

BAPTIST BOOK STORE 2018 FINANCIAL REPORT

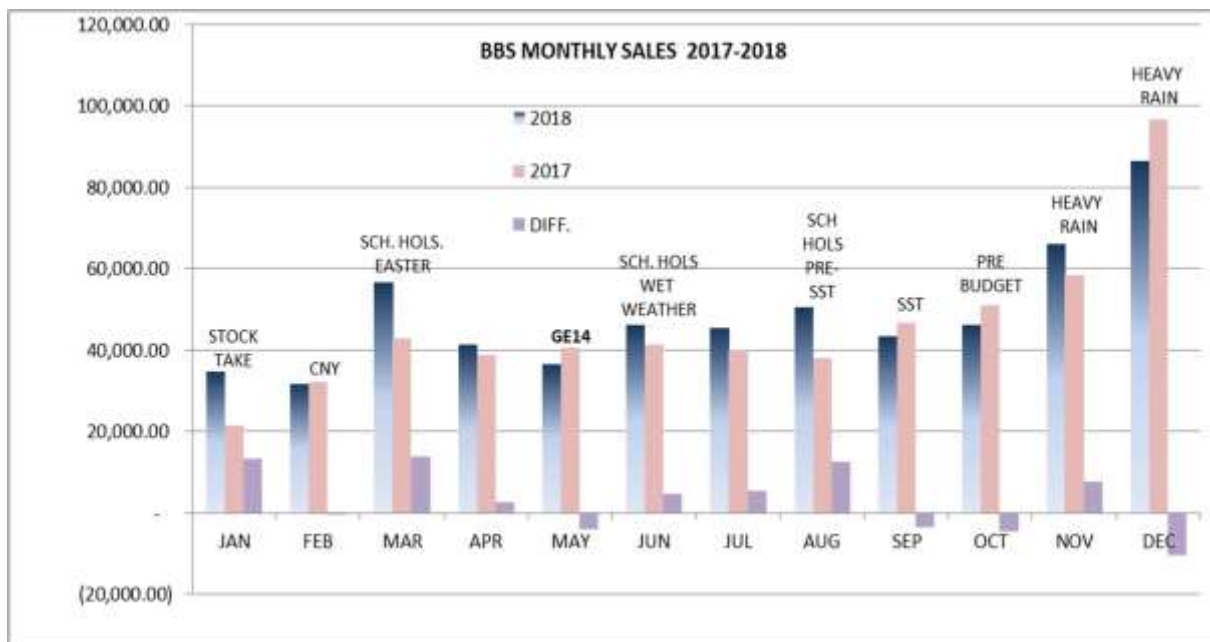
Overall Performance

2018 was an interesting year with the General Elections taking place in May. Sales were understandably lower in May, but quickly improved for the next three months until the Sales & Service Tax kicked in, in September. October reported very low sales, worrying even our suppliers as the entire nation watched with bated breath whether the government will bring relief through the Budget or will there be more bad news. With no good news to celebrate during the Christmas season, many churches and customers chose to cut back on their spending. This is not surprising as prices of goods, generally, did not fall despite the removal of GST. Nonetheless, we thank God that total annual sales still managed to improve by 6.7%.

Sales of English books remained the same while Chinese books improved marginally. Expanding shelf space for our English Children's books brought an increase in sales of 26%. Chinese Children's books shrank by 26%. But sales of Bibles continue to surprise us – English Bibles increased by approximately 24%; Chinese Bibles 24%; Bilingual Bibles 20% and Children's Bibles (English) 134%! But a 10% discount is given to all customers for Bibles and the increase in sales in this category lowered our Gross Profit Margin.

A 38% increase in Golden Years members (Free membership) means that more of the products sold will enjoy 10% discount which in turn eroded our Gross Profit Margin. This does not include full-time workers and churches, another group given free membership, entitling them to 10%.

The Audio-Visual category continued its decline, with no best-selling albums released in 2018 and a drop of 24% in sales was registered in this category.

