



ANNUAL REPORT TO MEMBERS OF BOOKSELLERS NZ FOR THE FINANCIAL YEAR TO 31 MARCH 2016

FROM THE CHAIR

The bookselling climate has been far more settled this year. Whilst we have lost some shops, it has been predominately due to retirement and it has been pleasing to hear of new shops opening and existing businesses expanding.

Educating the public to realise that online purchases can be made from kiwi booksellers is a continuing process and still producing results for those shops engaged in e-commerce. The value of social media as a marketing tool continues to increase as customers turn more to their devices for information traditionally sought in print media, be it advertising or book reviews. Social media gives customers another means of communicating with their favourite bookseller and it has put a new spin on "word-of-mouth" advertising. The Association remains highly involved in this area disseminating book news to the public as well as members.

The publishing scene has settled in the last year with no more losses of publishers or distributors offshore. The independent publishers still resident are strengthening, with their lists reflecting quality rather than quantity. Self-publishing is growing, but in this area too, the quality is getting better as is the understanding of the role of bookshops in getting a book into the hands of the reading public.

The #eFairnessNZ campaign of last year has resulted in GST being applied to non-physical sales from offshore suppliers, i.e. music downloads, e-books. There is still work to be done on low value products of which books form a part. Your Association will be submitting to the discussion paper when it is released by the Government imminently.

Sales of Booksellers NZ gift cards have been steady, but they have not been keeping pace with other gift cards on offer. The revenue to the Association from unredeemed cards is still higher than anticipated. The flip side of this is that the redemption rate is disappointing. A marketing plan is being developed to promote the cards to the public and increase their worth as a desirable gift.

The first New Zealand Bookshop Day in October last year was an outstanding success. This will be an ongoing promotion with plans for 29 October 2016 currently being developed. The Summer Reading catalogue is also going from strength to strength with more shops participating each year.

As in previous years, this year's Kobo Booksellers NZ Scholars to the American Booksellers Association Winter Institute found the experience rewarding and the feedback received from their US 'employer' was fantastic. The 2017 Kobo Scholarship recipients will be announced at NZ Book Industry Awards and Conference. This is proving to be a worthwhile professional development scheme and all members are encouraged to promote it to their staff.

The Association has not been actively involved in the management of the book awards this year, but it has supported and assisted the Book Awards Trust financially and through the efforts of The Association's appointed Trustee, Stella Chrysostomou. 2016 has seen the Acorn and Ockham Foundations secured as sponsors and the merger of the New Zealand Book Awards for Children and Young Adults with the LIANZA Awards with Hell Pizza staying on board as a sponsor. We congratulate the Book Awards Trust on its efforts and know that awards will remain an important part of our bookselling landscape.


Financially, the Group has made a surplus of \$258,241 before tax for the year, which represents a reduction of \$215,433 relative to last year's surplus before tax of \$473,674. The reduction in the Group's surplus is mainly attributable to the reduction in the market returns of the investment portfolio relative to last year. This has been offset by an increase in the release of token trading income based on revised estimates of breakage. Reduction in operating costs has reduced in line with the reduced activities the organisation is now undertaking.

The Board and management team are continually looking to improve communication and services to members to assist you in the running of your shops. We must remember though that Booksellers NZ is a membership organisation and in order for us to maintain our relevancy, you, the members, need to provide the Board with feedback regarding issues that you want us to tackle, or, more broadly, what you expect of the Association.

Relevancy has been a huge issue for the Board this year, hand-in-hand with financial resources. The management team is currently looking at all aspects of its workload with a view to presenting the Board with a proposal to ensure the Association's financial security into the future. Coincidentally we have lost some members of the team to greener pastures, but every effort is being made to ensure that it is business as usual. I would like to take this opportunity to thank management, both immediate past and present, for the vast amount of terrific work they have done during the year.

I have asked a lot of my fellow directors this year. I appreciate the commitment that they have shown and the support that they have given me. It is with mixed feelings that I now step aside having served four years as Chair, but I'm grateful to the combined team that has made my term as Chair such a rewarding experience.

Kind regards

A handwritten signature in dark ink, appearing to read 'M. Sangster', with a stylized flourish at the end.

Mary Sangster

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



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

Report on the Financial Information in the Performance Report

We have audited the financial information in the accompanying performance report of Booksellers New Zealand Incorporated (the "Society") and its subsidiary (the "Group"), which comprises the statement of financial position as at 31 March 2016, and the statement of financial performance and statement of cash flows for the year then ended, and the statement of accounting policies and other explanatory information on pages 3-13.

