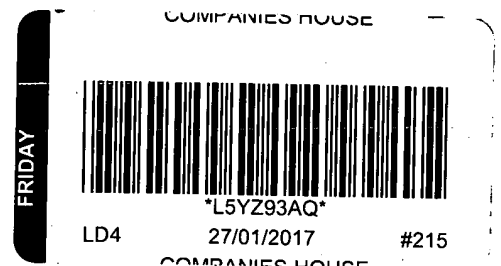


Company Number: 00610095

Waterstones Booksellers Limited

Report and Accounts

53 weeks ended 30 April 2016



WATERSTONES BOOKSELLERS LIMITED**REPORT AND ACCOUNTS 2016****Company Number: 00610095**

COMPANY INFORMATION**DIRECTORS**

A J Daunt
J Molloy
R D J Manning (appointed 4 January 2016)

SECRETARY

R D J Manning

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

00610095

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

STRATEGIC REPORT**Principal activities**

The Company operates as a bookseller through a chain of general bookshops in the United Kingdom and through the Waterstones.com e-commerce website.

Review of the business

The Company is part of the Waterstones Group which operates as a bookseller through a chain of bookshops in the United Kingdom, Ireland, Holland and Belgium and through the Waterstones.com e-commerce website. Following its acquisition from HMV Group in June 2011, the Waterstones Group has embarked on a programme of investment and change to secure its future as a quality bookselling business. Significant progress was made in the financial year, supported by a further £9.0m of capital investment (2015: £8.3m) in the shop environment and support infrastructure. This investment, combined with better standards of bookselling within the shops to improve service and the range of books stocked, is once again making Waterstones, for those who love books, a place to visit and spend time in. Our shops are also benefitting from an expanding complementary non-book offer and in many shops, a café, with 46 stores now including Waterstones' own 'Café W'.

Sales were £394.7m, up 4% on the prior year (2015: £378.0m), which, combined with continued improvement in operational efficiencies and margin improvements, resulted in an operating profit before exceptional items of £19.1m, an improvement from a profit of £5.2m in the prior period. Operating exceptional costs totalled £2.1m (2015: £1.0m) comprising impairment of plant and equipment.

The profit after taxation amounted to £18.9m (2015: loss of £1.9m). No dividend was paid during the period and the Directors recommend that no final dividend be declared with the profit (2015: loss) being transferred to reserves.

During the period under review, 6 shops were closed and 7 shops were opened, resulting in a total estate of 270 shops at 30 April 2016 (2015: 269).

Principal risks and uncertainties

The principal risks relevant to the Company are identified as follows:

- (i) the competitive nature of its markets, with particular emphasis on the developing methods of digital delivery of products and content;
- (ii) the general sensitivity to changes in economic conditions;
- (iii) the seasonality of the business, with Christmas performance key to annual profitability;
- (iv) maintaining appropriate commercial agreements with key suppliers;
- (v) the reliability of the Company's and key suppliers' supply chains;
- (vi) a failure to sustain or protect the Company's reputation and brand;
- (vii) the maintenance and development of information technology systems; and
- (viii) attracting, motivating and retaining key staff.

The Directors ensure that management of these principal risks and uncertainties is addressed in the preparation of, and subsequent monitoring of performance against, the Waterstones Group's strategic and operational plans and policies.

On behalf of the Board



A J Daunt
Director
29th July 2016

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 53 weeks ended 30 April 2016, which were approved on behalf of the Board on 29th July 2016.

Directors

The names of the Directors who served throughout the period under review and up to and including the date of this Report are shown on page 1.

Directors' liabilities

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party provision remains in force as at the date of approving the Directors' Report.

Dividends

No dividend was paid during the period and the Directors recommend that no final dividend be declared (2015: £nil).

Future developments

The Directors aim to continue the programme of investment and change to secure the future of Waterstones as a quality bookselling business.

Financial risk factors

The Company's exposure to and management of liquidity risk, interest rate risk, credit risk and foreign exchange risk is set out in Note 22.

Policy on payment of creditors

During the period under review the Company did not impose standard payment terms on its suppliers but agreed specific terms with each and ensured that each supplier was made aware of such terms. It was the Company's policy to pay its suppliers in accordance with the terms that they had agreed. The Company had 54 (2015: 65) days' purchases outstanding as payable at 30 April 2016.

Employee policies

The Company operates a decentralised HR function. This provides greater accountability to employees and aids the development of flexible and entrepreneurial book teams that can thrive under the competitive market pressures that the Company trades in. Decentralised employee policies support a flexible local service, improving response times and maximising the use of available resources, whilst minimising costs.

Employees are provided with information about the Company through the newsletter "Compass Points" and the intranet site "Compass" where employees are encouraged to present their questions, suggestions and views. Employees share directly in the success of the business through an all employee bonus scheme.

