

ANNUAL REPORT TO MEMBERS OF BOOKSELLERS NZ FOR THE FINANCIAL YEAR TO 31 MARCH 2015

FROM THE CHAIR

It has been another variable year for booksellers, we have heard about sales reaching record highs, but some have weathered despondent lows. This is my third annual report from the Chair and I am heartened by the statistics of late showing an upturn in book sales for the calendar year-to-date of 5.1% by value. This bodes well for the future of bookselling in New Zealand. Although there have been more shop closures, we are beginning to hear of stores changing hands which is also encouraging. Your Association, board and staff continues to work hard on projects which will support member stores.

E-books are still on our landscape, although sales do not seem to be experiencing the growth they saw two or three years ago. For those of you engaged in this market, particularly those who are selling devices, there are moves afoot to increase the margins in this area. We have learned from experience that these negotiations may take time but we are confident of a positive outcome.

Educating the public to realise that online purchases can be made from kiwi booksellers is finding some degree of success. Some stores are reporting significant increases in sales from their e-commerce websites. Their success can generally be contributed to the marketing they do through their websites. Social media continues to be a significant tool for booksellers in communicating with customers and encouraging them to visit their websites. These same customers are increasingly mobile and those shops that have responsive websites that properly display on mobile devices are a step ahead in this field.

Publishing in New Zealand continues to be a ferment of change. We no longer have a major international publishing house distributing from within this country and there continues to be stress with regard to supply. However, the New Zealand open market is helpful in enabling booksellers to meet urgent demand. There has also been a considerable increase in the number and capability of home grown publishers and the development of quality self-published books.

The momentum for change to overcome unfair competition from foreign online booksellers that are not required to collect GST is progressing well. The government is at least changing its language and indicating that it is a problem which must be fixed. More though needs to be done and we are seeking a firm commitment and timetable from government to close the loophole. It is important that our members assist in putting pressure on Parliament to make the necessary changes. The CEO and management team have been diligently working on this behind the scenes, continuing to make contacts in government and presenting our case. Your Association along with Retail NZ have developed the #eFairnessNZ campaign that all of you will have received information about and templates to enable you to act on. This campaign depends heavily on your commitment. The more lobbying that we can do of our local MPs, the more chance we have of change. We need to create a stir in our local electorates and encourage our representatives to talk about this issue at higher levels. Please do not assume that someone else will effect change. Online buying from foreign sellers impacts each and every one of us and we owe it to ourselves and our businesses to participate in the e-fairness campaign. Supply chain and pricing issues have not been forgotten, but unfortunately little progress has been made.

Booksellers NZ gift cards continue to be a success. The number of third party outlets selling them has increased and the revenue to the Association from unredeemed cards has been higher than anticipated. While Book Tokens still remain available, sales continue to decrease.

Despite best efforts, NZ Book Month is no longer viable. No sponsor was forthcoming and even between the stakeholders, funding for a shorter, week-long promotion could not be raised. However, planning is well underway for a New Zealand Bookshop Day on October 31st. There will be some centrally co-ordinated promotion, but

members are encouraged to think outside the square for this national promotion and get local media involved in celebrating bookselling and reading in New Zealand.

Two young booksellers attended the ABA Winter Institute in Asheville, North Carolina in February. As with last year's scholars, they found the experience to be rewarding. We are pleased to announce that once again Kobo have come on board as sponsors, an arrangement that is in place for three years. The announcement of the recipients of the 2016 Kobo Scholarship will be made at Conference.

The formation of the Book Awards Trust has been completed, but this was the only good news regarding the Awards. Despite an extensive effort, no sponsor could be obtained for either set of awards. Your Board felt that the Book Awards for Children and Young Adults could not disappear off the horizon, it having the stronger commercial impact of the two, so Book Tokens Ltd provided sponsorship for this year which has been supplemented from others close to the book industry. The Book Tokens sponsorship will be reviewed by the Board after this year's awards, but the search for other sponsors continues. There will be no "adult" awards in 2015, but they have been aligned with the Auckland Writers Festival in 2016 as a fringe event and will include books published in the 2014/15 year.

As partners with the Publishers Association in the Book Trade Liaison Committee (BTLC), we have been involved with the revamping of the Book Trade Industry Awards. The idea was to increase the prestige and significance of these awards. The research and development took longer than anticipated, hence a last minute rush about which some of you have commented. The inaugural awards under this new structure will be presented at Conference. We hope that you will support those who have entered and join them in celebrating bookselling and publishing in New Zealand.