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors Responsibility for the Performance Report

The Board of Directors are responsible on behalf of the Society and Group for:

- a) The preparation and fair presentation of the financial information in the performance report, which comprises the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report, in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit) issued in New Zealand by the New Zealand Accounting Standards Board; and
- b) For such internal control as the Board of Directors determine is necessary to enable the preparation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial information in the performance report based on our audit. We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance 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 performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society and Group's preparation and fair presentation of the 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 Society and 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 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 interest in the Society and Group.

Opinion

In our opinion the financial information in the performance report, which comprises the statement of financial position as at 31 March 2016, and the statement of financial performance and statement of cash flows for the year then ended, and the statement of accounting policies and other explanatory information on pages 3–13, presents fairly, in all material respects, the financial position of the Society and Group as at 31 March 2016, and its financial performance and cash flows, for the year then ended in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit).

Other Matter / Unaudited Information

Without modifying our opinion, we note that the performance report also includes Society and Group information on page 1, and a statement of service performance on page 2, which we have not audited.

Chartered Accountants

17 June 2016

Wellington, New Zealand

**BOOKSELLERS NEW ZEALAND INCORPORATED
ENTITY INFORMATION
FOR YEAR ENDED 31 MARCH 2016**

Legal Name of Entity: Booksellers New Zealand Incorporated

Type of Entity and Legal Basis: Incorporated Society

Registration Number: 217074

Entity's Purpose or Mission:

The objects of the Association are:

To foster, promote and encourage the development of the retail book industry of New Zealand on sound lines and generally to promote, protect and safeguard the interests of its Members in trade matters.

To generate increased book sales and consequent market share through investment in specific and generic book promotion.

To maximise the effectiveness of book industry promotions by involving publishers in the development and implementation of marketing activities.

To provide a means whereby Members may confer with one another on matters affecting common interests and the book industry of New Zealand generally.

To procure information concerning matters which may be of interest to members and to distribute such information amongst Members.

To co-operate with and/or become a member of and/or contribute to the funds of any other Association or organisation not existing for profit and having objects altogether or in part similar to those of the Association which are likely to promote the interests of the Association or of the retail book industry of New Zealand generally.

To acquire, hold and dispose of such real and personal property as may be necessary for the purposes of the Association.

To invest any funds of the Association in any investments authorised by the laws of New Zealand for the investment of trust funds and also in the purchase of shares or stock in any companies listed on the Stock Exchange in New Zealand or elsewhere.

To take or empower such legal or other lawful proceedings as may be deemed necessary for the proper conduct of the business of the Association.

To establish and organise a scheme or schemes among Members for the issue and redemption of book tokens.

To borrow or raise money.

To do all such lawful things as may be necessary incidental or conducive to the attainment of the above objects or any of them.

Entity Structure: Incorporated society

Main Sources of the Entity's Cash and Resources:

Members subscriptions; administration fees for book tokens, breakage from unredeemed tokens and gift cards. Receipts from sale of summer catalogue and also from conference fees.

Main Methods Used by the Entity to Raise Funds:

Members subscriptions; administration fees for book tokens, breakage from unredeemed tokens and gift cards. Receipts from sale of summer catalogue and also from conference fees.

Entity's Reliance on Volunteers and Donated Goods or Services:

None

Contact details

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Postal Address: P O Box 25033, Featherston Street, Wellington

Phone/Fax: Ph 04 472 1908, Fax 04 472 1912

Email/Website: info@booksellers.co.nz
www.booksellers.co.nz

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF SERVICE PERFORMANCE
FOR YEAR ENDED 31 MARCH 2016

Description of the Entity's Outcomes:

Increased sales of tokens and gift cards, additional members signup, successful annual conference, marketing support for members through web based marketing tool box, e-newsletters and social media, attendance at conference, participation in New Zealand Bookshop Day. Engagement with Govt and agencies on key issues such as GST, Consumer La, Freedom of Expression.

