

UNIVERSITY OF NEW SOUTH WALES PRESS LIMITED
A.C.N. 000 382 669

(A Company Limited by Guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2016.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr Peter Eichhorn (Chairman)
Ms Kathryn Bail
Mr Neil Morris
Mr Julian Manche
Professor Merlin Crossley

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year were:

— the publishing, sale, marketing, distribution and retailing of textbooks, general and scholarly books.

There were no significant changes in the nature of the principal activities during the financial year.

OPERATING RESULTS

The operating loss of the company amounted to \$323,271 (2015: Gain \$341,357). As the company is exempt from income tax, no provision has been made thereon.

DIVIDENDS PAID OR RECOMMENDED

In accordance with the company's articles, no dividends are payable from the trading surplus.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out after page 10.

REVIEW OF OPERATIONS 2016

The main activities of University of New South Wales Press Limited (UNSW Press Ltd) are book publishing, the provision of sales, marketing and representation services for Australian and other English language publishers, and retail bookselling on and beyond the UNSW campus. Operating since 1962 as a company limited by guarantee, UNSW Press Ltd is a not-for-profit entity whose directors are appointed by the Council of UNSW.

Its mission is to contribute to intellectual and cultural development in a sustainable environment by providing publishing and bookselling services which will promote the advancement and dissemination of knowledge and scholarship and enhance the international reputation of UNSW.

The UNSW Press Ltd constitution requires that its income be applied to furthering the objectives of the company.

The company actively supports UNSW's priorities outlined in the 2025 Strategy: Academic Excellence, Social Engagement and Global Impact. During the year, its strategic plan and operational activities

were reviewed by PwC as part of the University's development and implementation of the 2025 Strategy.

In 2016 the total value of sales across all divisions increased by 12%. During the year, the company received two major business awards for publishing and bookselling. The national publishing award recognised the high-quality books published in the UNSW Press and NewSouth imprints, which feature notable and original research across various disciplines. The company is a leader in promoting informed discussion and debate on national and global issues, as well as policy formulation. A history of UNSW Press and its current bibliography is available on unswpress.com and through Apple's iBooks.

UNSW Press is committed to staff development, equity and diversity, innovative business practices and keeping pace in the digital age to ensure that its activities remain of immediate value to the University community and beyond.

After a procurement process managed by UNSW, new financial software – Microsoft Dynamics Nav – was acquired in 2016 to support the business to deliver a sustainable range of services. While collecting payments remains demanding, the company recorded a very low level of bad debts relative to overall sales. Compared with other trade and educational publishers, UNSW Press pursues a rigorous writedown policy for its publishing list.

The company recorded a negative financial result due to a substantial increase in the provision for long service leave. This is a result of a change in policy on long service leave entitlements to align the company with UNSW, which was authorised by the Board of UNSW Press Ltd in November 2016. Cash reserves decreased year-on-year by \$416,855. Payments to UNSW included rental of offices on the Cliffbrook campus, parking and a wide range of IT services. Tight cost control was maintained across the business, especially in the management of freight charges and employment expenses.

Donations to the UNSW Foundation and its UNSW Press Literary Fund assist the company to publish the best non-fiction writing in Australia and works of national significance. Contributions to the Literary Fund increased in 2016 and this revenue, as well as other income from grants and industry partnerships, enables UNSW Press to advance scholarship and foster knowledge.

Supporting the production and sale of content in multiple formats and investing in digital infrastructure remains a priority for all divisions of the company. This creates opportunities to develop robust, cost-effective systems to succeed in the constantly evolving global book and educational market.

NewSouth Books and Publishing

NewSouth Books and Publishing won the Australian Book Industry Awards Small Publisher of the Year in 2016. For this prestigious business award, NewSouth demonstrated how it achieved its core objective to be innovative creators and distributors of high quality Australian books. It also demonstrated excellence across key areas of author care, staff development, sales, marketing and communications, and digital innovation.

NewSouth Books represents a range of independent Australian and international lists in Australia and New Zealand and it increased its revenue by 21% year on year. In 2015 sales of books from these industry partners represented 60% of total company revenue; in 2016 this grew to 64%.

Efficient supply to local online, specialist and independent retail outlets, as well as major book retailers and other Australian retail chains, helped to increase the commission earned on sales of these local and imported titles throughout the year.

The continued high level of activity in this division has opened up sales and licensing channels for titles published by the company and assisted the targeted sales and marketing of these books in all formats. In the publishing division, while backlist sales declined, sales of printed frontlist books increased 16% from the previous year. Customers selected printed formats of most titles, though sales in digital formats remained steady. New titles are released in a range of standard and customised print formats and all books are available in digital formats to meet the needs of libraries and other customers.

During the year, 50 books were published in the imprints UNSW Press and NewSouth. Most publishing revenue is derived from sales of general non-fiction books and books published in partnership with organisations. Scholarly monographs and edited collections by academics from UNSW and other universities are subsidised on a title-by-title basis.

Publishing contracts were completed for 56 titles, with ongoing emphasis on attracting external subsidies and grants to cover editorial and production costs. Publishing partnerships are in place with leading cultural and educational organisations such as the State Library of New South Wales, the State Library of Victoria, the Australian War Memorial and Sydney Living Museums.

Third-party contractor TL Distribution was retained for sales of NewSouth Publishing and agency titles in Australia and New Zealand and surplus stock was pulped at regular intervals to reduce storage charges. At year end, 424 titles in the UNSW Press and NewSouth imprints remained in stock, as well as one backlist title in the Redfern Legal Centre Publishing imprint. There was a 2.3% decrease in the number of units held in stock over the previous year due to efficient inventory management. All agency titles, except those from CSIRO Publishing, are accepted on consignment.

An established global print-on-demand (POD) program helped to maintain select backlist sales and ensure all active titles, especially those from publishers based outside Australia, were released on schedule and available to order and supply. Titles for which the company handles sales and distribution are regularly being added to this program to meet co-ordinated global release dates.

NewSouth Books marketed and sold e-books published by the company and managed e-book lists for several external publishers. Top sales channels are Apple, Amazon and ProQuest. Additional e-book sales in the USA and Canada were made by the company's American distributor Independent Publishers Group.