Financially, BSNZ made a group surplus of \$473,674 before tax. This is \$331,360 more than last year's surplus before tax of \$142,314. This year's larger surplus is due to no further Gift Card start-up costs, an increase in the token pool write back to profit and a good performance from our GMI investment fund reflected in the gain in market value of investments of \$209,147. All tax losses have now been used up by previous years' operating surplus, so we are now paying income tax - this year the amount payable being \$123,519.

We are making a concentrated effort to focus on membership this year - to improve services for existing members as well as increase membership. You will have received an updated handbook describing the support and services that you can receive through your membership. Be sure to acquaint yourselves with these and take advantage of them. The management team continually strives to find products and services that can help you in the running of your businesses, be it an advice service or something that will directly save you money. We still depend on your feedback though and need you to tell us what you expect of the Board and the Association. Working together is the way to strengthen the Association and the industry and enable a better, more positive future.

As an Association we are lucky to have the office team that we do. Unfortunately we had to undertake some restructuring last year which meant the loss of one position, but the remaining staff put in a sterling effort. Without them we could not function. Lincoln and his staff continue to support both the Members and the Board with sound advice and phenomenal work. I would like to once again acknowledge and thank them for their hard work and loyalty, and their cheerful, helpful and positive outlooks.

I also appreciate the commitment and support that my fellow directors have shown and I would like to take this opportunity to thank them for their fantastic efforts over what has at times been a trying year. I know that it is often thankless role, but it's absolutely necessary and I hope that all the directors have found it to be as rewarding as I have.

Kind regards



Mary Sangster

Chair of Booksellers New Zealand & Book Tokens (NZ) Ltd

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOKSELLERS NEW ZEALAND INCORPORATED

Report on the Consolidated and Separate Financial Statements

We have audited the accompanying consolidated and separate financial statements of Booksellers New Zealand Incorporated and Group (the "Group") on pages 1 to 10, which comprise the statements of financial position as at 31 March 2015, and the statements of financial performance, and statements of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Group's members, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the Group's members 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 Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated and Separate Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in the Group.

Opinion

In our opinion, the consolidated and separate financial statements on pages 1 to 10 present fairly, in all material respects, the financial position of Booksellers New Zealand Incorporated and Group as at 31 March 2015, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Chartered Accountants
9 June 2015
Wellington, New Zealand

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

2014 GROUP \$	2014 BSNZ \$		2015 GROUP \$	2015 BSNZ \$
		INCOME		
111,809	111,809	Subscriptions	89,258	89,258
434	434	Insurance Commission	1,097	1,097
543	543	Sundry Income	629	629
285,982	0	Net Token Trading Income	516,570	0
6,344	0	Net Merchandising Income	2,591	0
122	0	Bad Debts Recovered	0	0
0	158,306	BTL Administration	0	125,366
123,960	1,486	Interest	130,223	851
16,365	0	Dividends	21,824	0
125,956	0	Change in Market Value of Investments	209,147	0
<u>671,515</u>	<u>272,578</u>		<u>971,339</u>	<u>217,201</u>
		MARKETING AND PROJECTS		
581,980	631,980	Marketing Projects (Note 3)	552,510	602,510
93,038	93,038	Booksellers Services (Note 6)	75,933	75,933
<u>675,018</u>	<u>725,018</u>		<u>628,443</u>	<u>678,443</u>
<u>1,346,533</u>	<u>997,596</u>	TOTAL INCOME	<u>1,599,782</u>	<u>895,644</u>
		Less ADMINISTRATION EXPENSES		
9,423	3,247	Accountancy Fees	11,859	3,908
12,075	8,075	Audit Fee	12,600	8,600
1,431	0	Bad Debts	819	0
10,416	7,606	Board Expenses	7,943	6,104
35,150	35,150	Computer Expenses & R & M	22,945	22,945
11,584	9,513	Depreciation	6,048	4,870
5,450	2,600	Directors Liability Insurance	1,576	788
3,535	3,535	Electricity	3,436	3,436
4,526	4,526	Equipment Hire	4,284	4,284
14,096	12,333	General Expenses	13,986	11,961
0	0	Honorarium	4,000	4,000
2,838	2,838	Insurance	2,518	2,518
17,387	0	Investment Management Fees	16,178	0
4,120	4,120	Issues Management	0	0
160	160	Legal Fees	0	0
15	0	Loss on Sale of Asset	0	0
3,585	2,718	Postage	5,466	4,256
4,352	4,352	Printing & Stationery	3,310	3,310
40,152	40,152	Rent	40,152	40,152
8,875	8,875	Publs, Subs, Affiliation Fees	3,891	3,891
1,826	1,826	Recruitment, Temp & Training	0	0
0	0	Sponsorship & Donations	19,995	19,995
12,923	12,923	Telephone & Tolls	12,249	12,249
29,508	29,508	Travel & Accommodation	13,244	13,244
236,280	236,280	Wages & Salaries	234,056	234,056
<u>469,707</u>	<u>430,337</u>		<u>440,555</u>	<u>404,567</u>
		MARKETING AND PROJECTS		
628,980	628,980	Marketing Projects (Note 3)	598,926	598,926
105,532	105,532	Booksellers Services (Note 6)	86,627	86,627
<u>734,512</u>	<u>734,512</u>		<u>685,553</u>	<u>685,553</u>
<u>1,204,219</u>	<u>1,164,849</u>	TOTAL EXPENSES	<u>1,126,108</u>	<u>1,090,120</u>
<u>142,314</u>	<u>(167,253)</u>	NET SURPLUS/(DEFICIT)	<u>473,674</u>	<u>(194,476)</u>
<u>67,569</u>	<u>0</u>	Income Tax Payable	<u>123,519</u>	<u>0</u>
<u>74,745</u>	<u>(167,253)</u>	NET SURPLUS/(DEFICIT) AFTER TAX	<u>350,155</u>	<u>(194,476)</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

