

## **ANNUAL REPORT TO MEMBERS OF BOOKSELLERS NZ INC. FOR THE FINANCIAL YEAR TO MARCH 31 2017**

### **FROM THE CHAIR**

There's an old adage along the lines of 'if you only do what you've always done, you will get what you've always got'. Today's updated edition might instead conclude: '... don't be surprised when you get less than you got before'.

A year ago the Nielsen figures delivered news of positive growth for FYE 2016 – only 0.2%, but growth nonetheless – after several consecutive years of market decline. By 31 March 2017, reported sales were once more in decline, down 7.9% in value; thankfully improving to minus 0.7% by the end of June.

Do we know why?

- Are there fewer good books?
  - You are the curator of what you showcase, so selection is yours to master.
- Have publishers got it wrong?
  - There's been a rapid transition of local publishing from multinationals to indie publishing houses and it is clear market reality has determined quality must prevail over quantity.
- Is no GST on low value off-shore purchases damaging your competitive position?
  - Booksellers NZ mounted a joint e-fairness initiative with Retail NZ and achieved unprecedented visibility for this issue, but government still won't commit to action until at least 2018. Imposing GST on books purchased off-shore won't be the saviour of local business, but the current application is acknowledged by the law-makers as fundamentally unfair and it will be addressed.
- Is EVERYONE shopping on the internet?
  - Capturing hard data about where books are sold is crucial, and whilst recent changes to the 'panel' of booksellers polled for Nielsen data has caused a backlash, the bottom line is, if you don't measure it you won't know.

How's your business doing? Raise a glass if your sales were better than the industry average; raise two if your annual report showed you'd reduced your operating expenses; buy a crate of champagne if you negotiated a rent decrease. There are things you can control and things you can't, so where do you put your energy?

The entry of Amazon in bricks-and-mortar format into Australia is seen by many as a body blow to traditional bookselling in ANZ. But Amazon has been dominant in the e-tail landscape for decades, and shoppers who shop online are typically unaware and, moreover, don't care about the physical source of their purchased items. Shopping on the internet is not a unique or engaging experience.

A visit to a bookstore needs to be truly rewarding. 'Shop local' does resonate with folk and the threat of use-it-or-lose-it in regards to their local bookstore is something readers understand and, if properly engaged, are unwilling to see happen. Do your job well and they will support you.

The year has seen several iconic bookstores change ownership. Let's show these newcomers how astonishingly collegial this industry can be and that the real competition is between books and 'other stuff'.

This term, Booksellers NZ Directors and Management have been obsessively focussed on re-shaping the organisation to make sure it provides services, benefits and resources that Members value and engage with. Cost management, ease of access, relevance and building professionalism are at the heart of the restructure. The new Membership Services online portal has been meticulously customised to provide a platform that encompasses everything from Membership subscriptions, book token purchases and redemptions, up-to-the-minute access to key information and communications, marketing and promotional resources, training modules, discussion forums and issues management. This is to be linked with the Xero accounting and financial management platform. These changes have the potential to transform the way you engage with your Association and your industry. It is set to come online mid-August. Check it out.

Book Token sales and redemptions have seen a decline that's not been matched by Gift Card transactions, so a vital revenue stream for Booksellers NZ has been impacted. The Book Tokens Board allocated funds for a major advertising campaign pre-Christmas to boost profile and sales of Gift Cards: the campaign didn't deliver, but I wonder how much of that was due to booksellers themselves not committing to pushing generic book vouchers and gift cards as the obvious option? Most booksellers have their own branded vouchers, but how many tote up their contingent liability and tax obligations on expired token income at year end? Think first about what's best for your customers, and both you and your Association will benefit.

The New Zealand Book Awards (Adult and Children's) are sector-generated, book-focussed promotions delivered to your door at very low cost. The Association no longer manages these Awards but works very closely with the Book Council and the Book Awards Trust to ensure each event delivers real opportunities for you to sell more books. Your association has director representatives on these sector bodies and other industry focus groups, working in your interests.

