University of Toronto Press Incorporated
Report on Financial Results - University of Toronto Business Board
For the Year Ended April 30, 2006

The University of Toronto Press had a good year from a financial point of view, particularly given the change in the US exchange rate during the year.

As the decision was made to sell the Printing division during the year (see below), the income statement and balance sheet have been structured to isolate the income and assets from the Printing division as “discontinued operations”.

Consolidated revenues of $50 million decreased by 3.1% compared to the prior year. Lower Computer sales in the Retail division accounted for the majority of the decrease in sales.

The gross profit margin of 32.4% was up 0.1% due to a change in the sales mix. The margin in the Retail division increased as a result of the relative decline in lower margin Computer sales.

Operating expenses declined by $380,000 or 2.2% from the prior year. All operating costs were managed tightly during the year, in order to minimize the impact of lower sales.

The net profit for the year was $349,000 in comparison to the previous year when a profit of $326,000 was earned. The increase in the value of the Canadian dollar had a material impact on the profit for the year, decreasing the bottom line by almost $300,000 in comparison to projected results based on the opening exchange rate.

Consolidated Balance Sheet

Accounts Receivable
The reduction in receivables primarily relates to the Distribution division. The decrease in Distribution receivables is a result of lower receivables from a large commercial customer, and lower exchange on US receivables.

Inventory
Inventories at the end of the month were down significantly from last year. Inventory levels in Retail and Scholarly Publishing were sharply lower and reflect efforts to increase returns in Retail, and reduce print runs in Scholarly Publishing.

Current assets held for sale
This represents the assets of the Printing division. The decline is primarily the result of lower inventory as efforts have been made to reduce the level of slow moving raw materials.

Liabilities
Reduced inventory purchases contributed to reduced liabilities at the year end.

Net Cash Position
The net cash position (cash less "Due to the University of Toronto") at the end of the year was a deficit of $3.0 million in comparison to the prior year deficit of $3.2 million. The major contributing factor to the company's improved cash position was the result of a reduction in accounts receivable. The loan from the University of Toronto is essentially the company's operating line of credit. The total line of credit available from the University is $10 million.

Other Highlights

A number of initiatives were implemented during the year. Some of these initiatives include:

Corporate

- Strategic plans were completed for Printing, Journals, Retail and Scholarly Publishing. A number of initiatives were started during the year as a result of these plans, some of which are noted below.

Printing

- As a result of the strategic plan, the sale of Printing was announced and significant progress made in securing a buyer. This decision was made as a result of the significant capital expenditures that would be required to be made now and continually in the future, in order to compete in a very challenging market.

Publishing

- More than150 books were published in Scholarly Publishing and over 20 titles won awards in the year.
- An online peer review system was developed in Journals as a result of Journals strategic plan.

Retail

- The bookstore at UTSC moved to a new, larger location and a new store at OCAD opened.
- A new Retail system was selected which will be implemented in the next fiscal year. This initiative was the result of the development of the strategic plan for Retail.

Distribution

- Distribution secured Wilfrid Laurier University Press and four other new clients.

UTP Print

- New equipment was installed at UTP Print and an e-commerce system was implemented. This initiative was the result of the strategic plan for UTP Print, which was prepared in the prior year.

John Yates
President, Publisher and CEO