Description and Quantification of the Entity's Outputs:	2016 Actual This Year	2015 Actual Last Year
Token sales	\$649,744	\$746,156
Gift Card Sales to Public	\$550,675	\$554,960
Members	300	319
Conference attendance	61	67
Readership of e-newsletter	559	565
Participation in NZ Bookshop Day	174	0
Print run of summer catalogue	214,064	226,300

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2016

2015 GROUP \$	2015 BSNZ \$		2016 GROUP \$	2016 BSNZ \$
		INCOME		
89,258	89,258	Subscriptions	65,690	65,690
1,097	1,097	Insurance Commission	2,203	2,203
191,600	191,600	Project Management Fees	36,600	36,600
629	629	Sundry Income	583	583
511,274	0	Token Trading Income	592,670	0
34,062	0	Gift Card Income	92,699	0
24,694	0	Merchandising Income	28,011	0
0	125,366	BTL Administration (Note 8)	0	127,873
68,720	851	Interest	11,639	72
21,824	0	Dividends	14,656	0
270,650	0	Change in Market Value of Investments	64,188	0
1,213,808	408,801		908,939	233,021
		MARKETING AND PROJECTS		
552,510	602,510	Marketing Projects (Note 3)	14,345	14,345
75,933	75,933	Booksellers Services (Note 5)	96,752	96,752
628,443	678,443		111,097	111,097
1,842,251	1,087,244	TOTAL INCOME	1,020,036	344,118
		Less ADMINISTRATION EXPENSES		
11,859	3,908	Accountancy Fees	10,176	3,501
12,600	8,600	Audit Fee (Note 10)	16,500	12,500
819	0	Bad Debts	0	0
7,943	6,104	Board Expenses	7,988	5,831
22,945	22,945	Computer Expenses & R & M	19,863	19,863
6,048	4,870	Depreciation (Note 6)	2,538	2,051
1,576	788	Directors Liability Insurance	1,576	788
3,436	3,436	Electricity	3,104	3,104
4,284	4,284	Equipment Hire	4,284	4,284
13,986	11,961	General Expenses	10,749	8,946
4,000	4,000	Honorarium	4,000	4,000
2,518	2,518	Insurance	2,167	2,167
0	0	Interest Expense	3,214	0
16,178	0	Investment Management Fees	14,799	0
22,103	0	Merchandising Expenses	22,624	0
5,466	4,256	Postage	2,589	3,759
3,310	3,310	Printing & Stationery	5,645	5,645
40,152	40,152	Rent	40,152	40,152
3,891	3,891	Publs, Subs, Affiliation Fees	3,675	3,675
0	0	Recruitment, Temp & Training	440	440
19,995	19,995	Sponsorship & Donations	0	0
12,249	12,249	Telephone & Tolls	8,873	8,873
28,766	0	Token Expenses	68,065	0
13,244	13,244	Travel & Accommodation	10,492	10,492
425,656	425,656	Wages & Salaries	382,133	382,133
683,024	596,167		645,646	522,204
		MARKETING AND PROJECTS		
598,926	598,926	Marketing Projects (Note 3)	15,469	15,469
86,627	86,627	Booksellers Services (Note 5)	100,680	100,680
685,553	685,553		116,149	116,149
1,368,577	1,281,720	TOTAL EXPENSES	761,795	638,353
473,674	(194,476)	NET SURPLUS/(DEFICIT)	258,241	(294,235)
123,519	0	Income Tax Payable	131,095	0
350,155	(194,476)	NET SURPLUS/(DEFICIT) AFTER TAX	127,146	(294,235)