The Company is committed to maintaining and improving an equal and diverse workplace, free from discrimination on the grounds of age, gender, nationality, religion, non-job related disability, sexual orientation or marital status. It also aspires to be an employer of choice and aims to provide opportunities for individuals to develop and contribute through employee forums and focus groups.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DIRECTORS' REPORT (CONTINUED)**Donations**

The Company made charitable donations of £1,161,000 (2015: £47,000) in the period under review.

During the period under review it was Company policy not to make donations to political parties and therefore no political donations were made.

Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- (i) to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- (ii) each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

A statement of the Directors' responsibilities for the financial statements can be found on page 5, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report.

Elective resolutions to dispense with holding annual general meetings and the laying of accounts before the Company in a general meeting are currently in force. Ernst & Young LLP are therefore deemed to continue as auditors of the Company.

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Company has adequate resources and access to funding, through the continuing support of the ultimate European parent undertaking, Lynwood Investments CY Limited and A L Mamut, a director of the immediate parent undertaking, Waterstones Holdings Limited, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board


A J Daunt

Director

29th July 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements and Accounts in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare financial statements under International Financial Reporting Standards as adopted by the European Union (IFRS).

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the financial performance and the cash flows of the Company for that period. In preparing those financial statements, the Directors are required to:

- (i) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Estimates and then apply them consistently;
- (ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- (iii) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- (iv) state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- (v) make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 as well as Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

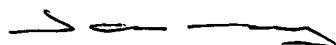
We confirm that, to the best of our knowledge:

- (i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and profit of the Company; and
- (ii) the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company may face.

On behalf of the Board



A J Daunt
Director
29th July 2016



J Molloy
Director
29th July 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES BOOKSELLERS LIMITED

We have audited the financial statements of Waterstones Booksellers Limited for the 53 weeks ended 30 April 2016, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2016 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Nigel Meredith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 29 July 2016

INCOME STATEMENT
For the 53 weeks ended 30 April 2016 and 52 weeks ended 25 April 2015

		Before exceptional items 2016 £000	Exceptional items 2016 £000	Total 2016 £000
	Notes			
Revenue	3	394,732	-	394,732
Cost of sales	6	(352,507)	(2,056)	(354,563)
Gross profit		42,225	(2,056)	40,169
Administrative expenses		(23,143)	-	(23,143)
Operating profit	4	19,082	(2,056)	17,026
Finance income	9	70	-	70
Finance costs	10	(6,223)	-	(6,223)
Profit before taxation		12,929	(2,056)	10,873
Taxation	11	8,072	-	8,072
Profit for the period		21,001	(2,056)	18,945

		Before exceptional items 2015 £000	Exceptional items 2015 £000	Total 2015 £000
	Notes			
Revenue	3	378,017	-	378,017
Cost of sales	6	(356,999)	(433)	(357,432)
Gross profit		21,018	(433)	20,585
Administrative expenses	6	(15,791)	(522)	(16,313)
Operating profit	4	5,227	(955)	4,272
Finance income	9	77	-	77
Finance costs	10	(6,239)	-	(6,239)
Loss before taxation		(935)	(955)	(1,890)
Taxation	11	-	-	-
Loss for the period		(935)	(955)	(1,890)

See Note 2 for the description of the 2016 and 2015 reporting period.

For details of the exceptional items included above, see note 6.

All results in the current and prior year relate to continuing activities.

STATEMENT OF COMPREHENSIVE INCOME**For the 53 weeks ended 30 April 2016 and 52 weeks ended 25 April 2015**

	2016	2015
	£000	£000
Profit (loss) for the period attributable to the shareholders of the Company	18,945	(1,890)
Total comprehensive income (loss) for the period attributable to the shareholders of the Company	18,945	(1,890)

WATERSTONES BOOKSELLERS LIMITED**REPORT AND ACCOUNTS 2016**

Company Number: 00610095

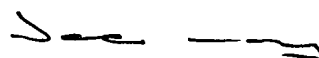
BALANCE SHEET

		As at 30 April 2016	As at 25 April 2015
	Notes	£000	£000
Assets			
Non-current assets			
Plant and equipment	12	54,248	62,282
Intangible assets	13	-	-
Investments in subsidiaries	14	27,261	27,261
Deferred income tax asset	11	8,072	-
		89,581	89,543
Current assets			
Inventories	16	56,450	56,444
Trade and other receivables	15	34,985	35,467
Cash and short-term deposits	17	18,519	16,594
		109,954	108,505
Total assets		199,535	198,048
Liabilities			
Non-current liabilities			
Trade and other payables	18	(86,056)	(100,509)
Interest bearing loans and borrowings	19	(528)	(1,056)
Provisions	20	(1,323)	(2,247)
		(87,907)	(103,812)
Current liabilities			
Trade and other payables	18	(124,606)	(126,482)
Interest bearing loans and borrowings	19	(528)	(528)
Provisions	20	(2,096)	(1,773)
		(127,230)	(128,783)
Total liabilities		(215,137)	(232,595)
Net liabilities		(15,602)	(34,547)
Equity			
Share capital	24	71,014	71,014
Accumulated losses		(86,616)	(105,561)
Total equity		(15,602)	(34,547)