2014 GROUP \$	2014 BSNZ \$		2015 GROUP \$	2015 BSNZ \$
		EQUITY		
1,150,364	(872,747)	Opening Balances	1,225,109	(1,040,000)
74,745	(167,253)	Surplus / Deficit for the Year	350,155	(194,476)
<u>1,225,109</u>	<u>(1,040,000)</u>	RESERVES	<u>1,575,264</u>	<u>(1,234,476)</u>
		Represented by -		
		CURRENT ASSETS		
37,840	11,825	Bank Current Accounts	59,535	11,637
40,202	9,014	Accounts Receivable	32,741	10,665
11,430	11,430	Prepayments	7,364	7,364
61,510	61,510	Deferred Expenditure (Note 5)	0	0
8,168	0	Stock on Hand	19,074	0
0	0	Income Tax Refund (Note 8)	255	255
<u>159,150</u>	<u>93,779</u>		<u>118,969</u>	<u>29,921</u>
		NON-CURRENT ASSETS		
23,222	19,945	FIXED ASSETS (Note 7)	16,653	14,554
		INVESTMENTS		
0	300	Shares - Book Tokens (NZ) Ltd	0	300
3,233,174	0	Gareth Morgan Investments Ltd (Note 2)	3,007,198	0
<u>3,233,174</u>	<u>300</u>		<u>3,007,198</u>	<u>300</u>
<u>3,415,546</u>	<u>114,024</u>	TOTAL ASSETS	<u>3,142,820</u>	<u>44,775</u>
		CURRENT LIABILITIES		
72,471	62,362	Accounts Payable	68,154	43,746
6,684	(451)	Income Tax Payable	71,492	0
188,113	188,113	Income in Advance (Note 4)	6,580	6,580
0	904,000	Book Tokens (NZ) Ltd (Note 9)	0	1,228,925
51,730	0	Redemptions Payable	34,144	0
1,871,439	0	Unredeemed Tokens	1,387,186	0
<u>2,190,437</u>	<u>1,154,024</u>	TOTAL LIABILITIES	<u>1,567,556</u>	<u>1,279,251</u>
<u>1,225,109</u>	<u>(1,040,000)</u>	NET ASSETS / (DEFICIT)	<u>1,575,264</u>	<u>(1,234,476)</u>

For and on behalf of the Board

Director *M. S. Sargent*

Director *G. Morgan*

Date 9 June 2015.

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

2014 GROUP \$	2014 BSNZ \$		2015 GROUP \$	2015 BSNZ \$
1,150,364	(872,747)	Equity at start of Year	1,225,109	(1,040,000)
74,745	(167,253)	Surplus / (Deficit) for the Year	350,155	(194,476)
<u>1,225,109</u>	<u>(1,040,000)</u>	Equity at end of Year	<u>1,575,264</u>	<u>(1,234,476)</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Booksellers New Zealand Incorporated ("BSNZ") is an Incorporated Society established under the Incorporated Societies Act 1908.

BSNZ has a wholly owned subsidiary Book Tokens (NZ) Limited. ("BTL") The Group Financial Statements incorporate the Financial Statements of the Society and its subsidiary, BTL, which have been consolidated using the purchase method.