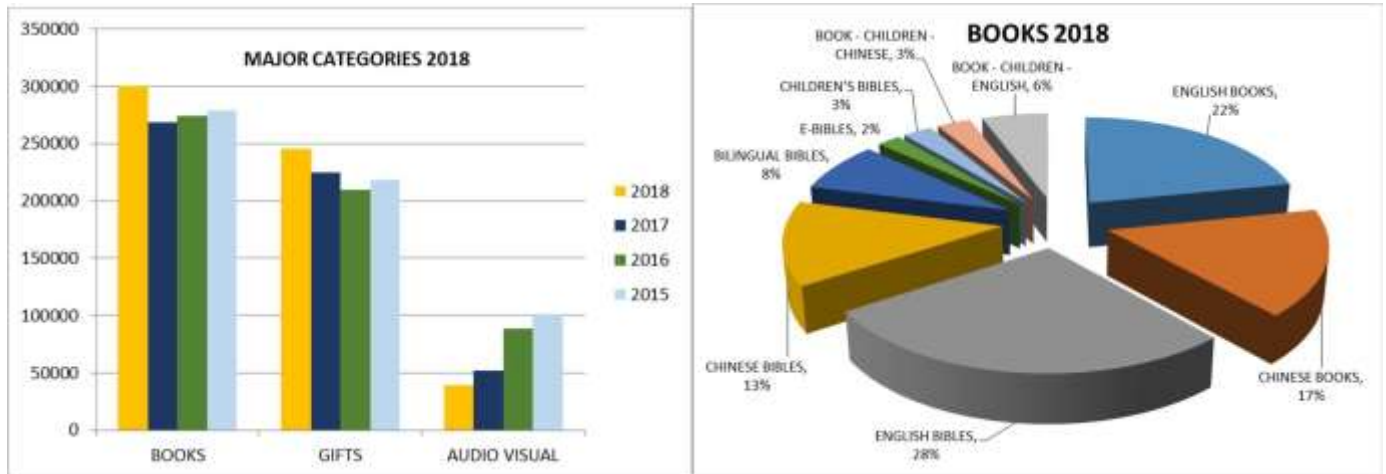


Other Financial Factors

The reduction in Fixed Deposit Interest is basically due to the cancellation by the bank of the extra 1% scheme – it is no longer available to businesses but we have benefitted from it for the past two years.

The increase in overheads is basically due to the employment of an additional staff in March but one has left at the end of 2018. We also had to replace our computers as our accounting software has moved to a Windows 10 platform and this has led to higher depreciation charges. Our air-conditioners, which are more than 15 years old, kept breaking down, requiring heavy repairs. We are planning to replace them one by one in the coming years. Our CCTV hard disk also had to be replaced and the alarm system finally gave way after 12 years. Other increase in expenses included RM 3,422 of our share of MBC legal expenses and there are increases in insurance premiums and other expenses beyond our control. The RM 2,255 in freight charges have been costed in the determination of the

selling price of Chinese Bibles bought from Hong Kong and will be recovered as the Bibles are sold. Such purchases were made every few years as local suppliers were not able to supply us.



Staff Changes

We thank God for bringing a sister to join us in March 2018. She is a good fit for the team, being Chinese educated and hardworking. At the end of 2018 we bade farewell to one of our staff who is seeking a change of work and we are thankful for his contribution all these years.

Projects

The “Today Alone With God” small group meeting ended and the Book Store started a Ukulele class in April to bless the Christian community in town. Both young and old join together to learn. A new beginner’s class will start in April 2019 in response to new enquiries.

The Book Store has been exploring ways to bless the community and it has started a project in July to produce Bible Study materials, starting with Ephesians. No books will be printed (hence no stock held) and the material will be made available at cost to those interested. Trial runs will begin in 2019 to test and improve the ease of use of these materials. The funding for this project comes from the Upgrading/Ministry Expansion Fund.

Conclusion

The new government is still trying to cope with the many debts left behind by the previous government and hoping to improve the economy after the 1MDB debacle. We hope that sales will recover in 2019 barring any unforeseeable event. Liquidity wise, we are still strong though we may need to strategize about the business to ensure it stays financially viable in the future. With the audio-video category declining, we will need to find new products to substitute.

Baptist Book Store Committee
2018