Authors are well represented at Australian writers' festivals and community events, and their books discussed in thousands of reviews, articles and interviews in print, radio, TV and social media throughout the year. Websites for NewSouth Publishing, NewSouth Books and UNSW Bookshop, as well as dominant social media networks such as Facebook, Twitter and Instagram were utilised to further promote books, writing and ideas online.

Licensed, foreign language and electronic rights sold to publishers in China, Turkey, Korea, the UK and the USA. Books published by the company continued to be supplied through global distributors based in the USA and the UK (Eurospan).

As noted, the sales, marketing and representation division – NewSouth Books – recorded significant year-on-year growth in the volume and value of agency books sold in a globally competitive publishing and retail environment.

Eight new agencies were signed in 2016, including Margaret River Press, Insight, Sterling Publishing and Global Publishers Services (GPS). NewSouth Books also began representing several new imprints as part of existing agreements with American companies Perseus – owned by Ingram Content Group since 2016 – and National Book Network.

At year end, NewSouth Books managed sales and distribution for the company's own list and 51 Australasian publishing imprints, including Aboriginal Studies Press, Magabala Books and Currency Press; university presses at ANU, Monash, RMIT and Western Australia; scientific and cultural organisations CSIRO Publishing, Museum Victoria, National Gallery of Australia, National Museum of Australia, National Library of Australia, National Portrait Gallery and Western Australian Museum; award-winning literary publishers Transit Lounge, Giramondo, Brandl & Schlesinger, Xou and Tuttle (based in Singapore).

NewSouth Books represented 23 publishing imprints from the UK and Europe, including Edinburgh University Press, Birlinn, Polygon, Hackett Publishing and Reaktion Books. There are 18 publishers from the USA and Canada, the largest of which is Perseus and its agencies (including Brookings Institution Press and Harvard Business Review Press).

Retail and UNSW Bookshop

The retail division, which operates the UNSW Bookshop, an online sales facility and a second-hand bookshop on the UNSW Kensington campus, is actively engaged in the university community, providing services to students, academic and professional staff and alumni.

In 2016 UNSW Bookshop won the Campus Bookshop of the Year Award. This is the third time in five years it has received the honour, awarded by educational publishers in the Australian Publishers Association. The Bookshop was also the winner of two category awards: Most Effective Sell Through and Marketing Initiatives and Most Effective Copyright Protection Initiatives.

The team in the Bookshop offers a high level of customised service to the UNSW community, with strong sell through of the major textbooks used in UNSW courses. There is continuing demand for both print and digital formats of textbooks and educational materials available at <https://www.bookshop.unsw.edu.au/>

In line with educational book publishing trends in the Australian market, while unit sales of textbooks in the campus store have dropped from the peak selling year in 2009, printed books remain the dominant format in use for most under-graduate courses. Digital learning platforms are used in some courses at UNSW and this has affected sales of related textbooks. After years of disruption in the educational market, there appears to be continued demand for content delivered in various formats. UNSW Bookshop manages the production of printed course materials at UNSW and sales grew in 2016 despite online options being available at no cost to students.

UNSW Bookshop also sells a range of general books and this remains a profitable and inviting part of the store, while competition from dedicated online booksellers continues to increase.

As confirmed by its award, UNSW Bookshop offered a very high level of service in its main store and returned significant savings to the University community through a general discount on purchases. Customer surveys indicate the store remains a highly valued destination for students, academic and professional staff. UNSW Bookshop staff share information with UNSW Library to assist it with providing access to learning materials. Faculty also receive feedback on student textbook usage. An upgrade of the website was completed to align branding with UNSW.

Staff operate book stalls at university events, conferences and graduations, as well as community events. Regular print and online newsletters and catalogues are circulated in the University and broader community through various social media and other community channels.

UNSW Merchandising

In 2016 the company began to consolidate the production and supply of UNSW-branded product, such as clothing and giftware. It increased the visibility of UNSW by delivering a variety of good-value, high quality branded merchandise to students, academic and professional staff, as well as alumni. As an integral part of the UNSW community, a product manager and UNSW Press' retail staff are positioned to create products to enhance UNSW's global reputation.

UNSW Bookshop is managing fulfilment of products featured on a dedicated website <http://www.unswshop.com.au/> and offers full customer service. A select range of goods is available in the campus bookstore.

The company introduced products and services targeted at each Faculty and various departments. For example, promotional and custom-made products such as clothing, cups, pens, notebooks, watches and bags. Consolidation of supply and increased volume achieved cost savings for UNSW.

Additional floor and shelf-space and a prominent location on the Kensington campus is essential to maximise sales of branded product, as well as books, textbooks and course materials. The goal is to establish an official UNSW store on campus in line with the 2025 Strategy.

Book Awards

The quality and reputation of books published in the UNSW Press and NewSouth imprints was acknowledged with six awards won in 2016 and another 17 books shortlisted in various state and national awards. This compares very favourably with other university presses and educational and trade non-fiction publishers.

Stuart Macintyre's *Australia's Boldest Experiment: War and Reconstruction in the 1940s* won the Australian History Prize in the 2016 NSW Premier's History Awards. It also won the Ernest Scott Prize, awarded to work based upon original research which is, in the opinion of the examiners, the most distinguished contribution to the history of Australia or New Zealand or to the history of colonisation. Tanya Evans' *Fractured Families: Life on the Margins in Colonial New South Wales* won the NSW Community and Regional History Prize in the 2016 NSW Premier's History Awards. *Who Bombed the Hilton* by Rachel Landers won the 2016 Nib Waverley Library Award for Literature. *Australia's Few and the Battle of Britain* by Kristen Alexander won the non-fiction category of the ACT Writing and Publishing Awards. John Newton is the national winner of The Gourmand Awards in the Best Culinary History Book category for his book *The Oldest Foods on Earth: A history of Australian native foods*.