BSNZ qualifies for certain exemptions from financial reporting standards under the New Zealand Institute of Chartered Accountants Framework for Differential Reporting because it is not publicly accountable and is not large in terms of the Institute's criteria. Accordingly BSNZ has taken advantage of all differential reporting exemptions allowed under the framework for differential reporting.

NATURE OF BUSINESS

The consolidated group is involved with selling book tokens, the promotion of general book sales and the provision of service to members.

MEASUREMENT BASE

The measurement base adopted is that of historical cost except for investments which have been recorded at market value. Reliance is placed on the fact that the group and its entities are going concerns.

PARTICULAR ACCOUNTING POLICIES

Accounts Receivable - Accounts receivable are valued at expected realisable value. There has been no provision for doubtful debts in BSNZ or BTL. Where there are credit balances, due to token redemptions, these have been included in current liabilities as Redemptions Payable.

Depreciation - Depreciation has been provided at rates allowable by the Inland Revenue Department for taxation purposes, assessed as follows:

Computer Equipment	48 - 60% on diminishing value
Computer Equipment	40 - 50% straight line
Furniture & Fittings	8.5 - 60% on diminishing value
Furniture & Fittings	8.4 - 36% straight line
Leasehold Alterations	30% on diminishing value
Leasehold Alterations	7% straight line
Website	48 - 60% on diminishing value

These rates are considered appropriate for the purposes of these Financial Statements.

Fixed Assets - Fixed Assets are valued at cost less accumulated depreciation.

Stock on Hand - Stock has been valued at the lower of cost or net realisable value. Cost is calculated on the first-in first-out basis.

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Income Tax - Income Tax is accounted for under the taxes payable method, where the expense is equal to the income tax payable for the year.

Foreign Currency - Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate effective at transaction date. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance. Monetary items are translated at balance date at the closing exchange rate.

Investments - Market value is determined by class of investment on an aggregate portfolio basis.

Operating Leases - Operating leases are recognised evenly over the period of the benefit to the company.

Income Recognition - Interest income is recorded on an accrual basis. Subscription income is included on a straight line basis over the subscription period.

Unredeemed Tokens - Unredeemed tokens are stated at the price at which they will be redeemed. There has been a transfer from unredeemed tokens to recognise that a certain level of tokens will never be redeemed. The percentage of sales transferred to revenue is 8% for tokens issued for the year.

Consolidation of Subsidiary - The consolidated Financial Statements include BSNZ and BTL using the purchase method. All inter-entity transactions and balances are eliminated on consolidation.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. INVESTMENTS
GARETH MORGAN INVESTMENTS LIMITED

2014		2015
\$		\$
2,220,734	Bonds	1,959,600
871,894	Shares and Investment Funds	820,956
140,546	Cash Account	226,642
3,233,174	Total Investments	3,007,198

The investment fund invests in international markets. The fund manager hedges a percentage of the overseas currency exposure.

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

3. MARKETING PROJECTS

2015	Revenue	Expenditure	Surplus (Deficit)
	\$	\$	\$
NZ Post Book Awards Children & Young Adults	198,349	261,537	(63,188)
NZ Post Book Awards	384,676	308,494	76,182
Radio Review	15,485	7,593	7,892
New Zealand Book Month	4,000	21,302	(17,302)
	<hr/>	<hr/>	<hr/>
Total - BSNZ	602,510	598,926	3,584
Group			
Adjustment for BTL Sponsorship	(50,000)	0	(50,000)
	<hr/>	<hr/>	<hr/>
Net Deficit	552,510	598,926	(46,416)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 2014	 Revenue	 Expenditure	 Surplus (Deficit)
	\$	\$	\$
NZ Post Book Awards Children & Young Adults	201,072	229,908	(28,836)
NZ Post Book Awards	398,073	326,845	71,228
Radio Review	20,335	7,734	12,601
New Zealand Book Month	12,500	64,493	(51,993)
	<hr/>	<hr/>	<hr/>
Total - BSNZ	631,980	628,980	3,000
Group			
Adjustment for BTL Sponsorship	(50,000)	0	(50,000)
	<hr/>	<hr/>	<hr/>
Net Deficit	581,980	628,980	(47,000)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in project expenditure is an amount of \$191,600 (LY \$232,630) relating to salary costs associated with running the projects.