NZ Bookshop Day and the Summer Reading Guide are promotions originated in-house by Booksellers NZ and are firmly established as must-do events in our retail calendar. Enthusiastically supported by publishers, they absorb considerable time and resource from Association staff to put together, but we know that not everybody is taking advantage of them. These projects represent a saving in time and resources for your staff in the long-run. You still get to tell your own story, but why not get behind these unique promotions and make them even better. The Annual Conference and Industry Awards will be held in August, they provide great opportunities for booksellers to learn more and be engaged with the industry and have their efforts rewarded. . We are all in this together– it's books against the world.

The Kobo Booksellers NZ Scholarships are truly aspirational awards that have given staff employed by New Zealand booksellers the opportunity to attend the American Booksellers Association Winter Institute conference in the US each January. Recipients of this Award are provided with a storehouse of knowledge and experience that is second to none: mingling with hundreds of booksellers from across the states, attending seminars by world-class speakers, and spending a week working at indie bookstores. Are you putting your best and brightest forward?

## Finances

Along with Notice of AGM, Members will have received the Booksellers NZ Statement of Financial Performance for the Year Ended 31 March 2017. In summary:

- It shows the Group made a surplus of \$96,488 before tax for the year, which represents a reduction of \$30,658 relative to last year's surplus of \$127,146 before tax
- Total Income of \$950,433 is down on previous year by \$69,603 primarily due to a decline in Token sales and reduced market value of investments
- Total Expenditure after tax was down primarily due to significant savings in staff salaries, but much of those gains were offset by one-off accounting and audit costs

The Board is focussed on future-proofing the financial resources of the Association and is confident current initiatives are on track to meet cost savings and income targets by FY2018–2019.

I would like to thank my fellow Directors for their generous support and invaluable advice during my term as Chair. Together we have challenged assumptions and implemented clear strategies for the future.

Your Management Team have worked tirelessly and responded with the highest standards of professionalism to the many challenges and new initiatives advanced by the Board, maintaining day to day operations, services and communications whilst the Board was implementing a major realignment of the organisation's priorities. I'd like to thank them formally on behalf of the Board.

Kind regards,

Tony Moores

Chair, Booksellers NZ & Book Tokens NZ

July 21, 2017



**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF BOOKSELLERS NEW ZEALAND INCORPORATED**

We have reviewed the financial information in the accompanying consolidated performance report of Booksellers New Zealand Incorporated (the 'Group') on pages 3 to 13 which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Group's members, as a body. Our review has been undertaken so that we might state to the Group's members those matters we are required to state to them in a review 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 engagement, for this report, or for the opinions we have formed.

**Board of Directors' Responsibilities**

The Board of Directors are responsible for the preparation and fair presentation of the financial information in the consolidated performance report in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of financial information in the consolidated performance report that are free from material misstatement, whether due to fraud or error.

**Our Responsibilities**

Our responsibility is to express a conclusion on the financial information in the consolidated performance report based on our review. We conducted our review in accordance with ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity* ('ISRE (NZ) 2400'). ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial information in the consolidated performance report, taken as a whole, are not prepared, in all material respects, in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit). ISRE (NZ) 2400 also requires us to comply with relevant ethical requirements.

A review of financial information in the performance report in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the financial information in the consolidated performance report.

Other than in our capacity as assurance practitioner, we have no relationship with or interests in Booksellers New Zealand Incorporated.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the consolidated performance report of the Group does not present fairly, in all material respects, the financial position of the Group as at 31 March 2017 and its financial performance and cash flows for the year ended on that date in accordance with the the Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

*Deloitte Limited*

18 July 2017  
Chartered Accountants  
Wellington, New Zealand

**BOOKSELLERS NEW ZEALAND INCORPORATED  
ENTITY INFORMATION  
FOR YEAR ENDED 31 MARCH 2017**

**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**

**Physical Address:** Level 13, 16-20 Willis Street, Wellington

**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 2017**

**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.

<b>Description and Quantification of the Entity's Outputs:</b>	<b>2017 Actual This Year</b>	<b>2016 Actual Last Year</b>
Token sales	\$580,507	\$649,744
Gift Card Sales to Public	\$511,042	\$550,675
Members	300	300
Conference attendance	55	61
Readership of e-newsletter	590	559
Participation in NZ Bookshop Day	170	174
Print run of summer catalogue	216,764	214,064