Shortlisted titles across various categories and awards in 2016 are: *The Rise and Fall of Gunns Ltd* by Quentin Beresford (Ashurst Business Literature prize); *Oldest Foods on Earth* (Queensland Literary Awards); *Gay Sydney* by Garry Wotherspoon (Queensland Literary Awards); UNSW Professor Peter Stanley and Vicken Babkenian's *Armenia, Australia and the Great War* (Queensland Literary Awards); *Australia's Boldest Experiment* (Queensland Literary Awards); *Offshore* by UNSW's Madeline Gleeson (Queensland Literary Awards); *Darwin* by Tess Lea (Adelaide Festival Awards for Literature); *Ned Kelly* by Hugh Dolan (Educational Publishing Awards); Claire Duffy's *The Australian Schoolkids' Guide to Debating and Public Speaking* (Educational Publishing Awards); *Armenia, Australia and the Great War* (Military History Literary Prize Nib Waverley Library Awards); Carolyn Holbrook's *Anzac An unauthorised biography* (Asher Award); *Numerical Street* by Hilary Bell and Antonia Pesenti (Australian Book Industry Awards); *The Art of Free Travel* by Patrick Jones and Meg Ulman (Australian Book Industry Awards); *Eat Your History* by Jacqui Newling (Heritage Publishing category of the National Trust Awards); *Australia's Boldest Experiment* (Council Humanities Arts Social Sciences); *Numerical Street* (Children's Book Council Awards).

The Bragg UNSW Press Prize for Science Writing, launched in 2012, highlights the importance of informed public debate about scientific issues. In November 2016, Professor Fiona Stanley AC launched NewSouth's annual collection *The Best Australian Science Writing 2016* and awarded the Bragg Prizes. UNSW President and Vice-Chancellor Professor Ian Jacobs awarded the Bragg student prizes, which is supported by the Copyright Agency Cultural Fund. UNSW Deputy Vice-Chancellor (Education), Professor Merlin Crossley, served on the advisory panel for the awards and UNSW Science is a sponsor of the project. The book received positive media coverage, including several reports on the ABC, and unit sales of the collection are increasing every year as the project gains support across a range of communities, from schools to universities and beyond.

Industry Representation

The company was represented at the Frankfurt Book Fair, the London Book Fair, the Australian Booksellers Association conference, the Leading Edge conference, the Campus Booksellers Association meetings, an International Convention of University Presses in Frankfurt, Australian Publisher's Association events and other book industry gatherings. UNSW Press is a member of the Association of American University Presses and chief executive Kathy Bail attended its annual conference in Philadelphia in June 2016.

Kathy Bail is an elected member of the Trade Committee of the Australian Publishers' Association. She is a member of the advisory council of UNSW Arts & Social Sciences. In January 2016 she was appointed to the Library Council of NSW. She is the chair of the Education & Scholarship Advisory Board at the State Library of NSW.

As stated in the constitution, the Vice-Chancellor of UNSW is the sole member of UNSW Press Ltd. Mr Peter Eichhorn is the Chairman, and other directors are Mr Neil Morris, Professor Merlin Crossley and Mr Julian Manche.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than those reported in the Review of Operations above, there were no significant changes in the state of affairs of the entity during the financial year.

FUTURE DEVELOPMENTS

Likely developments in the operations of the company and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the company.

ENVIRONMENTAL ISSUES

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INFORMATION ON DIRECTORS

Mr Peter Eichhorn	— Director (Non-executive) (Chairman)
Experience	— Former owner and director of Australian publisher, Allen and Unwin
Special Responsibilities	— Chair of the Board
Ms Kathryn Bail	— Chief Executive Officer
Qualifications	— BA (Hons)
Experience	— Magazine editing and media management, Company director
Mr Neil Morris	— Director (Non-executive)
Qualifications	— BA
Experience	— Vice-President, Campus Life and Community Engagement, UNSW
Mr Julian Manche	— Director (Non-executive)
Qualifications	— BBUS, BA
Experience	— UNSW Finance Executive
Professor Merlin Crossley	— Director (Non-executive)
Qualifications	— BSC PhD
Experience	— Deputy Vice-Chancellor Education, UNSW
Meetings of Directors	— During the financial year, 4 meetings of directors were held. The number of meetings attended by each director during the year is stated in this report.

COMPANY SECRETARY

Mr David Moody — Company secretary

Qualification — MBA, BComm, FCPA, F Fin

Experience — Commercial management across a number of industries

BOARD OF DIRECTORS

During 2016 UNSW Press Limited had a Board consisting of the following:

Mr Peter Eichhorn (Chairman)
Ms Kathryn Bail
Mr Neil Morris
Mr Julian Manche
Professor Merlin Crossley

MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company.

MEETINGS OF DIRECTORS

During the financial year, 4 meetings of directors (including committees) were held. Attendances were:

DIRECTORS' MEETINGS		
	Number eligible to attend	Number Attended
Ms Kathryn Bail	4	4
Mr Peter Eichhorn	4	4
Mr Neil Morris	4	4
Mr Julian Manche	4	4
Professor Merlin Crossley	4	4

INDEMNIFICATION OF OFFICERS AND AUDITORS

The company is indemnified by the parent entity's insurance (UNSW), to cover the directors of the company (as named above), the company secretary and all executive officers of the company against liabilities and claims brought against them, to the extent permitted by law.

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

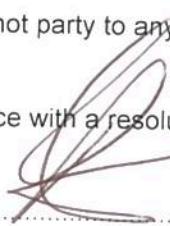
- indemnified or made any relevant agreement for indemnifying against a liability incurred by an officer or an auditor, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred by an officer or an auditor for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.



PETER EICHHORN
Director



KATHRYN BAIL
Director

Dated this

21st

day of

MARCH

2017

DIRECTORS' DECLARATION

University of New South Wales Press Limited

In accordance with a resolution of the Directors of the University of New South Wales Press Limited and pursuant to Section 295(4) of the Corporations Act 2001 and Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we state that:

1. the attached general purpose financial statements present a true and fair view of the financial position of the Company at 31 December 2016 and the financial performance of the Company for the year there ended;
2. the financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015 and the Corporations Act 2001;
3. the financial statements have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and authoritative pronouncements of the Australian Accounting Standards Board;
4. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and,
5. As of the date on which this declaration is signed the Directors are not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors, and on behalf of the Directors.