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

4. INCOME IN ADVANCE

2014		2015
\$		\$
119,963	NZ Post Book Awards	0
68,150	NZ Post Children's Book Awards	0
0	Conference in advance	6,580
<u>188,113</u>	Total Income in Advance	<u>6,580</u>

5. DEFERRED EXPENDITURE

2014		2015
\$		\$
3,642	NZ Post Book Awards	0
57,868	NZ Post Children's Book Awards	0
<u>61,510</u>	Total Deferred Expenditure	<u>0</u>

6. BOOKSELLER SERVICES

2015	Revenue	Expenditure	Surplus (Deficit)
	\$	\$	\$
Conference	19,542	29,583	(10,041)
Bookseller READ	9,702	12,211	(2,509)
Catalogues	45,465	35,840	9,625
Kobo	1,224	8,993	(7,769)
	<u>75,933</u>	<u>86,627</u>	<u>(10,694)</u>
2014	Revenue	Expenditure	Surplus (Deficit)
	\$	\$	\$
Conference	30,641	46,492	(15,851)
Bookseller READ	7,741	11,225	(3,484)
Catalogues	40,582	31,553	9,029
Kobo	14,074	16,262	(2,188)
	<u>93,038</u>	<u>105,532</u>	<u>(12,494)</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

7. FIXED ASSETS

2015 Book Tokens	Cost \$	Annual Depreciation \$	Accumulated Depreciation \$	Net Book Value \$
Computer Equipment	10,115	817	9,738	377
Furniture and Fittings	16,837	361	15,115	1,722
	<u>26,952</u>	<u>1,178</u>	<u>24,853</u>	<u>2,099</u>
Booksellers				
Website	40,019	713	39,427	592
Leasehold Alterations	9,622	1,081	4,146	5,476
Furniture & Fittings	13,126	872	4,731	8,395
Computer Equipment	16,125	2,264	16,034	91
	<u>78,892</u>	<u>4,930</u>	<u>64,338</u>	<u>14,554</u>
Total	<u>105,844</u>	<u>6,108</u>	<u>89,191</u>	<u>16,653</u>

2014 Book Tokens	Cost \$	Annual Depreciation \$	Accumulated Depreciation \$	Net Book Value \$
Computer Equipment	25,020	1,633	23,826	1,194
Furniture and Fittings	16,837	438	14,754	2,083
	<u>41,857</u>	<u>2,071</u>	<u>38,580</u>	<u>3,277</u>
Booksellers				
Website	40,019	1,604	38,714	1,305
Leasehold Alterations	9,622	1,404	3,065	6,557
Furniture & Fittings	13,694	1,074	3,966	9,728
Computer Equipment	16,125	5,430	13,770	2,355
	<u>79,460</u>	<u>9,512</u>	<u>59,515</u>	<u>19,945</u>
Total	<u>121,317</u>	<u>11,583</u>	<u>98,095</u>	<u>23,222</u>

8. BSNZ TAXATION

BTL has taxable income of \$547,069 and after offsetting losses from BSNZ has income tax of \$125,541 to pay. The income tax has been paid from withholding tax deducted from interest and dividends received and provisional tax paid. BSNZ is due a refund of \$255 being RWT credits.

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

9. RELATED PARTY TRANSACTIONS

BSNZ owns 100% of BTL which is therefore a related party within the meaning of GAAP. During the accounting period, the administrative costs of operations were shared by BTL and BSNZ. Related party transactions during the year were:

2014		2015
\$		\$
BSNZ		BSNZ
158,306	Administrative Fee paid by BTL	125,366
50,000	NZ Post Sponsorship paid by BTL	50,000

The related party balance disclosed of \$1,228,925 (2014 \$904,000) represents the balance outstanding in respect of advances made by BTL to BSNZ during the year.

BSNZ directors are owners of bookstores and we transact with them on an arms length basis in the way of membership fees and sale and redemption of Book Tokens.

10. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015 (2014 \$ Nil).

11. FEES PAID TO AUDITORS

Audit fees paid to Deloitte by BSNZ are \$8,600 (2014 \$8,075); Group \$12,600 (2014 \$12,075) in respect of the 2015 year.

12. COMMITMENTS

Operating Lease

BSNZ shares premises with BTL. BTL reimburse BSNZ 24% (2014 27%) of the lease as part of the administration fee paid. For the 2016 year BSNZ use will be 76%.

BSNZ have entered into a lease for premises on level 13, Grand Arcade, 16-20 Willis Street, Wellington. The lease commenced on 25 May 2012 for 6 years with one renewal period of 3 years.