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2016

2015 GROUP \$	2015 BSNZ \$		2016 GROUP \$	2016 BSNZ \$
		EQUITY		
1,225,109	(1,040,000)	Opening Accumulated Surplus (Deficit)	1,575,264	(1,234,476)
350,155	(194,476)	Surplus / Deficit for the Year	127,146	(294,235)
<u>1,575,264</u>	<u>(1,234,476)</u>	Closing Accumulated Surplus (Deficit)	<u>1,702,410</u>	<u>(1,528,711)</u>
		Represented by -		
		CURRENT ASSETS		
59,535	11,637	Bank Current Accounts	83,133	6,889
40,896	18,820	Accounts Receivable	44,724	15,979
7,364	7,364	Prepayments	9,882	9,882
19,074	0	Stock on Hand	20,977	0
255	255	Income Tax Refund (Note 7)	22	22
<u>127,124</u>	<u>38,076</u>		<u>158,738</u>	<u>32,772</u>
		NON-CURRENT ASSETS		
16,653	14,554	FIXED ASSETS (Note 6)	14,115	12,503
		INVESTMENTS		
0	300	Shares - Book Tokens (NZ) Ltd	0	300
3,007,198	0	Gareth Morgan Investments Ltd (Note 2)	2,677,504	0
<u>3,007,198</u>	<u>300</u>		<u>2,677,504</u>	<u>300</u>
<u>3,150,975</u>	<u>52,930</u>	TOTAL ASSETS	<u>2,850,357</u>	<u>45,575</u>
		CURRENT LIABILITIES		
76,309	51,901	Accounts Payable	80,436	40,219
71,492	0	Income Tax Payable	72,031	0
6,580	6,580	Income in Advance (Note 4)	11,387	11,387
0	1,228,925	Book Tokens (NZ) Ltd (Note 8)	0	1,522,680
34,144	0	Redemptions Payable	120,938	0
1,387,186	0	Unredeemed Tokens	863,155	0
<u>1,575,711</u>	<u>1,287,406</u>	TOTAL LIABILITIES	<u>1,147,947</u>	<u>1,574,286</u>
<u>1,575,264</u>	<u>(1,234,476)</u>	NET ASSETS / (DEFICIT)	<u>1,702,410</u>	<u>(1,528,711)</u>

For and on behalf of the Board

Director

Director

Date

M. S. Sangster
[Signature]
 17 June 2016

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

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF MOVEMENTS IN EQUITY
FOR YEAR ENDED 31 MARCH 2016

2015 GROUP \$	2015 BSNZ \$		2016 GROUP \$	2016 BSNZ \$
1,225,109	(1,040,000)	Opening Accumulated Surplus (Deficit)	1,575,264	(1,234,476)
350,155	(194,476)	Surplus / (Deficit) for the Year	127,146	(294,235)
<u>1,575,264</u>	<u>(1,234,476)</u>	Closing Accumulated Surplus (Deficit)	<u>1,702,410</u>	<u>(1,528,711)</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

2015 GROUP \$	2015 BSNZ \$		2016 GROUP \$	2016 BSNZ \$
		Cash Flows from Operating Activities		
		Cash was received from:		
114,650	114,650	Fees, subscriptions and other receipts from members	92,118	92,118
1,026,373	425,731	Receipts from providing goods or services	700,685	135,416
2,939	600	Interest, dividends and other investment receipts	1,154	50
451	451	Tax refund	255	255
		Cash was applied to:		
1,630,231	1,040,459	Payments to suppliers and employees	1,043,164	645,587
42,487	0	Taxation paid	127,450	0
<u>(528,305)</u>	<u>(499,026)</u>	Net Cash Flows from Operating Activities	<u>(376,402)</u>	<u>(417,748)</u>
		Cash flows from Investing and Financing Activities		
		Cash was received from:		
550,000	0	Withdrawals from GMI Investment Portfolio	400,000	0
0	533,160	Proceeds from borrowings from Book Tokens (NZ) Ltd	0	434,000
		Cash was applied to:		
0	34,322	Repayment of borrowings from Book Tokens (NZ) Ltd	0	21,000
<u>550,000</u>	<u>498,838</u>	Net Cash Flows from Investing and Financing Activities	<u>400,000</u>	<u>413,000</u>
21,695	(188)	Net Increase/(Decrease) in Cash	23,598	(4,748)
37,840	11,825	Opening Cash	59,535	11,637
<u>59,535</u>	<u>11,637</u>	Closing Cash	<u>83,133</u>	<u>6,889</u>
<u>59,535</u>	<u>11,637</u>	This is represented by:	<u>83,133</u>	<u>6,889</u>
		Bank Accounts and Cash		

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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.

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.

Basis of Preparation – The entity has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

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.

Goods and Services Tax (GST) - All amounts are recorded exclusive of GST, except for Debtors and Creditors which are stated inclusive of GST.

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 2016

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. Booksellers have recorded a transfer from the unredeemed token pool to revenue during the current year to recognise that a certain level of tokens will never be redeemed. The percentage of sales transferred to revenue represents 8% of the value of tokens issued during the current year as well as an apportionment of the token pool that has remained unredeemed since 2008.

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 - During the current year BSNZ adopted the PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) framework. The adoption of this framework has not resulted in any material disclosure adjustments to the financial statements relative to the prior year other than the requirement to prepare and present cashflow statements for BSNZ and the group for both the current and previous financial year.