Director



Peter Eichhorn

Director



Kathryn Bail

Dated this 21st day of March 2017



To the Directors
University of New South Wales Press Limited

Auditor's Independence Declaration

As auditor for the audit of the financial statements of University of New South Wales Press Limited for the year ended 31 December 2016, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A Oyetunji
Director, Financial Audit Services

20 March 2017
SYDNEY

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
Revenue from continuing operations	3	<u>13,903,853</u>	<u>13,952,599</u>
Cost of sales		(4,905,237)	(4,990,416)
Employee benefits expense	16	(4,343,565)	(3,926,720)
Depreciation and amortisation expense	12	(30,487)	(38,320)
Finance costs – UNSW		-	(2,310)
Other expenses from continuing operations	4	<u>(4,947,835)</u>	<u>(4,653,476)</u>
Total expenses from continuing operations		<u>(14,227,124)</u>	<u>(13,611,242)</u>
Net operating result for the year		<u>(323,271)</u>	<u>341,357</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(323,271)</u>	<u>341,357</u>

The accompanying notes form part of the financial statements.

UNIVERSITY OF NEW SOUTH WALES PRESS LIMITED
A.B.N. 40 000 382 669

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	8	1,752,759	2,169,614
Receivables	9	4,812,886	4,088,466
Inventories	10	1,094,882	1,119,017
Financial assets	11	18,970	-
TOTAL CURRENT ASSETS		<u>7,679,497</u>	<u>7,377,097</u>
NON-CURRENT ASSETS			
Plant and equipment	12	84,996	81,666
Intangibles	13	48,150	-
TOTAL NON-CURRENT ASSETS		<u>133,146</u>	<u>81,666</u>
TOTAL ASSETS		<u>7,812,643</u>	<u>7,458,763</u>
CURRENT LIABILITIES			
Trade and other payables	14	6,126,961	5,887,170
Provisions	15	1,255,224	829,137
Financial liabilities	11	-	14,728
TOTAL CURRENT LIABILITIES		<u>7,382,185</u>	<u>6,731,035</u>
NON-CURRENT LIABILITIES			
Provisions	15	73,000	47,000
TOTAL NON-CURRENT LIABILITIES		<u>73,000</u>	<u>47,000</u>
TOTAL LIABILITIES		<u>7,455,185</u>	<u>6,778,035</u>
NET ASSETS		<u>357,458</u>	<u>680,728</u>
EQUITY			
Retained Surplus	17	357,458	680,728
TOTAL EQUITY		<u>357,458</u>	<u>680,728</u>

The accompanying notes form part of the financial statements.

UNIVERSITY OF NEW SOUTH WALES PRESS LIMITED
A.B.N. 40 000 382 669

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Retained Surplus \$	Total \$
Balance at 1 January 2015	339,372	339,372
Total comprehensive income for the year	341,357	341,357
Balance at 31 December 2015	<u>680,729</u>	<u>680,729</u>
Balance at 1 January 2016	680,729	680,729
Total comprehensive income for the year	(323,271)	(323,271)
Balance at 31 December 2016	<u>357,458</u>	<u>357,458</u>

The accompanying notes form part of the financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,915,044	24,192,323
Interest received		31,717	39,566
Payments to suppliers and employees		(26,288,923)	(23,621,280)
Interest and other costs of finance paid		-	(2,310)
Net cash provided by / (used in) operating activities	7	<u>(342,162)</u>	<u>608,299</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment and Intangibles		(81,966)	(10,498)
Proceeds from sale of plant and equipment		7,273	10,323
Net cash used in investing activities		<u>(74,693)</u>	<u>(175)</u>
Net increase / (decrease) in cash and cash equivalents		(416,855)	608,124
Cash and cash equivalents at the beginning of the financial year		<u>2,169,614</u>	<u>1,561,490</u>
Cash and cash equivalents at end of year	8	<u><u>1,752,759</u></u>	<u><u>2,169,614</u></u>

The accompanying notes form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1: MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company. As at 31 December 2016 the number of members was 1 (2015:1). The financial statements are for the entity (University of New South Wales Press Limited) as an individual entity, incorporated and domiciled in Australia. University of New South Wales Press Ltd (UNSW Press Ltd) is a controlled entity of UNSW.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Public Finance and Audit Act 1983 and Regulation.

The financial statements for the year ended 31 December 2016 were authorised for issue by the Board on 21 March 2017.

UNSW Press Ltd is a "not-for-profit" entity.

All amounts are presented in Australian dollars.

Going Concern

The financial statements have been prepared on a going concern basis as the Board believe the additional financial support available from the University of New South Wales (refer notes 11(a) and (b)) will enable the Company to meet its debts as and when they become payable for a period of 12 months from the date the financial statements were authorised.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the provision for book returns, the write downs of inventories and the impairment of royalties paid in advance.

The provision for book returns is calculated based on an estimate of the margin on books expected to be returned in the first 4 months of the financial year. This is the period that corresponds to the main returning period as per the terms and conditions of sales.

The writedown of inventory value is based on a standard formula that takes into account the type of book and the original date of publication.

The impairment of royalties in advance takes into account advances made to authors that in the view of management will not be earned from future royalty payments.

(b) Accounting Records

As required by Section 41B(1) of the Public Finance and Audit Act 1983 the company has kept proper accounts and records in relation to all of its operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(c) Income Tax

The company is exempt from payment of income tax under Sec 50-5 of the Income Tax Assessment Act 1997 and is a rebateable body in terms of Sec. 65 J of the Fringe Benefits Tax Assessment Act 1986.

(d) Plant and Equipment / Intangibles

Each class of asset is carried at cost less, where applicable, any accumulated depreciation / amortization.

The company complies with the UNSW policy and only capitalises fixed assets and intangibles in excess of \$5,000 or greater individually.

Depreciation

Fixed assets are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Leasehold improvements	10-44%
Plant and equipment	15-33%

Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

All leases held are currently operating leases. The monthly lease payments and timing are fixed and not affected by changes in interest rates.

(f) Inventories

Inventories are valued on a weighted average cost basis at the lower of cost and net realisable value, and have been written-down according to a stock write-down policy which is based on a strict ageing of published books. To ensure maintenance of net realisable value several classifications have been made with differing write-down periods. All books are written off within 3 years of publication.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(g) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at 31 December are converted at the rates of exchange ruling at that date. Exchange differences are recognised in Other Expenses/Other Revenue in the period in which they arise.