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

<b>2016 GROUP \$</b>	<b>2016 BSNZ \$</b>		<b>2017 GROUP \$</b>	<b>2017 BSNZ \$</b>
		<b>INCOME</b>		
65,690	65,690	Subscriptions	63,436	63,436
2,203	2,203	Insurance Commission	3,507	3,507
36,600	36,600	Project Management Fees	0	0
583	583	Sundry Income	1,610	1,610
592,670	0	Token Trading Income	508,942	0
92,699	0	Gift Card Income	94,807	0
28,011	0	Merchandising Income	23,782	0
0	127,873	BTL Administration (Note 8)	0	87,482
11,639	72	Interest	2,669	29
14,656	0	Dividends	12,693	0
64,188	0	Change in Market Value of Investments	123,921	0
<b>908,939</b>	<b>233,021</b>		<b>835,367</b>	<b>156,064</b>
		<b>MARKETING AND PROJECTS</b>		
14,345	14,345	Marketing Projects (Note 3)	11,210	11,210
96,752	96,752	Booksellers Services (Note 5)	103,856	103,856
<b>111,097</b>	<b>111,097</b>		<b>115,066</b>	<b>115,066</b>
<b>1,020,036</b>	<b>344,118</b>	<b>TOTAL INCOME</b>	<b>950,433</b>	<b>271,130</b>
		<b>Less ADMINISTRATION EXPENSES</b>		
10,176	3,501	Accountancy Fees	81,148	47,986
16,500	12,500	Audit Fee (Note 10)	7,500	4,250
7,988	5,831	Board Expenses	18,825	14,475
19,863	19,863	Computer Expenses & R & M	21,917	21,917
2,538	2,051	Depreciation/Amortisation (Note 6)	1,898	1,556
1,576	788	Directors Liability Insurance	1,576	788
3,104	3,104	Electricity	3,242	3,242
4,284	4,284	Equipment Hire	4,284	4,284
10,749	8,946	General Expenses	9,934	7,976
4,000	4,000	Honorarium	0	0
2,167	2,167	Insurance	1,285	1,285
3,214	0	Interest Expense	517	0
14,799	0	Investment Management Fees	13,379	0
22,624	0	Merchandising Expenses	7,228	0
0	0	NZ Post Book Awards Sponsorship Refund	2,737	2,737
2,589	3,759	Postage	4,382	6,554
5,645	5,645	Printing & Stationery	10,572	10,572
40,152	40,152	Rent	40,152	40,152
3,675	3,675	Publications, Subscriptions, Affiliation Fees	5,673	5,673
440	440	Recruitment, Temp & Training	1,547	1,547
8,873	8,873	Telephone & Tolls	18,859	18,859
68,065	0	Token Expenses	133,677	0
10,492	10,492	Travel & Accommodation	11,160	11,160
382,133	382,133	Wages & Salaries	255,192	255,192
<b>645,646</b>	<b>522,204</b>		<b>656,684</b>	<b>460,205</b>
		<b>MARKETING AND PROJECTS</b>		
15,469	15,469	Marketing Projects (Note 3)	14,753	14,753
100,680	100,680	Booksellers Services (Note 5)	84,143	84,143
<b>116,149</b>	<b>116,149</b>		<b>98,896</b>	<b>98,896</b>
<b>761,795</b>	<b>638,353</b>	<b>TOTAL EXPENSES</b>	<b>755,580</b>	<b>559,101</b>
258,241	(294,235)	<b>NET SURPLUS/(DEFICIT)</b>	194,853	(287,971)
131,095	0	Income Tax Expense	98,365	0
<b>127,146</b>	<b>(294,235)</b>	<b>NET SURPLUS/(DEFICIT) AFTER TAX</b>	<b>96,488</b>	<b>(287,971)</b>