2. INVESTMENTS
GARETH MORGAN INVESTMENTS LIMITED

2015		2016
\$		\$
1,959,600	Bonds	1,805,774
820,956	Shares and Investment Funds	694,135
226,642	Cash Account	177,595
3,007,198	Total Investments	2,677,504

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 2016

3. MARKETING PROJECTS

2016	Revenue	Expenditure	Surplus (Deficit)
	\$	\$	\$
Radio Review	14,345	15,469	(1,124)
	<hr/>	<hr/>	<hr/>
Net Deficit	14,345	15,469	(1,124)
	<hr/>	<hr/>	<hr/>
 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/>

Included in project expenditure is an amount of \$0 (LY \$191,600) relating to salary costs associated with running the projects.

4. INCOME IN ADVANCE

2015		2016
\$		\$
6,580	Conference in advance	11,387
<hr/>		<hr/>
6,580	Total Income in Advance	11,387
<hr/>		<hr/>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

5. BOOKSELLER SERVICES

2016	Revenue	Expenditure	Surplus (Deficit)
	\$	\$	\$
Conference	27,858	29,227	(1,369)
Bookseller READ	8,230	10,729	(2,499)
Catalogues	47,746	36,356	11,390
Kobo	10,044	10,701	(657)
New Zealand Bookshop Day	2,874	13,667	(10,793)
	<hr/>	<hr/>	<hr/>
Total Bookseller Services	96,752	100,680	(3,928)
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
Total Bookseller Services	75,933	86,627	(10,694)
	<hr/>	<hr/>	<hr/>

6. FIXED ASSETS

2016	Cost	Annual Depreciation	Accumulated Depreciation	Net Book Value
Book Tokens	\$	\$	\$	\$
Computer Equipment	10,115	188	9,926	189
Furniture and Fittings	16,837	299	15,414	1,423
	<hr/>	<hr/>	<hr/>	<hr/>
	26,952	487	25,340	1,612
Booksellers				
Website	40,019	320	39,747	272
Leasehold Alterations	9,622	854	5,000	4,622
Furniture & Fittings	13,126	786	5,517	7,609
Computer Equipment	16,125	91	16,125	0
	<hr/>	<hr/>	<hr/>	<hr/>
	78,892	2,051	66,389	12,503
Total	<hr/>	<hr/>	<hr/>	<hr/>
	105,844	2,538	91,729	14,115
	<hr/>	<hr/>	<hr/>	<hr/>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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	812	4,731	8,395
Computer Equipment	16,125	2,264	16,034	91
	<u>78,892</u>	<u>4,870</u>	<u>64,338</u>	<u>14,554</u>
Total	<u>105,844</u>	<u>6,048</u>	<u>89,191</u>	<u>16,653</u>

7. BSNZ TAXATION

BTL has taxable income of \$567,144 and after offsetting losses from BSNZ has income tax of \$131,095 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 \$22 being RWT credits.

8. 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:

2015 \$ BSNZ		2016 \$ BSNZ
125,366	Administrative Fee paid by BTL	127,873
50,000	NZ Post Sponsorship paid by BTL	0

The related party balance disclosed of \$1,522,680 (2015 \$1,228,925) 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.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2016 (2015 \$Nil).

10. FEES PAID TO AUDITORS

Audit fees paid to Deloitte by BSNZ are \$12,500 (2015 \$8,600); Group \$16,500 (2015 \$12,600) in respect of the 2016 year.

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

11. COMMITMENTS

Operating Lease

BSNZ shares premises with BTL. BTL reimburse BSNZ 27% (2015 24%) of the lease as part of the administration fee paid. For the 2017 year BSNZ use will be 73%.

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 2015 \$	BSNZ 2015 \$		Group 2016 \$	BSNZ 2016 \$
40,152	30,516	Not later than one year	40,152	29,311
40,152	30,516	One to two years	40,152	29,311
46,844	35,601	Two years and over	6,692	4,885
<u>127,148</u>	<u>96,633</u>		<u>86,996</u>	<u>63,507</u>

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 73% BSNZ (2015 76%) and 27% BTL (2015 24%). For the 2017 year BSNZ use will be 73%.

Group 2015 \$	BSNZ 2015 \$		Group 2016 \$	BSNZ 2016 \$
4,284	3,256	Not later than one year	4,284	3,127
4,284	3,256	One to two years	4,284	3,127
8,568	6,512	Two to five years	4,284	3,127
<u>17,136</u>	<u>13,024</u>		<u>12,852</u>	<u>9,381</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 2016 was recorded as 73% BSNZ (2015 76%) and 27% BTL (2015 24%). The cost of the phones has been recorded as 73% BSNZ and 27% BTL.