Group	BSNZ		Group	BSNZ
2014	2014		2015	2015
\$	\$		\$	\$
40,152	29,311	Not later than one year	40,152	30,516
40,152	29,311	One to two years	40,152	30,516
86,996	63,507	Two years and over	46,844	35,601
<u>167,300</u>	<u>122,129</u>		<u>127,148</u>	<u>96,632</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Photocopier Rental

BSNZ has rented a photocopier for five years from 6 October 2011. There is a service contract in place which charges monthly based on the number of copies.
The cost of the photocopier has been recorded as 76% BSNZ (2014 73%) and 24% BTL (2014 27%).
For the 2016 year BSNZ use will be 76%.

Group 2014 \$	BSNZ 2014 \$		Group 2015 \$	BSNZ 2015 \$
4,284	3,127	Not later than one year	4,284	3,256
4,284	3,127	One to two years	4,284	3,256
12,852	9,382	Two to five years	8,568	6,512
<u>21,420</u>	<u>15,636</u>		<u>17,136</u>	<u>13,024</u>

NEC Phone System Lease

BSNZ entered into a lease for the NEC Phone System with Advavo Limited. The lease commenced 22 August 2014 for 5 years. The cost of the phone lease in 2015 was recorded as 76% BSNZ (2014 73%) and 24% BTL (2014 27%). The cost of the phones has been recorded as 76% BSNZ and 24% BTL.

Group 2014 \$	BSNZ 2014 \$		Group 2015 \$	BSNZ 2015 \$
0	0	Not later than one year	4,800	3,648
0	0	One to two years	4,800	3,648
0	0	Two to five years	11,600	8,816
<u>0</u>	<u>0</u>		<u>21,200</u>	<u>16,112</u>

Capital Commitments

There are no capital commitments as at 31 March 2015 (2014 \$Nil).

13. SUBSEQUENT EVENTS

There have been no material events subsequent to balance date that require adjustment to, or disclosure in the financial statements (2014 \$ Nil).

BOOK TOKENS (NZ) LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

2014 \$		2015 \$
	INCOME	
40,489	Token Commission	32,333
27,149	Corporate Sales Income	24,660
0	Gift Card Breakage	34,062
379,869	Unredeemed Tokens	454,281
<hr/> 447,507		<hr/> 545,336
	Less Direct Costs	
146,309	Advertising & Development & Promotions	12,238
50,000	Sponsorship BSNZ Projects	50,000
15,216	Cost of Tokens & Covers	16,528
<hr/> 211,525		<hr/> 78,766
<hr/> 235,982	Net Token Trading Income	<hr/> 466,570
6,344	Net Merchandising & Point of Sale	2,591
122	Bad Debts Recovered	0
122,474	Interest	129,372
16,365	Dividends	21,824
125,956	Change in Market Value of Investments	209,147
<hr/> 507,243		<hr/> 829,504
	Less ADMINISTRATION EXPENSES	
6,176	Accountancy Fees	7,951
158,306	Administration Fee to BSNZ (Note 7)	125,366
4,000	Audit Fee	4,000
1,431	Bad Debts	819
1,763	Bank Fees	2,025
2,810	Board Expenses	1,839
2,071	Depreciation	1,178
2,850	Directors Liability Insurance	788
17,387	Investment Management Fees	16,178
15	Loss On Sale of Asset	0
867	Postage	1,210
<hr/> 197,676	TOTAL EXPENSES	<hr/> 161,354
<hr/> 309,567	NET OPERATING SURPLUS (DEFICIT)	<hr/> 668,150
67,569	Income Tax (Note 5)	123,519
<hr/> 241,998	NET SURPLUS (DEFICIT) AFTER TAX	<hr/> <hr/> 544,631

The notes to the financial statements should be read in conjunction with this statement

**BOOK TOKENS (NZ) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

2014 \$		2015 \$
	CAPITAL & RETAINED PROFITS	
300	150 Ordinary Shares Fully Paid	300
	Reserves -	
2,265,114	Retained Earnings	2,809,745
<u>2,265,414</u>		<u>2,810,045</u>
	Represented by -	
	CURRENT ASSETS	
26,015	Bank Current Accounts	47,898
31,188	Accounts Receivable	22,076
8,168	Stock on Hand	19,074
904,000	Booksellers New Zealand Inc (Note 8)	1,228,925
<u>969,371</u>		<u>1,317,973</u>
3,277	FIXED ASSETS (Note 4)	2,099
	INVESTMENTS	
3,233,174	Gareth Morgan Investments Ltd (Note 2)	3,007,198
<u>4,205,822</u>	TOTAL ASSETS	<u>4,327,270</u>
	CURRENT LIABILITIES	
10,104	Accounts Payable	24,403
51,730	Redemptions Payable	34,144
7,135	Income Tax Payable	71,492
<u>68,969</u>		<u>130,039</u>
<u>1,871,439</u>	Unredeemed Tokens	<u>1,387,186</u>
1,940,408	TOTAL LIABILITIES	1,517,225
<u>2,265,414</u>	NET ASSETS	<u>2,810,045</u>