The use of financial instruments (such as forward currency contracts) to mitigate foreign exchange risk is assessed by Management on a case by case basis.

(h) Employee Benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to 31 December. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Annual leave expected to be settled after one year is not discounted as discounting is not considered to have a material impact. The provision for long service leave is based on the present value of the estimated future cash outflows to employees for services provided by employees up to the reporting date. The provision for long service leave is calculated by an external actuary appointed by the University of New South Wales.

Contributions are made by the company to employee superannuation funds and charged as expenses when incurred.

(i) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

Cash deposits earn interest at the market rate available. The balance of cash and interest earned on deposits is monitored regularly by senior management.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(k) Revenue Recognition

Revenue is recognised when the service is provided to the customer, or by reference to the stage of completion.

Most publishing sales are made on a 'Sale or Return' basis. This means goods can be returned between three and twelve months of the original sale. A provision is raised to cover the potential impact of these returns across financial years. The provision is calculated by using the gross margin on sales based on historical cost.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

Commission earned on consignment sales made on behalf of other publishers is recognised as revenue when these products are invoiced to customers.

(l) Trade Receivables

Trade receivables are recognised as the amount due less an allowance for impairment.

Trade receivables are due for settlement within 30 days of the end of the month in which the debt is incurred, except in specialised circumstances. Some customers are given extended payment terms beyond 30 days for commercial reasons.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off, and this requires the approval of the Chairman. An allowance for impaired receivables is established when there is objective evidence that UNSW Press Ltd will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the allowance is recognised in the statement of comprehensive income.

The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the provision for impaired receivables. Subsequent recoveries of amounts previously written off are credited against bad and doubtful debts in the Statement of Comprehensive Income.

(m) Accounts Payable

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. These amounts are unsecured.

(n) Royalty Paid In Advance

Royalties paid in advance are adjusted to cover advances paid, that are unlikely to be recovered, due to royalties earned on a book being less than the original advance. Movements are recognised in the net operating result for the year.

(o) Comparative Figures

Comparative figures have been reclassified and repositioned in the financial statement, where necessary, to conform with the basis of presentation and classification used in the current year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(p) Standards Issued but not yet Effective for the reporting period

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 period. Management has decided not to early adopt any of these standards.

AASB 9	Financial Instruments	Annual reporting periods beginning on or after 1 January 2018 ¹
AASB 15	Revenue from Contracts with Customers	Annual reporting periods beginning on or after 1 January 2018 ²
AASB 1058	Income of Not-for-Profit Entities	Annual reporting periods beginning on or after 1 January 2019 ³
AASB 16	Leases	Annual reporting periods beginning on or after 1 January 2019 ⁴
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Annual reporting periods beginning on or after 1 January 2018 ¹
AASB 2014-1	Amendments to Australian Accounting Standards (Part E: Financial Instruments)	Annual reporting periods beginning on or after 1 January 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Annual reporting periods beginning on or after 1 January 2018 ²
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Annual reporting periods beginning on or after 1 January 2018 ¹
AASB 2015-6	Amendments to Australian Accounting Standards - Extended Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10 & AASB 124]	Annual reporting periods beginning on or after 1 July 2016 ⁵
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	Annual reporting periods beginning on or after 1 January 2017 ²
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Statements of Cash flows (AASB 107)	Annual reporting periods beginning on or after 1 January 2017
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	Annual reporting periods beginning on or after 1 January 2018 ²
AASB 2016-4	Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-profit entities [AASB 136]	Annual reporting periods beginning on or after 1 January 2017
AASB 2016-7	Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	Annual reporting periods beginning on or after 1 January 2017 ²
AASB 2016-8	Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities [AASB 9 & AASB 15]	Annual reporting periods beginning on or after 1 January 2019 ²

¹The likely impact on the first time adoption of the standard for the year ending 31 December 2018 may include increased volatility in the income statement. This is primarily as a result of changes in available-for-sale financial assets recognition criteria.

²The mandatory effective date of AASB 15 for Not-for-profit entities has been deferred to annual reporting periods beginning on or after 1 January 2019. The likely impact on the first time adoption of the standard for the year ending 31 December 2019 may include a change to the timing of when revenue from contracts with customers can be recognised.

³This replaces AASB1004 Contributions and will work in conjunction with AASB 15. The likely impact on the first time adoption of the standard for the year ending 31 December 2019 may include a change to the timing of when revenue from grants and donations can be recognised.

⁴The likely impact on the first time adoption of the standard for the year ending 31 December 2019 is recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value. The initial measurement of assets and liabilities arising from a lease are initially measured on a present value basis, and recognition of depreciation of lease assets and interest on lease liabilities will be recorded in the income statement over the lease term.

⁵The likely impact on the first time adoption of the standard for the year ending 31 December 2017 may include increased disclosure requirements relating to related party transactions. Comparative information will not be required in the first year of application

The remaining new or amended accounting standards are not expected to have a significant impact on the company's financial statements.

(q) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016 \$	2015 \$
NOTE 3: REVENUE FROM CONTINUING OPERATIONS		
Operating Revenue		
— sale of goods	8,371,834	8,447,388
— commission received	5,170,279	4,298,650
— interest received	31,717	39,566
— other revenue	330,023	1,166,995
	<hr/>	<hr/>
Total Revenue from continuing operations	13,903,853	13,952,599
	<hr/>	<hr/>

	2016 \$	2015 \$
NOTE 4: OTHER EXPENSES FROM CONTINUING OPERATIONS		
Other expenses		
Bad and doubtful debts	(25,536)	(32,793)
Freight and fulfilment expense	(3,297,335)	(2,901,881)
Occupancy, equipment, communications and consumables	(557,748)	(575,677)
Inventory write down	(294,566)	(290,355)
Travel and entertainment	(146,931)	(137,267)
Royalty	(295,211)	(267,333)
Audit Fee	(39,140)	(39,140)
Payment to UNSW based on management agreement	-	3,046
Advertising and Promotion	(135,216)	(100,842)
Website	(10,561)	(35,105)
Other expenses	(145,591)	(276,129)
	<hr/>	<hr/>
Total other expenses	(4,947,835)	(4,653,476)
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

NOTE 5: DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Directors

The following persons were directors of UNSW Press Ltd during the financial year:

(i) Chairman – non-executive

Mr. Peter Eichhorn

(ii) Executive director

Ms Kathryn Bail, Chief Executive Officer

(iii) Non-executive directors

Mr Peter Eichhorn

Mr Neil Morris

Mr Julian Manche

Professor Merlin Crossley

(b) Executives

The CEO of UNSW Press Ltd is Ms Kathryn Bail. She is responsible for the general management of UNSW Press Ltd.