Group 2015 \$	BSNZ 2015 \$		Group 2016 \$	BSNZ 2016 \$
4,800	3,648	Not later than one year	4,800	3,504
4,800	3,648	One to two years	4,800	3,504
11,600	8,816	Two to five years	6,800	4,964
<u>21,200</u>	<u>16,112</u>		<u>16,400</u>	<u>11,972</u>

BOOKSELLERS NEW ZEALAND INCORPORATED
NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Capital Commitments

There are no capital commitments as at 31 March 2016 (2015 \$Nil).

12. ACCUMULATED FUNDS

2016	Group	BSNZ
	\$	\$
Opening Balance	1,575,264	(1,234,476)
Surplus/(Deficit)	125,204	(294,235)
	<hr/>	<hr/>
Closing Balance	1,700,468	(1,528,711)
	<hr/>	<hr/>
2015	Group	BSNZ
	\$	\$
Opening Balance	1,225,109	(1,040,000)
Surplus/(Deficit)	350,155	(194,476)
	<hr/>	<hr/>
Closing Balance	1,575,264	(1,234,476)
	<hr/>	<hr/>

13. SUBSEQUENT EVENTS

There have been no material events subsequent to balance date that require adjustment to, or disclosure in the financial statements (2015 \$Nil).

BOOK TOKENS (NZ) LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2016

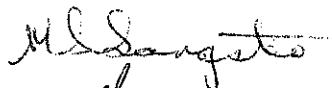
2015		2016
\$		\$
	INCOME	
32,333	Token Commission	27,957
24,660	Corporate Sales Income	22,470
34,062	Gift Card Breakage	92,699
24,694	Merchandising Income	28,011
454,281	Unredeemed Tokens	542,243
<u>570,030</u>		<u>713,380</u>
	Less Direct Costs	
12,238	Advertising & Development & Promotions	19,915
50,000	Sponsorship	35,000
22,103	Cost of Merchandising	22,624
16,528	Cost of Tokens & Covers	13,150
<u>100,869</u>		<u>90,689</u>
<u>469,161</u>	Net Token Trading Income	<u>622,691</u>
67,869	Interest	11,567
21,824	Dividends	14,656
270,650	Change in Market Value of Investments	64,188
<u>829,504</u>		<u>713,102</u>
	Less ADMINISTRATION EXPENSES	
7,951	Accountancy Fees	6,675
125,366	Administration Fee to BSNZ (Note 7)	127,873
4,000	Audit Fee	4,000
819	Bad Debts	0
2,025	Bank Fees	1,803
1,839	Board Expenses	2,157
1,178	Depreciation	487
788	Directors Liability Insurance	788
0	Interest Expense	3,214
16,178	Investment Management Fees	14,799
1,210	Postage	(1,170)
<u>161,354</u>	TOTAL EXPENSES	<u>160,626</u>
<u>668,150</u>	NET OPERATING SURPLUS (DEFICIT)	<u>552,476</u>
123,519	Income Tax (Note 5)	131,095
<u>544,631</u>	NET SURPLUS (DEFICIT) AFTER TAX	<u>421,381</u>

BOOK TOKENS (NZ) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

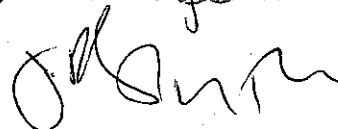
2015		2016
\$		\$
	CAPITAL & RETAINED PROFITS	
300	150 Ordinary Shares Fully Paid	300
	Reserves -	
2,809,745	Retained Earnings	3,231,126
<u>2,810,045</u>		<u>3,231,426</u>
	Represented by -	
	CURRENT ASSETS	
47,898	Bank Current Accounts	76,244
22,076	Accounts Receivable	28,745
19,074	Stock on Hand	20,977
0	Withholding Tax Paid	0
1,228,925	Booksellers New Zealand Inc (Note 8)	1,522,680
<u>1,317,973</u>		<u>1,648,646</u>
2,099	FIXED ASSETS (Note 4)	1,612
	INVESTMENTS	
3,007,198	Gareth Morgan Investments Ltd (Note 2)	2,677,504
<u>4,327,270</u>	TOTAL ASSETS	<u>4,327,762</u>
	CURRENT LIABILITIES	
24,403	Accounts Payable	40,212
34,144	Redemptions Payable	120,938
71,492	Income Tax Payable	72,031
<u>130,039</u>		<u>233,181</u>
<u>1,387,186</u>	Unredeemed Tokens	<u>863,155</u>
1,517,225	TOTAL LIABILITIES	1,096,336
<u>2,810,045</u>	NET ASSETS	<u>3,231,426</u>

For and on behalf of the Board

Director



Director



Date 17 June 2016.