The financial statements were approved by the Board of Directors on 29th July 2016 and were signed on its behalf by:



A J Daunt
Director



J Molloy
Director

WATERSTONES BOOKSELLERS LIMITED**REPORT AND ACCOUNTS 2016****Company Number: 00610095****STATEMENT OF CHANGES IN EQUITY**

	Share capital	Accumulated losses	Total
	£000	£000	£000
At 26 April 2014	71,014	(103,671)	(32,657)
Loss for the period	-	(1,890)	(1,890)
Total comprehensive loss	-	(1,890)	(1,890)
At 25 April 2015	71,014	(105,561)	(34,547)
Profit for the period	-	18,945	18,945
Total comprehensive income	-	18,945	18,945
At 30 April 2016	71,014	(86,616)	(15,602)

CASH FLOW STATEMENT

For the 53 weeks ended 30 April 2016 and 52 weeks ended 25 April 2015

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Profit (loss) before tax		10,873	(1,890)
Net finance costs		6,153	6,162
Operating profit		17,026	4,272
Depreciation	4	13,844	14,006
Impairment charges	4	2,056	242
Loss on disposal of plant and equipment	4	1,075	341
Foreign exchange losses (gains)	4	424	(838)
		34,425	18,023
Movement in inventories		(6)	3,386
Movement in trade and other receivables		482	830
Movement in trade and other payables		(22,709)	(16,198)
Movement in provisions		(601)	930
Net cash flows from operating activities		11,591	6,971
Cash flows used in investing activities			
Purchase of plant and equipment		(9,274)	(9,677)
Proceeds from disposal of plant and equipment		10	307
Interest received		70	77
Net cash flows used in investing activities		(9,194)	(9,293)
Cash flows used in financing activities			
Interest paid		(39)	(50)
Repayment of capital element of finance leases		(528)	(528)
Net cash flows used in financing activities		(567)	(578)
Net increase (decrease) in cash and cash equivalents	23	1,830	(2,900)
Opening cash and cash equivalents	17	16,594	19,494
Effects of exchange rate changes		95	-
Closing cash and cash equivalents	17	18,519	16,594

NOTES TO THE FINANCIAL STATEMENTS**1. Authorisation of financial statements and statement of compliance with IFRS**

The financial statements of Waterstones Booksellers Limited for the period ended 30 April 2016 were authorised for issue by the Board on 29th July 2016 and the Balance Sheet was signed on the Board's behalf by A J Daunt and J Molloy. Waterstones Booksellers Limited is incorporated and domiciled in England and Wales.

The financial statements have been prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006.

2. Accounting policies**Basis of preparation**

These financial statements are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 53 weeks ended 30 April 2016, whilst the comparative period covered the 52 weeks ended 25 April 2015. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

The financial statements have been prepared on an historical cost basis, except for fixed assets, inventories, trade receivables, derivative financial instruments and interest bearing loans and borrowings. The financial statements are prepared in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Company is exempt from preparing group financial statements as it is itself a subsidiary undertaking under Section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Company has adequate resources and access to funding, through the continuing support of the ultimate European parent undertaking, Lynwood Investments CY Limited and A L Mamut, a director of the immediate parent undertaking, Waterstones Holdings Limited, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Revenue represents the value of goods supplied, less discounts given, and is recognised when goods are delivered and title has passed. Revenue excludes value added tax ("VAT") and similar sales-related taxes.

Dividend and interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate.

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Exceptional items**

The Company presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature, expected infrequency or quantum of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items recognised in arriving at operating results include (but are not limited to) those costs associated with integrating a newly acquired business, impairment losses, reversal of impairments and costs associated with restructuring the business.

Investments in subsidiaries

Investments in subsidiaries are recognised at cost less impairments booked. Income is recognised from these investments when the right to receive the distribution is established.

Foreign currency translation*Transactions and balances*

Transactions and balances are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates at the reporting date.

All differences arising on settlement or retranslation of monetary items are taken to the income statement.

Plant and equipment

The capitalised cost of plant and equipment includes only those costs that are directly attributable to bringing an asset to its working condition for its intended use.

Depreciation of plant and equipment is calculated on cost, at rates estimated to write off the cost, less the estimated residual value, of the relevant assets by equal annual amounts over their estimated useful lives.