For and on behalf of the Board

Director *M.S. Langston*

Director *G. Morgan*

Date 9 June 2015

The notes to the financial statements should be read in conjunction with this statement

BOOK TOKENS (NZ) LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

2014		2015
\$		\$
2,023,416	Equity at start of Year	2,265,414
241,998	Surplus/(Deficit) for the Year	544,631
<u>2,265,414</u>	Equity at end of Year	<u>2,810,045</u>

The notes to the financial statements should be read in conjunction with this statement.

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Book Tokens (NZ) Ltd is a private company registered under the Companies Act 1993. It is fully owned by Booksellers New Zealand Incorporated. The company is a reporting entity for the purposes of the Financial Reporting Act 1993. These Financial Statements have been prepared in accordance with the Financial Reporting Act 1993.

Book Tokens (NZ) Ltd qualifies for certain exemptions from financial reporting standards under the External Reporting Board (XRB) Framework for Differential Reporting because it is not publicly accountable and is not large in terms of the Institute's criteria. Accordingly Book Tokens (NZ) Ltd has taken advantage of all differential reporting exemptions allowed under the framework for differential reporting.

NATURE OF BUSINESS

The company is involved with selling book tokens and the promotion of general book sales.

MEASUREMENT BASE

The measurement base adopted is that of historical cost except for investments which have been recorded at market value. Reliance is placed on the fact that the company is a going concern.

PARTICULAR ACCOUNTING POLICIES

Accounts Receivable - Accounts receivable are valued at expected realisable value. Where there are credit balances these have been included in current liabilities as Redemptions Payable.

Depreciation - Depreciation has been provided at rates allowable by the Inland Revenue Department for taxation purposes, assessed as follows:

Computer Equipment	48 – 50% on diminishing value
Computer Equipment	40 - 48% straight line
Furniture & Fittings	12.5 - 60% on diminishing value

These rates are considered appropriate for the purposes of these Financial Statements.

Fixed Assets – Fixed Assets are valued at cost less accumulated depreciation.

Stock on Hand – Stock has been valued at the lower of cost or net realisable value. Cost is calculated on the first in-first out basis.

Income Tax - Income tax is accounted for under the taxes payable method, where the expense is equal to the income tax payable for the year.

Goods and Services Tax – These financial statements have been prepared exclusive of Goods and Services Tax.

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Foreign Currency – Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate effective at transaction date. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance. Monetary items are translated at balance date at the closing exchange rate.

Operating Leases – Operating leases are recognised evenly over the period of the benefit to the company.

Investments – Market value is determined by class of investment on an aggregate portfolio basis.

Income Recognition – Interest income is included on an accrual basis. Token Commission is calculated at 2.25% of 80% of face value of the token and is recognised at time of sale and redemption.

Unredeemed Tokens - Unredeemed tokens are stated at the price at which they will be redeemed. There has been a transfer from unredeemed tokens to recognise that a certain level of tokens will never be redeemed. The percentage of sales transferred to income is 8% for tokens issued for the year.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. MANAGED FUNDS

The investment is made up as follows:

GARETH MORGAN INVESTMENTS LIMITED

2014		2015	
\$		\$	
2,220,734	Bonds	1,959,600	
871,894	Shares & Investment Funds	820,956	
140,546	Cash Account	226,642	
<hr/>		<hr/>	
3,233,174		3,007,198	
<hr/>		<hr/>	

The Investment Funds invest in International Markets. The Fund Managers hedge a percentage of the overseas currency exposure.

3. DIVIDEND

No dividend was paid to Booksellers New Zealand in the year ended 31 March 2015 (2014 \$ Nil).