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 2017**

<b>2016 GROUP \$</b>	<b>2016 BSNZ \$</b>		<b>2017 GROUP \$</b>	<b>2017 BSNZ \$</b>
1,575,264	(1,234,476)	Opening Accumulated Surplus (Deficit)	1,702,410	(1,528,711)
127,146	(294,235)	Surplus / (Deficit) for the Year	96,488	(287,971)
<u>1,702,410</u>	<u>(1,528,711)</u>	<b>Closing Accumulated Surplus (Deficit)</b>	<u>1,798,898</u>	<u>(1,816,682)</u>

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

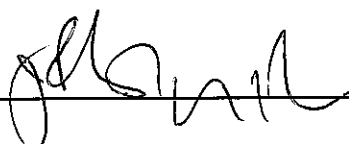


**BOOKSELLERS NEW ZEALAND INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

2016 GROUP \$	2016 BSNZ \$		2017 GROUP \$	2017 BSNZ \$
		<b>EQUITY</b>		
1,575,264	(1,234,476)	Opening Accumulated Surplus (Deficit)	1,702,410	(1,528,711)
127,146	(294,235)	Surplus / Deficit for the Year	96,488	(287,971)
<u>1,702,410</u>	<u>(1,528,711)</u>	<b>Closing Accumulated Surplus (Deficit)</b>	<u>1,798,898</u>	<u>(1,816,682)</u>
		Represented by -		
		<b>CURRENT ASSETS</b>		
83,133	6,889	Bank Current Accounts	11,197	9,905
44,724	15,979	Accounts Receivable	122,862	78,573
9,882	9,882	Prepayments	7,115	7,115
20,977	0	Stock on Hand	10,623	0
22	22	Income Tax Refund (Note 7)	2,927	9
<u>158,738</u>	<u>32,772</u>		<u>154,724</u>	<u>95,602</u>
		<b>NON-CURRENT ASSETS</b>		
14,115	12,503	<b>FIXED ASSETS AND INTANGIBLES</b> (Note 6)	38,092	36,822
		<b>INVESTMENTS</b>		
0	300	Shares - Book Tokens (NZ) Ltd	0	300
2,677,504	0	Gareth Morgan Investments Ltd (Note 2)	2,301,524	0
<u>2,677,504</u>	<u>300</u>		<u>2,301,524</u>	<u>300</u>
<u>2,850,357</u>	<u>45,575</u>	<b>TOTAL ASSETS</b>	<u>2,494,340</u>	<u>132,724</u>
		<b>CURRENT LIABILITIES</b>		
80,436	40,219	Accounts Payable	79,454	51,488
72,031	0	Income Tax Payable	0	0
11,387	11,387	Income in Advance (Note 4)	58,985	58,985
0	1,522,680	Book Tokens (NZ) Ltd (Note 8)	0	1,838,933
120,938	0	Redemptions Payable	109,621	0
863,155	0	Unredeemed Tokens	447,382	0
<u>1,147,947</u>	<u>1,574,286</u>	<b>TOTAL LIABILITIES</b>	<u>695,442</u>	<u>1,949,406</u>
<u>1,702,410</u>	<u>(1,528,711)</u>	<b>NET ASSETS / (DEFICIT)</b>	<u>1,798,898</u>	<u>(1,816,682)</u>

For and on behalf of the Board

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

18.07.17  
 \_\_\_\_\_  
 Date

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

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

<b>2016 GROUP \$</b>	<b>2016 BSNZ \$</b>		<b>2017 GROUP \$</b>	<b>2017 BSNZ \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
		<b>Cash was received from:</b>		
92,118	92,118	Fees, subscriptions and other receipts from members	63,436	63,436
700,685	135,416	Receipts from providing goods or services	834,454	128,946
1,154	50	Interest, dividends and other investment receipts	1,145	29
255	255	Tax refund	13	13
		<b>Cash was applied to:</b>		
1,043,164	645,587	Payments to suppliers and employees	1,272,534	641,533
127,450	-	Taxation paid	172,575	-
<u>(376,402)</u>	<u>(417,748)</u>	<b>Net Cash Flows from Operating Activities</b>	<u>(546,061)</u>	<u>(449,109)</u>
<b>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</b>				
		<b>Cash was received from:</b>		
400,000	-	Withdrawals from GMI Investment Portfolio	500,000	-
-	434,000	Proceeds from borrowings from Book Tokens (NZ) Ltd	-	478,000
		<b>Cash was applied to:</b>		
-	21,000	Repayment of borrowings from Book Tokens (NZ) Ltd	-	-
-	-	Purchase of fixed assets and intangibles	25,875	25,875
<u>400,000</u>	<u>413,000</u>	<b>Net Cash Flows from Investing and Financing Activities</b>	<u>474,125</u>	<u>452,125</u>
23,598	(4,748)	<b>Net Increase/(Decrease) in Cash</b>	(71,936)	3,016
59,535	11,637	<b>Opening Cash</b>	83,133	6,889
<u>83,133</u>	<u>6,889</u>	<b>Closing Cash</b>	<u>11,197</u>	<u>9,905</u>
		<b>This is represented by:</b>		
<u>83,133</u>	<u>6,889</u>	Bank Accounts and Cash	<u>11,197</u>	<u>9,905</u>