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

BOOK TOKENS (NZ) LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR YEAR ENDED 31 MARCH 2016

2015		2016
\$		\$
2,265,414	Opening Accumulated Surplus (Deficit)	2,810,045
544,631	Surplus/(Deficit) for the Year	421,381
<u>2,810,045</u>	Closing Accumulated Surplus (Deficit)	<u>3,231,426</u>

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 2016

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

2015		2016	
\$		\$	
1,959,600	Bonds	1,805,774	
820,956	Shares & Investment Funds	694,135	
226,642	Cash Account	177,595	
<hr/>		<hr/>	
3,007,198		2,677,504	
<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 2016 (2015 \$ Nil).

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

4. FIXED ASSETS

2016

	Cost	Annual Depreciation	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$
Computer Equipment	10,115	188	9,926	189
Furniture and Fittings	16,837	299	15,414	1,423
	<u>26,952</u>	<u>487</u>	<u>25,340</u>	<u>1,612</u>

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>

5. TAX NOTE

Book Tokens (NZ) Ltd made a taxable profit of \$567,144 (2015 \$547,069). Tax of \$5,121 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 \$92,012 have been offset leaving Book Tokens with taxable income of \$475,132. The income tax liability on this income is \$131,095 and has been partially paid from withholding tax deducted, imputation credits and provisional tax paid. After balance date provisional tax of \$52,472 has been paid leaving a balance of \$569 to be paid by 7 April 2017.

6. IMPUTATION ACCOUNT

2015		2016
\$		\$
114,470	Opening Balance	175,528
18,274	Resident Withholding Tax (Refunded)/Paid	5,121
375	Imputation credits received	0
42,409	Provisional Tax Paid	127,450
<u>175,528</u>		<u>308,099</u>

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

7. ADMINISTRATION FEE

Book Tokens Limited has paid 27% (2015 24%) of operating expenses and wage costs to Booksellers New Zealand as an administration fee.

The expenses included in the administration fee are as follows:

2015		2016
\$		\$
5,507	Computer Expenses	5,363
825	Electricity & Cleaning	838
794	Printing & Stationery	1,524
9,636	Rent	10,841
645	Sundry Expenses (Includes ACC, R&M)	943
550	Security & Storage	588
1,028	Equipment Rental	1,157
2,940	Telephone & Fax	2,396
680	Entertainment	343
604	Insurance	585
<hr/>		<hr/>
23,209		24,578
	Plus	
102,157	Wages & Temporary Staff	103,295
<hr/>		<hr/>
125,366		127,873
<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:

2015		2016
\$		\$
125,366	Administrative Fee paid to BSNZ	127,873
50,000	N Z Post Book Awards Sponsorship	0

The related party balance disclosed of \$1,522,680 (2015 \$1,228,925) 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.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2016 (2015 \$Nil).

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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.

2015		2016
\$		\$
10,841	Not later than one year	10,841
10,841	One to two years	10,841
12,648	Two years and over	1,807
34,330		23,489

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 73% BSNZ (2015 76%) and 27% BTL (2015 24%).

2015		2016
\$		\$
1,028	Not later than one year	1,157
1,028	One to two years	1,157
2,056	Three to five years	1,157
4,112		3,471

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 2016 was recorded as 73% BSNZ (2015 76%) and 27% BTL (2015 24%). The cost of the phones has been recorded as 73% BSNZ and 27% BTL.

2015		2016
\$		\$
1,152	Not later than one year	1,296
1,152	One to two years	1,296
2,784	Three to five years	1,836
5,088		4,428

BOOK TOKENS (NZ) LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

11. CAPITAL COMMITMENTS

There are no capital commitments as at the 31st March 2016 (2015 \$Nil).

12. SUBSEQUENT EVENTS

There have been no material events subsequent to balance date that require adjustment to, or disclosure in the financial statements (2015 \$Nil).