(c) Remuneration of directors and executives

(i) Directors' fees

The remuneration paid to the Chairman includes an amount for his membership of the Board.

Non-executive directors employed by UNSW receive no remuneration for their membership of the Board.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

NOTE 5: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

(d) Details of remuneration

Details of the remuneration of each director of UNSW Press Limited is set out in the following tables

2016		Primary		Post-employment	
Name	Cash Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
Ms Kathryn Bail	238,199	-	2,063	39,541	279,803
Mr. Peter Eichhorn	14,400	-	-	-	14,400
Total	252,599	-	2,063	39,541	294,203

2015		Primary		Post-employment	
Name	Cash Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
Ms Kathryn Bail	231,256	-	2,809	21,969	256,034
Mr. Peter Eichhorn	14,400	-	-	-	14,400
Total	245,656	-	2,809	21,969	270,434

2016
\$

2015
\$

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditors of the company for:

- Auditing the financial report (GST exclusive)

39,140

39,140

Auditors did not receive any other benefits from the audit of the annual report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016 \$	2015 \$
NOTE 7: RECONCILIATION OF NET OPERATING RESULT FOR THE YEAR TO CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net operating result for the year	(323,271)	341,357
Adjustment for:		
Depreciation and amortisation	30,487	38,319
(Profit)/Loss on disposal of plant and equipment	(7,273)	-
Write Off of Long Term Debt	-	(250,000)
Changes in operating assets and liabilities:		
(Decrease)/Increase in provisions	452,087	(3,754)
(Increase)/Decrease in receivables	(724,420)	(709,620)
(Increase)/Decrease in inventories	24,135	(49,910)
Increase/(Decrease) in trade and other payables	206,093	1,241,907
Net cash provided by / (used in) operating activities	<u>(342,162)</u>	<u>608,299</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016 \$	2015 \$
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash on hand	41,000	16,000
Cash at bank	1,711,759	2,153,614
	<u>1,752,759</u>	<u>2,169,614</u>

The above figures are reconciled to cash at the end of the year as shown in the Statement of Cash Flows as follows:

Balance as above	1,752,759	2,169,614
Balance as per Statement of Cash Flows	<u>1,752,759</u>	<u>2,169,614</u>

NOTE 9: RECEIVABLES

CURRENT

Trade debtors	4,367,306	3,714,884
Allowance for impairment	(60,261)	(44,753)
	<u>4,307,045</u>	<u>3,670,131</u>
Prepayments	238,817	194,232
Other debtors	193,497	214,160
Amounts receivable from:		
— UNSW	73,527	9,943
	<u>4,812,886</u>	<u>4,088,466</u>

(a) Impaired receivables

Terms of trade are 30 days. As of 31 December 2016 current receivables of UNSW Press Ltd with a nominal value of \$60,261 were impaired. Receivables between 90 days to 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to past default experience.

The aging analysis of these receivables is as follows:

	2016 \$	2015 \$
91 -365 days	60,261	44,753
Total	60,261	44,753

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

As at 31 December 2016, current receivables of UNSW Press Ltd of \$734,593, were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016	2015
30 – 60 days	620,202	496,665
61 – 90 days	78,212	23,376
Over 90 days	36,179	8,836
Total	734,593	528,877

Movements in the allowance for impairment of receivables are as follows:

	2016 \$	2015 \$
At 1 January	44,753	28,135
Additional Provision during the Year	25,536	32,793
Receivables written off during the year	(10,028)	(16,175)
At 31 December	60,261	44,753

Increases in the allowance for impairment are included in 'other expenses' in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The carrying amount of the company receivables are denominated in Australian dollars.

2016	2015
\$	\$

NOTE 10: INVENTORIES

CURRENT

Work in progress at cost

Finished goods at cost

51,176	87,492
740,482	739,574
<u>791,658</u>	<u>827,066</u>

Finished goods at net realisable value

303,224	291,951
<u>303,224</u>	<u>291,951</u>
<u>1,094,882</u>	<u>1,119,017</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

NOTE 11: FINANCIAL ASSETS AND LIABILITIES	2016	2015
	\$	\$
CURRENT		
- Forward Contract Assets	18,970	-
- Forward Contract Liabilities	-	(14,728)
TOTAL CURRENT	18,970	(14,728)

(a) Loan from related parties

The secured loan is provided by UNSW for the purpose of meeting ordinary operating expense, such as stock purchases and salaries. The total fund facility of \$750,000 (2015: \$750,000) cannot be withdrawn without UNSW providing at least one year's written notice of its intention to do so. None of the loan facility was drawn at 31 December 2016 (2015: Nil).

(b) Letter of comfort from related parties

UNSW issued a letter of comfort limited to a total of \$1,400,000 to the Company to meet their debts as and when they become due and payable. The terms in the letter remain in place at the date of this report and for a period of 12 months from the date of the audit report delivered by the Audit Office of New South Wales on the 31 December 2016 financial report of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016	2015
	\$	\$
NOTE 12: PLANT AND EQUIPMENT		
Plant and equipment		
Gross carrying amount	650,901	652,397
Accumulated depreciation	(565,905)	(570,731)
	<u>84,996</u>	<u>81,666</u>
Leasehold improvements		
Gross carrying amount	87,770	87,770
Accumulated depreciation	(87,770)	(87,770)
Total leasehold improvements	<u>-</u>	<u>-</u>
Total plant and equipment	<u>84,996</u>	<u>81,666</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Leasehold Improvements	Plant and Equipment	Total
At 1 January 2015			
Net book amount	-	119,811	119,811
Year ended 31 December 2015			
Opening net book amount	-	119,811	119,811
Additions	-	10,498	10,498
Disposals of fixed assets	-	(10,323)	(10,323)
Depreciation expense	-	(38,320)	(38,320)
Closing net book amount	<u>-</u>	<u>81,666</u>	<u>81,666</u>
At 1 January 2016			
Net book amount	-	81,666	81,666
Year ended 31 December 2016			
Opening net book amount	-	81,666	81,666
Additions	-	33,816	33,816
Disposals of fixed assets	-	-	-
Depreciation expense	-	(30,486)	(30,486)
Closing net book amount	<u>-</u>	<u>84,996</u>	<u>84,996</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016	2015
	\$	\$
NOTE 13: INTANGIBLES		
Intangible assets		
Gross carrying amount	178,430	178,430
Accumulated amortisation	(178,430)	(178,430)
	<u>-</u>	<u>-</u>
Intangible assets		
(under development)	48,150	-
Total Intangibles	<u>48,150</u>	<u>-</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for intangible assets between the beginning and the end of the current financial year