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

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
**NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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

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

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

**Fixed Assets and Intangibles** - Fixed Assets and Intangibles are valued at cost less accumulated depreciation.

**Goods and Services Tax (GST)** - All amounts are recorded exclusive of GST, except for Accounts Receivable and Accounts Payable 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 2017**

**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** – There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in the previous year.

**2. INVESTMENTS**  
**GARETH MORGAN INVESTMENTS LIMITED**

<b>2016</b>		<b>2017</b>
<b>\$</b>		<b>\$</b>
1,805,774	Bonds	1,605,723
694,135	Shares and Investment Funds	686,069
177,595	Cash Account	9,732
<hr/>		<hr/>
2,677,504	Total Investments	2,301,524
<hr/>		<hr/>

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 2017**

**3. MARKETING PROJECTS**

<b>2017</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus (Deficit)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Radio Review	11,210	14,753	(3,543)
	<hr/>	<hr/>	<hr/>
<b>Net Deficit</b>	<b>11,210</b>	<b>14,753</b>	<b>(3,543)</b>
	<hr/>	<hr/>	<hr/>
<b>2016</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus (Deficit)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Radio Review	14,345	15,469	(1,124)
	<hr/>	<hr/>	<hr/>
<b>Net Deficit</b>	<b>14,345</b>	<b>15,469</b>	<b>(1,124)</b>
	<hr/>	<hr/>	<hr/>

**4. INCOME IN ADVANCE**

<b>2016</b>		<b>2017</b>
<b>\$</b>		<b>\$</b>
11,387	Conference in advance	0
0	Subscriptions	58,985
<hr/>		<hr/>
<b>11,387</b>	<b>Total Income in Advance</b>	<b>58,985</b>
<hr/>		<hr/>

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
**NOTES TO AND FORMING PART OF THE GROUP FINANCIAL STATEMENTS**  
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**5. BOOKSELLER SERVICES**

<b>2017</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus (Deficit)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Conference	37,305	23,329	13,976
Bookseller READ	9,385	7,838	1,547
Catalogues	50,470	35,547	14,923
Kobo	1,125	4,792	(3,667)
New Zealand Bookshop Day	5,571	12,637	(7,066)
	<hr/>	<hr/>	<hr/>
Total Bookseller Services	103,856	84,143	19,713
	<hr/>	<hr/>	<hr/>
<b>2016</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus (Deficit)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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/>

**6. FIXED ASSETS AND INTANGIBLES**

<b>2017</b>	<b>Cost</b>	<b>Annual Depreciation/ Amortisation</b>	<b>Accumulated Depreciation/ Amortisation</b>	<b>Net Book Value</b>
<b>Book Tokens</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer Equipment	10,115	94	10,020	95
Furniture and Fittings	16,837	248	15,662	1,175
	<hr/>	<hr/>	<hr/>	<hr/>
	26,952	342	25,682	1,270
<b>Booksellers</b>				
Website	65,893	145	39,891	26,002
Leasehold Alterations	9,622	696	5,696	3,926
Furniture & Fittings	13,126	715	6,232	6,894
Computer Equipment	16,125	0	16,125	0
	<hr/>	<hr/>	<hr/>	<hr/>
	104,766	1,556	67,944	36,822
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	131,718	1,898	93,626	38,092
	<hr/>	<hr/>	<hr/>	<hr/>