The annual rates used are:

Plant and equipment	10 to 33 $\frac{1}{3}$ %
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Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Impairment of assets

The Company assesses at each reporting date whether there are indicators that an asset may be impaired. Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets (cash generating units). If any indicator of impairment exists, or when annual impairment testing is required, the Company makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash inflows expected to be derived from the asset. Where the asset does not generate cash inflows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated. To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement. An impairment loss in respect of goodwill is not reversed.

Leases

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease, such as rent-free periods, premiums payable and capital contributions, are spread on a straight line basis over the lease term. All other operating lease payments are charged directly to the income statement on a straight line basis over the lease term. Where the rent payable is contingent on revenue, the charges are expensed in the period in which they are incurred.

Rental income from sub-let properties is recognised on a straight line basis over the period of the sublease.

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits of ownership of the leased assets, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Taxation***Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted by the balance sheet date.

Taxation is charged or credited to other comprehensive income if it relates to items that are themselves charged or credited to other comprehensive income, otherwise it is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits less bank overdrafts that are payable on demand.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Pension costs

The Company operates a defined contribution pension saver scheme. Contributions to the scheme are charged in the income statement as they become payable in accordance with the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Derivative financial instruments

The Company may from time to time use derivative financial instruments for hedging purposes, including forward foreign exchange contracts. The Company does not enter into derivative financial instruments for speculative purposes. Derivative financial instruments are stated at their fair value. The fair value of forward foreign exchange contracts is their quoted market value at the balance sheet date, being the present value of the quoted forward price.

Hedge accounting

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and any ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when hedged transactions affect profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is then transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Customer loyalty schemes

The fair value of loyalty points awarded is deferred until the awards are redeemed, after adjustment for both the number of points that have expired and also the number of points expected never to be redeemed. Fair value is determined by reference to the value for which the points can be redeemed.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill and other assets – goodwill is tested for impairment on at least an annual basis. As part of this testing, the value in use of the cash-generating units to which the goodwill is allocated is assessed, which requires the estimation of future cash flows and choosing a suitable discount rate. Plant and equipment and investments are reviewed for impairment/un-impairment if events or changes in circumstances indicate that the carrying value may not be recoverable or that a previously recognised impairment loss may have reversed. When a review for impairment/un-impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates, see Note 12.

Inventory valuation – inventories are valued at the lower of cost and net realisable value, which includes, where necessary, provisions for slow moving and obsolete inventory. Calculation of provisions requires judgements to be made regarding future customer demand, the competitive environment and inventory loss trends, see Note 16.

Taxation – calculation of the Company's total tax charge requires a degree of estimation and judgement in respect of certain transactions whose ultimate tax treatment is uncertain and also in respect of the probability that future taxable profits will be available to support the recognition of deferred tax assets. Where the final outcome of these tax matters differs from the amounts that were initially recorded, the tax charge and deferred tax provisions will be impacted, see Note 11.

Provisions – provisions for store closures, onerous leases and restructuring costs are estimates and the actual costs and timing of future cash flows are dependent on future events. Expectations are revised in each period, with any difference accounted for in the period in which the revision is made, see Note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****New accounting standards**

The Company has adopted the following amended accounting standards which were mandatory for the first time for the financial period ending 30 April 2016. They have no material impact on the Company.

- IFRS 13 Fair value measurement: Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52);
- IAS 16 Property, plant and equipment: Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation);
- IAS 24 Related party disclosures: Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities); and
- IAS 38 Intangible fixed assets: Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation).

The Company has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date after the start date of these financial statements:

- IFRS 7 Financial instruments: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures, effective when IFRS 9 is applied, see below; Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9, effective when IFRS 9 is applied, see below; and Amendments resulting from September 2014 Annual Improvements to IFRSs, effective for annual periods beginning on or after 1 January 2016;
- IFRS 9 Financial instruments: Original issue, effective for annual periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from contracts with customers: Original issue, amendment to defer the effective date to annual periods beginning on or after 1 January 2018;
- IFRS 16 Leases: Original issue, effective for annual periods beginning on or after 1 January 2019;
- IAS 1 Presentation of financial statements: Amendments resulting from the disclosure initiative, effective for annual periods beginning on or after 1 January 2016;
- IAS 16 Property, plant and equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016; and Amendments bringing bearer plants into the scope of IAS 16, effective for annual periods beginning on or after 1 January 2016;
- IAS 27 Separate financial statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements, effective for annual periods beginning on or after 1 January 2016; and
- IAS 38 Intangible fixed assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.

The Company intends to adopt these standards when they become effective.