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

4. FIXED ASSETS

2015

	Cost	Annual Depreciation	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$
Computer Equipment	10,115	817	9,738	377
Furniture and Fittings	16,837	361	15,115	1,722
	<u>26,952</u>	<u>1,178</u>	<u>24,853</u>	<u>2,099</u>

2014

	Cost	Annual Depreciation	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$
Computer Equipment	25,020	1,633	23,826	1,194
Furniture and Fittings	16,837	438	14,754	2,083
	<u>41,857</u>	<u>2,071</u>	<u>38,580</u>	<u>3,277</u>

5. TAX NOTE

Book Tokens (NZ) Ltd made a taxable profit of \$547,069, (2014 \$302,798). Tax of \$18,650 has been deducted from interest and dividends received. Book Tokens (NZ) Ltd is considered a group with Booksellers New Zealand Incorporated. Tax losses from Booksellers New Zealand Incorporated of \$98,705 have been offset leaving Book Tokens with taxable income of \$448,364. The income tax liability on this income is \$125,541 and has been partially paid from withholding tax deducted, imputation credits and provisional tax paid. After balance date provisional tax of \$52,575 has been paid leaving a balance of \$18,917 to be paid by 7 April 2016.

6. IMPUTATION ACCOUNT

2014		2015
\$		\$
67,068	Opening Balance	114,470
32,958	Resident Withholding Tax (Refunded)/Paid	18,274
0	Imputation credits received	375
14,444	Provisional Tax Paid	42,409
<u>114,470</u>		<u>175,528</u>

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

7. ADMINISTRATION FEE

Book Tokens Limited has paid 24% (2014 27%) of operating expenses and wage costs to Booksellers New Zealand as an administration fee.

The expenses included in the administration fee are as follows:

2014		2015
\$		\$
9,475	Computer Expenses	5,507
954	Electricity & Cleaning	825
1,175	Printing & Stationery	794
10,841	Rent	9,636
439	Staff Training	0
1,518	Sundry Expenses (Includes ACC,R&M)	645
710	Security & Storage	550
1,222	Equipment Rental	1,028
3,489	Telephone & Fax	2,940
1,058	Entertainment	680
766	Insurance	604
<hr/> 31,647		<hr/> 23,209
126,659	Plus	
	Wages & Temporary Staff	102,157
<hr/> 158,306		<hr/> 125,366
<hr/> <hr/>		<hr/> <hr/>

8. RELATED PARTY TRANSACTIONS

Book Tokens (NZ) Ltd (BTL) is a 100% owned subsidiary of the Booksellers Association of New Zealand Inc (BSNZ) which is therefore a related party within the meaning of GAAP. During the accounting period, administrative costs of operations were shared by BTL and BSNZ. Related party transactions during the year were:

2014		2015
\$		\$
158,306	Administrative Fee paid to BSNZ	125,366
50,000	N Z Post Book Awards Sponsorship	50,000

The related party balance disclosed of \$1,228,925 (2014 \$904,000) represents the balance outstanding in respect of advances by BTL to BSNZ during the year.

Book Tokens (NZ) Ltd directors are owners of bookstores and we transact with them on an arms length basis in the way of membership fees and sale and redemption of Book Tokens.

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015 (2014 \$ Nil).

10. COMMITMENTS

Operating Lease

Book Tokens (NZ) Ltd (BTL) shares premises with Booksellers New Zealand (BSNZ). In the current year BTL has reimbursed BSNZ 27% of the lease as part of the administration fee paid by BTL to BSNZ.

The lease for the premises on level 13, Grand Arcade, 16-20 Willis Street, Wellington commenced 25 May 2012 for 6 years with one renewal periods of 3 years.

2014		2015
\$		\$
10,841	Not later than one year	10,841
10,841	One to two years	10,841
23,489	Two years and over	12,648
45,171		34,330

Photocopier Rental

BSNZ has rented a photocopier for five years from 6 October 2011. There is a service contract in place which charges monthly based on the number of copies.

The cost of the photocopier has been recorded as 76% BSNZ (2014 73%) and 24% BTL (2014 27%).

2014		2015
\$		\$
1,157	Not later than one year	1,028
1,157	One to two years	1,028
578	Three to five years	2,056
2,892		4,112

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NEC Phone System Lease

BSNZ entered into a lease for the NEC Phone System with Advaro Limited. The lease commenced 22 August 2014 for 5 years. The cost of the phone lease in 2015 was recorded as 76% BSNZ (2014 73%) and 24% BTL (2014 27%). The cost of the phones has been recorded as 76% BSNZ and 24% BTL.

2014		2015
\$		\$
0	Not later than one year	1,152
0	One to two years	1,152
0	Three to five years	2,784
<hr/>		<hr/>
0		5,088
<hr/>		<hr/>

11. CAPITAL COMMITMENTS

There are no capital commitments as at the 31st March 2015 (2014 \$Nil).

12. SUBSEQUENT EVENTS

There have been no material events subsequent to balance date that require adjustment to, or disclosure in the financial statements (2014 \$ Nil).