	Computer Software (Under Development)
At 1 January 2015	
Net book amount	-
Year ended 31 December 2015	
Opening net book amount	-
Amortisation expense	-
Closing net book amount	-
At 1 January 2016	
Net book amount	-
Year ended 31 December 2016	
Opening net book amount	-
Additions- internal development	48,150
Amortisation expense	-
Closing net book amount	<u>48,150</u>

	2016	2015
	\$	\$
NOTE 14: PAYABLES		
CURRENT		
Unsecured liabilities: -		
Trade creditors	3,876,577	3,645,881
Sundry creditors and accrued expenses	2,198,492	2,057,745
	<u>6,075,069</u>	<u>5,703,626</u>
Amounts payable to:		
— UNSW	51,892	183,544
Total	<u>6,126,961</u>	<u>5,887,170</u>

The carrying amount of the company payables are denominated in Australian dollars.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016	2015
	\$	\$
NOTE 15: PROVISIONS		
CURRENT		
Provision expected to be settled within 12 months		
- Annual leave	156,224	157,228
- Long service leave	81,000	46,000
- Provision for book returns	253,000	253,000
Provision expected to be settled greater than 12 months		
- Annual leave	62,000	63,909
- Long service leave	703,000	309,000
TOTAL	<u>1,255,224</u>	<u>829,137</u>
NON-CURRENT		
Employee benefits		
- Long service leave	73,000	47,000
TOTAL PROVISIONS	<u>1,328,224</u>	<u>876,137</u>

- (a) Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Balance at the beginning of the year	253,000	215,000
Provisions made during the year	-	38,000
Provisions used during the year	-	-
TOTAL	<u>253,000</u>	<u>253,000</u>

Information about individual provisions and significant estimates:

Employee benefits

The provision for employee benefits relates to the Company's liability for long service leave and annual leave.

The company changed the LSL calculation by adopting the same basis for LSL entitlement as UNSW.

Book Returns

Provision is made for the estimated returns in respect of books sold prior to the end of the financial year.

The provision is based on an estimate of the margin on books expected to be returned in the first four months of the financial year. This is the period which corresponds to the main returning period as per the terms and conditions of sales.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

	2016	2015
NOTE 16: EMPLOYEE BENEFITS EXPENSE	\$	\$
Wages	3,004,485	3,182,609
Superannuation	282,074	295,658
Annual and LSL leave	452,086	(41,754)
Others	604,920	490,207
	<u>4,343,565</u>	<u>3,926,720</u>

	2016	2015
NOTE 17: RETAINED SURPLUS	\$	\$
Retained surplus at the beginning of the financial year	680,729	339,371
Operating result for the period	(323,271)	341,357
Retained surplus at the end of the year	<u>357,458</u>	<u>680,729</u>

NOTE 18: FINANCIAL RISK MANAGEMENT

UNSW Press Ltd's activities expose it to a variety of financial risks: market risk (which may include currency risk, price risk, and interest rate risk), credit risk and liquidity risk. UNSW Press Ltd's overall risk management program seeks to minimise potential adverse effects due to the unpredictability of financial markets.

UNSW Press Ltd does not speculatively trade in derivative instruments, and it uses different methods to measure different types of risk. These methods include sensitivity analysis in the case of interest rate risk, and ageing analysis for credit risk.

(a) Board of Directors

During 2016 UNSW Press Ltd had a Board consisting of the following:

Mr Peter Eichhorn (Chairman)
Ms Kathryn Bail
Mr Neil Morris
Mr Julian Manche
Professor Merlin Crossley

(b) Market risk

(i) Foreign exchange risk

UNSW Press Ltd performs few foreign currency transactions. Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at 31 December are converted at the rates of exchange ruling at that date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

The use of financial instruments (such as forward currency contracts) to mitigate foreign exchange risk is assessed by Management on a case by case basis. UNSW Press has no material exposure to foreign exchange risk at year-end.

At 31 December 2016, had the Australian dollar strengthened/ (weakened) by 11.62% against the US dollar, the fair value of forward currency contracts recognized by UNSW Press Ltd (note 11) would have decreased by \$48,198/ increased by \$60,815.

The fair value of forward currency contracts are determined under level 2 of the fair value hierarchy specified in AASB13: Fair Value Measurement.

(ii) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

UNSW Press is not exposed to securities price risk and commodity price risk.

(iii) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

UNSW Press Ltd's main interest rate risk arises from cash and cash equivalents.

A sensitivity of 25 basis points was selected as this was considered reasonable given the current level of both short term and long term Australian dollar interest rates. At 31 December 2016, if interest rates had changed by +/- 25 basis points with all other variables held constant, operating result for the year and equity for the entity would have been \$4,279 lower/higher. This is mainly as a result of lower/higher interest income from cash and cash equivalents.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the entity's financial assets and financial liabilities to interest rate risk.