As the Company prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements for the financial year ending 29 April 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	2016	2015
	£000	£000
Sale of goods	394,732	378,017
	394,732	378,017

4. Operating profit

Operating profit is stated after charging (crediting):

	2016	2015
	£000	£000
Depreciation of plant and equipment	13,844	14,006
Impairment charges	2,056	242
Loss on disposal of plant and equipment	1,075	341
Cost of inventories recognised as an expense	187,437	189,644
Write down of inventories	1,223	925
Net foreign exchange losses (gains)	424	(838)
Operating lease rentals		
Minimum rentals	49,425	49,998
Percentage rentals	96	88
Sublease rentals	(605)	(516)

The Company leases stores and office premises under non-cancellable operating lease agreements that are generally subject to periodic rent review. These agreements provide for either or both minimum rentals and percentage rentals based on sales performance.

5. Fees to auditors

	2016	2015
	£000	£000
Audit of the financial statements	110	90
Tax advisory	13	1
Non audit services	5	4

The audit fee disclosed above represents the statutory audit fee for the Company.

6. Exceptional items (before taxation)

Charged in arriving at operating profit:

	2016	2015
	£000	£000
Impairment of plant and equipment	(2,056)	(242)
Restructuring and redundancy costs	-	(689)
Store closure costs	-	(24)
	(2,056)	(955)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. Exceptional items (before taxation) (continued)

Included within Cost of sales:-

Impairment charges for plant and equipment of £2,056,000 (2015: £242,000) following a review of the carrying value based on prevailing market conditions.

Exceptional costs of £nil (2015: £167,000) relating to store organisational restructuring and related redundancy costs.

Exceptional store closure costs of £nil (2015: £24,000) including fixed asset write-offs, redundancy costs incurred, strip-out costs, stock obsolescence and provisions for future property costs.

Included within Administrative expenses:-

Exceptional costs of £nil (2015: £522,000) relating to organisational restructuring and related redundancy costs.

7. Directors' emoluments

	2016	2015
	£000	£000
Emoluments	7,493	430
Pension contributions	17	27
	7,510	457

The amounts in respect of the highest paid Director were as follows:

	2016	2015
	£000	£000
Emoluments	7,241	270
Pension contributions	1	1
	7,242	271

8. Employee costs

	2016	2015
	£000	£000
Employee costs, including Directors' emoluments:		
Wages and salaries	51,233	47,133
Social security costs	4,159	2,992
Other pension costs	1,417	1,536
	56,809	51,661

The average monthly number of people employed by the Company during the period was 2,922 (2015: 3,168).

9. Finance income

	2016	2015
	£000	£000
Bank interest receivable	70	77
Total finance income	70	77

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Finance costs

	2016	2015
	£000	£000
External loans and overdrafts	39	50
Interest payable to group undertakings	6,184	6,189
Total finance costs	6,223	6,239

11. Taxation

	2016	2015
	£000	£000
Taxation recognised in the income statement:		
United Kingdom, current year:		
Deferred income tax	(8,072)	-
Total taxation credit in the income statement	(8,072)	-

The standard rate of UK corporation tax was reduced to 20% from 1 April 2015. Further, the Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. Current tax has therefore been provided at 20% (2015: 20.9%) and deferred tax at 19% (2015: 20%), the rate expected to be effective when the deferred tax assets are anticipated to be utilised.

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

	2016	2015
	£000	£000
Profit (loss) before taxation	10,873	(1,890)
Corporation tax at UK average statutory rate of 20% (2015: 20.9%)	2,175	(395)
Effects of:		
Permanent disallowables	746	498
Short term timing differences	(494)	(103)
Utilisation of previously unrecognised tax losses	(2,427)	-
Recognition of deferred tax asset	(8,072)	-
Total tax credit	(8,072)	-

Deferred tax

Provided deferred income tax

The deferred income tax recognised in the balance sheet is as follows:

	2016	2015
	£000	£000
Deferred income tax asset		
Accelerated capital allowances	8,072	-
	8,072	-

There are no provided deferred income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

Deferred tax (continued)

Unprovided deferred income tax

There are no unprovided deferred income tax liabilities.

The deferred income tax asset not recognised in the balance sheet is as follows:

	2016	2015
	£000	£000
Accelerated capital allowances	-	11,165
Other temporary differences	12	12
Tax losses	1,208	6,954
	1,220	18,131

The deferred income tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which the timing differences will reverse. It is likely that the assets will be recoverable once suitable taxable profits are generated.

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. Current tax has therefore been provided at 20% (2015: 20.9%) and deferred tax at 19% (2015: 20%), the rate expected to be effective when the deferred tax assets are anticipated to be utilised.

12. Plant and equipment

	Plant and equipment
	£000
Cost at 25 April 2015	217,758
Disposals	(49,530)
Additions	8,959
Cost at 30 April 2016	177,187
Depreciation at 25 April 2015	155,476
Charge for period	13,844
Impairment loss	2,056
Disposals	(48,437)
Depreciation at 30 April 2016	122,939
Net book value at 30 April 2016	54,248
Net book value at 25 April 2015	62,282

Plant and equipment has been written down by £2,056,000 (2015: £242,000) following an impairment review of the carrying value based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated eight-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10% (2015: 10%). Key assumptions for the value in use calculations are those regarding revenue, margin, operating costs and discount rate. The cash flows reflected management's best estimates of revenue, margin, operating costs and discount rate over the forecast period and no reasonably possible change in assumptions would result in further impairment. The total recoverable amount of the assets impaired is £nil.

