nil

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

	<i>CPF</i>	<i>SSPS</i>	<i>DBP</i>
	<i>£m</i>	<i>£m</i>	<i>\$m</i>
Expected return on pension scheme assets	3.8	2.6	1.4
Interest on pension scheme liabilities	(4.2)	(3.3)	(1.3)
	(0.4)	(0.7)	0.1

Analysis of amount recognised in statement of total recognised gains and losses for the year

	<i>CPF</i>	<i>SSPS</i>	<i>DBP</i>
Actual return less expected return on scheme assets	£2.5m	£1.6m	\$0.1m
Percentage of year end scheme assets	3.4%	3.3%	0.5%
Experience gains and losses arising on scheme liabilities	£0.2m	(£2.2m)	\$0.0m
Percentage of present value of year end scheme liabilities	0.2%	-3.1%	0.0%
Changes in assumptions underlying the present value of the scheme liabilities	(£3.9m)	(£4.1m)	(\$0.5m)
Percentage of present value of year end scheme liabilities	4.5%	5.8%	2.0%
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(£1.1m)	(£4.6m)	(\$0.4m)
Percentage of present value of year end scheme liabilities	1.3%	6.5%	1.6%

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

for the year ended 31 December 2004

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 Syndics (through their Finance Committee), 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 year ended 31 December 2004

We have audited the accounts on pages 44–65.

This report is made solely to the Press Syndicate, as a body of trustees. 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 the Press Syndicate, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As a body of trustees, the Press Syndicate is responsible for preparing the Annual Report and, as described on page 66, the accounts in accordance with applicable accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by our engagement letter dated 30 July 2002, by the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and have been 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 accounts, if proper accounting records have not been kept and if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Press Syndicate in the preparation of the accounts, and of whether the accounting policies are appropriate to Cambridge University Press's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of Cambridge University Press and of the Group as at 31 December 2004, and of the Group's incoming resources and applications of resources in the year then ended and have been properly prepared in accordance with applicable accounting standards.

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

10 JUNE 2005

Note

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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