31 December 2016	Carrying amount \$	Interest rate risk			
		-0.25%		+0.25%	
		Operating Result \$	Equity \$	Operating Result \$	Equity \$
Financial Assets					
Cash at bank	1,711,759	(4,279)	(4,279)	4,279	4,279
Sundry debtors	4,556,582	-	-	-	-
Financial Liabilities					
Sundry creditors	(5,840,442)	-	-	-	-
Total increase/(decrease)		(4,279)	(4,279)	4,279	4,279

31 December 2016	Carrying amount \$	Foreign Exchange risk			
		-11.62%		+11.62%	
		Operating Result \$	Equity \$	Operating Result \$	Equity \$
Financial Assets					
Forward contract	18,970	60,815	60,815	(48,198)	(48,198)
Total increase/(decrease)		60,815	60,815	(48,198)	(48,198)

31 December 2015	Carrying amount \$	Interest rate risk			
		-0.5%		+0.5%	
		Operating Result \$	Equity \$	Operating Result \$	Equity \$
Financial Assets					
Cash at bank	2,153,614	(10,768)	(10,768)	10,768	10,768
Sundry debtors	3,738,917	-	-	-	-
Financial Liabilities					
Sundry creditors	(5,475,113)	-	-	-	-
Total increase/(decrease)		(10,768)	(10,768)	10,768	10,768

31 December 2015	Carrying amount \$	Foreign Exchange risk			
		-11.68%		+11.68%	
		Operating Result \$	Equity \$	Operating Result \$	Equity \$
Financial Liabilities					
Forward contract	(14,728)	88,202	88,202	(69,778)	(69,778)
Total increase/(decrease)		88,202	88,202	(69,778)	(69,778)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(c) Credit risk

Credit risk is the risk that a counter party will not complete its obligations under a financial instrument and cause a financial loss for the other party.

UNSW Press Ltd is exposed to credit risk arising from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the accounts receivable supervisor assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The carrying amounts of financial assets recognised in the Statement of Financial Position, and disclosed in more detail in notes 8 and 9 best represents the entity's maximum exposure to credit risk at the reporting date. In respect to those financial assets and credit risk embodied within them, the entity holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in the credit quality. There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, be past due or impaired.

To manage the risk of Trade Receivables, the following procedures are followed:

- The credit worthiness of all new customers is assessed before an account is established.
- All customers are issued with a copy of the 'Terms and Conditions of Sale' upon establishment of an account.
- At the conclusion of the month each customer is sent a copy of their account statement.
- Any customer with a debit exceeding payment terms by more than 30 days is placed on stop credit. A customer on stop credit cannot receive stock until payment is received and their account is returned to payment terms.
- At the commencement of each month, all customers with a debt exceeding payment terms are contacted to discuss the current state of their account.
- Major accounts are reconciled at month end, and reviewed by senior management.
- A report on the state of customers debts, including the current stop credit list is presented to the Company's Board on a regular basis.

(d) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, and cash flow of the business is constantly monitored.

To manage risk the following procedures are followed:

- All purchases made on behalf of the company must be authorised.
- Authorisation limits exist for purchasing.
- No employee can authorise a purchase (excluding stock purchases) above \$10,000 without the approval of the Chief Executive Officer or Chief Operating Officer.
- All payments made require the signature of at least two authorised personnel.
- Any payment in excess of \$200,000 requires the authorisation of a member of the Board of Directors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

- All payments are made within payment terms.
- The accounts reconciliation is reviewed by senior management on a monthly basis.

The table below analyses the UNSW Press Ltd's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Sundry creditors	5,840,442	-	-	-	5,840,442
Total	5,840,442	-	-	-	5,840,442

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Sundry creditors	5,475,113	-	-	-	5,475,113
Total	5,475,113	-	-	-	5,475,113

(e) Credit Standby Arrangements with Banks	2016	2015
	\$	\$
Credit facility		
- ANZ Bank	50,000	50,000
Amount utilised	-	-
Unused credit facility	<u>50,000</u>	<u>50,000</u>

The major credit facility is summarised as follows:

A bank overdraft facility is arranged with ANZ bank with the general terms and conditions being set and agreed to annually.

Interest rates are variable and subject to adjustment.

(f) Loan Facilities	2016	2015
	\$	\$
Loan facilities	750,000	750,000
Amount utilised	-	-
Unused credit facility	<u>\$750,000</u>	<u>\$750,000</u>

The secured loan facility is provided by the parent entity (UNSW). The loan facility is secured against the stock of the Bookshop and all other assets owned by UNSW Press. The unused facility can be drawn down at any time by UNSW Press providing at least one week's written notice to the Director of Group Treasury and Investments (UNSW), explaining the purpose for which the funds are required.

UNSW will not withdraw the facility without giving UNSW Press at least one year's notice of its intention to withdraw the facility.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

(g) Fair Value Measurements

i. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history, it is expected that the receivables that are neither past due or impaired will be received when due.

The carrying amounts of all remaining financial assets and liabilities at balance date are considered a reasonable approximation of their fair value.

	2016	2015
NOTE 19: CAPITAL AND OPERATING LEASE COMMITMENTS	\$	\$

The company did not have any capital or operating lease commitments as at 31 December 2016 (2015: nil)

	<u>188,586</u>	<u>183,091</u>
Lease expense during the year		

There is no formal lease agreement for the premises occupied by the company. The premises are provided by the parent entity, UNSW and paid for at an agreed rate on a month by month basis, except for the retail premises occupied by UNSW Bookshop. The cost of occupying the UNSW Bookshop is covered through a variable management fee, as set out in a management agreement between UNSW and UNSW Press Ltd. As a result, there are no occupancy related lease commitments.

NOTE 20: CONTINGENT LIABILITIES

There is no material amounts of contingent liabilities not provided for in the financial statements. (2015: nil)

NOTE 21: STATEMENT OF OPERATIONS BY SEGMENTS

The company operates substantially in a single segment, the publishing, distribution and sale of books, mainly in Australia.

NOTE 22: RELATED PARTIES

Under a management agreement with the parent entity, UNSW, the following are the related party transactions:

- (1) Share of profit of UNSW bookshop operation is Nil (2015: \$0)
- (2) Rental payment at Coogee premises \$188,586 (2015: \$183,091)
- (3) UNSW interest bearing loan facility of \$750,000. None of the loan was drawn down during 2016.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

NOTE 23: COMPANY DETAILS

The registered office of the company is:
University of New South Wales Press Limited
45 Beach Street
Coogee NSW 2034

The principal place of business is:
University of New South Wales Press Limited
45 Beach Street
Coogee NSW 2034

NOTE 24: POST BALANCE SHEET EVENTS

There are no post balance sheet events.

END OF AUDITED FINANCIAL STATEMENTS