The carrying value of plant and equipment held under finance leases at 30 April 2016 was £nil (2015: £3,031,000) of which £nil (2015: £nil) is included within additions during the period. Leased assets are pledged as security for the related finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

	Cost	Provision	Net book value
	£000	£000	£000
At 30 April 2016	69,347	(69,347)	-
At 25 April 2015	69,347	(69,347)	-

Goodwill of £69,347,000 which arose on the acquisition of the trade and assets of the subsidiary undertaking Waterstones Overseas Limited on 26 April 2008 was capitalised. This goodwill was subject to an annual impairment review so as to ensure that the carrying amount was not greater than the recoverable amount. On the basis of such a review, provision was made at 30 April 2011 against the full value of the goodwill. This reflected the valuation of the Company inherent in the sale of the business by HMV Group plc on 28 June 2011 for £53.5m on a cash-free, debt-free basis.

14. Investments in subsidiaries

	Cost	Provision	Net book value
	£000	£000	£000
At 30 April 2016	27,261	-	27,261
At 25 April 2015	27,261	-	27,261

The Company's direct and indirect subsidiary undertakings, which are 100% owned, are as follows:

Name of undertaking	Country of incorporation	Activity
Waterstones Overseas Limited	England & Wales	Non-trading
Hatchards UK Limited	England & Wales	Dormant
Waterstones Academic Bookstores Limited	England & Wales	Dormant
Ottakar's Limited	England & Wales	Dormant
Ottakar's Town Limited	England & Wales	Dormant

15. Trade and other receivables

	2016	2015
	£000	£000
Current:		
Trade receivables	824	920
Amounts owed by fellow subsidiary undertakings	817	686
Other receivables	2,663	2,501
Prepayments and accrued income	30,681	31,360
	34,985	35,467

The carrying value of trade and other receivables approximates to fair value. Trade receivables are stated net of a provision for impairment of £38,000 (2015: £147,000). Trade receivables are non-interest bearing and are generally on 30 day terms. Other receivables are also non-interest bearing. Amounts owed by fellow subsidiary undertakings are non-interest bearing with no fixed repayment date.

Credit risk is limited as the Company has minimal levels of trade receivables due to the nature of its retailing business. See Note 22 for a discussion of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Inventories

Inventories primarily comprise finished goods and goods for resale. The replacement cost of inventories is considered to be not materially different from the balance sheet value.

17. Cash and short-term deposits

	2016	2015
	£000	£000
Cash at bank and in hand	18,519	16,594
	18,519	16,594

Cash at bank earns interest at floating rates based on daily bank deposit rates.

18. Trade and other payables

	2016	2015
	£000	£000
Non-current		
Amounts owed to UK parent undertaking	79,425	94,741
Amounts owed to ultimate European parent undertakings	6,631	5,768
	86,056	100,509
Current:		
Trade payables	27,860	33,164
Amounts owed to fellow subsidiary undertakings	31,329	31,329
Other payables	47,486	42,547
Accruals and deferred income	17,931	19,442
	124,606	126,482

The carrying value of trade and other payables approximates to fair value. Trade payables are not interest-bearing and are generally settled on 30-60 day terms. Other payables and accruals are not interest-bearing.

Amounts owed to fellow subsidiary undertakings are non-interest bearing with no fixed repayment date.

The terms of the loan with the UK parent undertaking were varied during the year and the interest rates amended. Following this change, interest is chargeable on £44,335,000 of this balance at 7.28% and on £35,090,000 of this balance at 7%. In the prior year interest was due on the balance of £94,741,000 at the higher of 7% per annum or the base rate of Barclays Bank at date of advance plus 4%. All elements of the loan are repayable on or before 22 June 2021 (2015: 22 June 2021).

The amounts owed to the ultimate European parent undertaking are repayable on or before 1 January 2018. Interest is charged on these balances at the higher of 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%.

19. Interest bearing loans and borrowings

	2016	2015
	£000	£000
Non-current:		
Obligations under finance leases (see Note 27)	528	1,056
	528	1,056
Current:		
Obligations under finance leases (see Note 27)	528	528
	528	528

The carrying value of interest bearing loans and other borrowings approximates to fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Provisions

	Total £000
At 25 April 2015	4,020
Provisions created in the period	1,204
Provisions utilised	(1,395)
Provisions released	(410)
At 30 April 2016	3,419
Analysed as:	
Current	2,096
Non-current	1,323
	3,419

Provisions almost entirely consist of amounts in respect of onerous leases, store closures and restructuring. Of the total provisions, £63,000 is expected to be utilised after 5 years from the balance sheet date (2015: £142,000).