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
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<b>2016 Book Tokens</b>	<b>Cost</b>	<b>Annual Depreciation/ Amortisation</b>	<b>Accumulated Depreciation/ Amortisation</b>	<b>Net Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
<b>Booksellers</b>				
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
<b>Total</b>	<hr/>	<hr/>	<hr/>	<hr/>
	105,844	2,538	91,729	14,115

**7. BSNZ TAXATION**

BTL has taxable income of \$486,895 and after offsetting losses from BSNZ has income tax of \$98,365 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 \$9 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:

<b>2016</b>		<b>2017</b>
<b>\$</b>		<b>\$</b>
<b>BSNZ</b>		<b>BSNZ</b>
127,873	Administrative Fee paid by BTL	87,482

The related party balance disclosed of \$1,838,933 (2016: \$1,522,680) 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 2017 (2016: \$Nil).

**10. FEES PAID TO AUDITORS**

Audit fees paid to Deloitte by the Group \$7,500 (2015: \$16,500) in respect of the 2017 year.

**BOOKSELLERS NEW ZEALAND INCORPORATED**  
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**11. COMMITMENTS**

**Operating Lease**

BSNZ shares premises with BTL. BTL reimburse BSNZ 23.59% (2016: 27%) of the lease as part of the administration fee paid. For the 2018 year BSNZ use will be 76.41%.

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. No decision has yet been made whether or not the lease will be renewed in May 2018.

<b>Group 2016 \$</b>	<b>BSNZ 2016 \$</b>		<b>Group 2017 \$</b>	<b>BSNZ 2017 \$</b>
40,152	29,311	Not later than one year	40,152	30,680
40,152	29,311	One to two years	6,692	5,113
6,692	4,885	Two years and over	-	-
<hr/>	<hr/>		<hr/>	<hr/>
86,996	63,507		46,844	35,793
<hr/>	<hr/>		<hr/>	<hr/>

**Photocopier Rental**

BSNZ has rented a photocopier for five years from 10 December 2013. 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 76.41% BSNZ (2016: 73%) and 23.59% BTL (2016: 27%). For the 2018 year BSNZ use will be 76.41%.

<b>Group 2016 \$</b>	<b>BSNZ 2016 \$</b>		<b>Group 2017 \$</b>	<b>BSNZ 2017 \$</b>
4,284	3,127	Not later than one year	4,284	3,273
4,284	3,127	One to two years	2,856	2,182
4,284	3,127	Two to five years	-	-
<hr/>	<hr/>		<hr/>	<hr/>
12,852	9,381		7,140	5,455
<hr/>	<hr/>		<hr/>	<hr/>



**BOOKSELLERS NEW ZEALAND INCORPORATED**  
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**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 2017 was recorded as 76.41% BSNZ (2016: 73%) and 23.59% BTL (2016: 27%). The cost of the phones has been recorded as 76.41% BSNZ and 23.59% BTL. The remainder of the lease owing was paid in full in October 2016.

Group 2016 \$	BSNZ 2016 \$		Group 2017 \$	BSNZ 2017 \$
4,800	3,504	Not later than one year	-	-
4,800	3,504	One to two years	-	-
6,800	4,964	Two to five years	-	-
<u>16,400</u>	<u>11,972</u>		<u>-</u>	<u>-</u>

**Capital Commitments**

There are no capital commitments as at 31 March 2017 (2016: \$Nil).

**12. ACCUMULATED FUNDS**

2017	Group \$	BSNZ \$
Opening Balance	1,702,410	(1,528,711)
Surplus/(Deficit)	96,488	(287,971)
	<u>1,798,898</u>	<u>(1,816,682)</u>
<b>2016</b>	<b>Group \$</b>	<b>BSNZ \$</b>
Opening Balance	1,575,264	(1,234,476)
Surplus/(Deficit)	127,146	(294,235)
	<u>1,702,410</u>	<u>(1,528,711)</u>

**13. SUBSEQUENT EVENTS**

There have been no material events subsequent to balance date that require adjustment to, or disclosure in the financial statements (2016: \$Nil).