21. Derivative financial instruments

Currency derivatives

The Company can use derivative instruments as part of a policy of managing foreign currency exchange risk arising on expected future purchases of internationally sourced products. The implementation of these derivative instruments is negotiated to match expected purchases and they therefore qualify for hedge accounting. The fair value of cash flow hedges in place at 30 April 2016 was £nil (2015: £nil).

The total notional amount of outstanding foreign currency contracts to which the Company was committed at 30 April 2016 was £nil (2015: £nil).

22. Financial risk factors

The Company's business exposes it to certain limited financial risks, such as liquidity risk, interest rate risk, credit risk and foreign exchange risk.

Liquidity risk

During the year under review the Company had sufficient funds and facilities available to satisfy its current requirements.

The Company has access to funding facilities from its parent undertaking Waterstones Holdings Limited.

Analysis of the maturity profile of the Company's financial liabilities at 30 April 2016 and 25 April 2015 is shown below:

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Finance leases	-	140	420	560	-	1,120
Trade and other payables	12,155	112,451	-	6,631	79,425	210,662
At 30 April 2016	12,155	112,591	420	7,191	79,425	211,782
Finance leases	-	140	420	1,120	-	1,680
Trade and other payables	12,477	114,005	-	5,768	94,741	226,991
At 25 April 2015	12,477	114,145	420	6,888	94,741	228,671

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**22. Financial risk factors (continued)****Interest rate risk**

The Company is exposed to interest rate risk from its borrowings and cash deposits. However, the strong seasonality to the Company's trading pattern provides a natural hedge against interest rate risk. The net exposure is monitored on a regular basis.

Credit risk

The Company's credit risk arises from its cash and outstanding receivables. The Company manages cash balances by repaying drawings under the revolving credit facility.

Due to the nature of the Company's retailing business credit risk from trade receivables is limited. Allowances are made for doubtful debts based on the age of the debt and the customer's financial circumstances.

Foreign exchange risk

The Company is exposed to foreign exchange risk from its financing and operating activities.

Forward foreign exchange contracts are used to hedge the foreign exchange risk of imports where volumes are significant. No speculative positions are entered into. There were no currency contracts outstanding at the current or prior balance sheet date (see Note 21).

The Company is also exposed to foreign currency translation risk through its borrowings in foreign currency. Generally the Company does not hedge this exposure.

Sensitivity analysis

The following sensitivity analysis illustrates the sensitivity to changes in market variables of the Company's financial instruments and shows the impact on result before tax and shareholders' funds.

Interest rate sensitivity

Based on the Company's net debt position at the year end, and including interest bearing intercompany loans, a 100 basis points movement in interest rates would affect the Company's result before tax and shareholders' equity by approximately £0.7m (2015: £0.9m).

Foreign exchange rate sensitivity

A 10% change in the value of Euro against Sterling would affect the Company's result before tax and shareholders' equity by approximately £0.6m (2015: £0.6m). A 10% change in the value of US Dollar against Sterling would affect the Company's result before tax and shareholders' equity by approximately £0.1m (2015: £0.1m).

Capital management

During the year under review, the core objective of the Company was to ensure that it would be able to continue to operate as a going concern, as well as having sufficient funds available to grow the business for the benefit of its parent company and other stakeholders. The capital structure of the Company comprises cash and cash equivalents (see Note 17), loans and borrowings through its intra-group facilities (see Note 18) and external sources (see Note 19) and equity attributable to the parent company (see Note 24).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**23. Additional cash flow information**

Movements in the Company's net funds position are as follows:

	At 25 April 2015	Cash flow	Other non- cash changes	At 30 April 2016
	£000	£000	£000	£000
Cash at bank and in hand	16,594	1,830	95	18,519
Cash and cash equivalents	16,594	1,830	95	18,519
Loans and borrowings – non-current	(1,056)	-	528	(528)
Loans and borrowings – current	(528)	528	(528)	(528)
Total loans and borrowings	(1,584)	528	-	(1,056)
Net funds	15,010	2,358	95	17,463

	At 26 April 2014	Cash flow	Other non- cash changes	At 25 April 2015
	£000	£000	£000	£000
Cash at bank and in hand	19,494	(2,900)	-	16,594
Cash and cash equivalents	19,494	(2,900)	-	16,594
Loans and borrowings – non-current	(1,584)	-	528	(1,056)
Loans and borrowings – current	(528)	528	(528)	(528)
Total loans and borrowings	(2,112)	528	-	(1,584)
Net funds	17,382	(2,372)	-	15,010

Other non-cash changes represent movements in finance lease funding and foreign exchange rate changes during the year.

24. Share capital

	2016	2015	2016	2015
	Number '000	Number '000	£000	£000
Authorised				
Ordinary Shares of £1 each	121,014	121,014	121,014	121,014
Allotted, called up and fully paid				
Ordinary Shares of £1 each	71,014	71,014	71,014	71,014

25. Contingent liabilities

The management of Waterstones Booksellers Limited is not aware of any legal or arbitration proceedings pending or threatened against the Company which may result in any liabilities significantly in excess of provisions in the financial statements.

The Company is a guarantor to a \$80m bank loan facility held by the ultimate European Parent company. Part of the security for this loan facility is a debenture on the Waterstones brand.

26. Pension arrangements

The Waterstones Group Personal Pension Plan ("the Plan"), a defined contribution scheme, is established under a trust. The Plan provides members with individual pension saving accounts in their own name, with a range of investment options available. Under the auto-enrolment element of the Plan employees have to pay 1% of pensionable salary into the scheme which is matched by Waterstones. There is also a voluntary element to the Plan under which members can choose to pay a percentage of pensionable salary, with the members' contributions matched by Waterstones to a maximum of 6.5%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
27. Obligations under leases
Obligations under operating leases

The Company operates entirely from properties in respect of which commercial operating leases have been entered into. These leases have an average remaining duration of 4 years. The majority of the Company's operating leases provide for their renewal by mutual agreement at the expiry of the lease term. Contingent rentals are payable on certain store leases based on store revenues.

At the end of the period, future minimum rentals payable under non-cancellable operating leases were as follows:

	Land and buildings		Other		Total	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Expiry:						
Not later than one year	43,406	46,379	108	104	43,514	46,483
Between two and five years inclusive	110,373	126,667	126	151	110,499	126,818
After five years	78,800	91,487	-	-	78,800	91,487
	232,579	264,533	234	255	232,813	264,788

The Company has also sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 30 April 2016 was £2,366,000 (2015: £2,893,000).

Obligations under finance leases

The Company has acquired certain plant and equipment under finance lease arrangements. These leases have no terms of renewal, purchase options or escalation clauses. At the end of the period, future minimum payments under finance leases were as follows:

	2016	2015
	£000	£000
Payable:		
Not later than one year	560	560
Between two and five years inclusive	560	1,120
	1,120	1,680
Less: finance charges allocated to future periods	(64)	(96)
Present value of minimum lease payments	1,056	1,584

The present value of minimum lease payments is analysed as follows:

	2016	2015
	£000	£000
Payable:		
Not later than one year	528	528
Between two and five years inclusive	528	1,056
	1,056	1,584

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
28. Related party transactions

Transactions entered into with related parties during the period are as follows:

	Net interest accrued during the period £000	Services rendered to related party £000	Fixed assets transferred to related party £000	Goods sold to related party £000
<i>With ultimate European parent undertaking:</i>				
Lynwood Investments CY Limited				
2016	(344)	-	-	-
2015	(362)	-	-	-
<i>With ultimate UK parent undertaking:</i>				
Waterstones Holdings Limited				
2016	(5,840)	-	-	-
2015	(5,827)	-	-	-
<i>With fellow subsidiary undertakings:</i>				
Waterstones Booksellers Ireland Limited				
2016	-	208	7	354
2015	-	223	67	275
Waterstone's Booksellers Amsterdam B.V.				
2016	-	50	1	69
2015	-	54	-	55
Waterstone's Booksellers Belgium SA				
2016	-	49	2	61
2015	-	56	240	65

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related party transactions (continued)

Balances outstanding with related parties at the end of the period are as follows:

	Amounts owed by related party £000	Amounts owed to related party £000
<i>With ultimate European parent undertaking:</i>		
Lynwood Investments CY Limited		
2016	-	(6,631)
2015	-	(5,768)
<i>With ultimate UK parent undertaking:</i>		
Waterstones Holdings Limited		
2016	-	(79,425)
2015	-	(94,741)
<i>With fellow subsidiary undertakings:</i>		
Waterstones Booksellers Ireland Limited		
2016	489	-
2015	385	-
Waterstone's Booksellers Amsterdam B.V.		
2016	113	-
2015	71	-
Waterstone's Booksellers Belgium SA		
2016	215	-
2015	230	-
Hatchards UK Limited		
2016	-	(20,000)
2015	-	(20,000)
Ottakar's Limited		
2016	-	(196)
2015	-	(196)
Waterstones Overseas Limited		
2016	-	(11,133)
2015	-	(11,133)

See Note 18 for details of the terms and conditions relating to the related party balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. Related party transactions (continued)**

The Company is a guarantor to a \$80m bank loan facility held by the ultimate European parent company. Part of the security for this loan facility is a debenture on the Waterstones brand.

Remuneration of key management personnel

The remuneration of the Directors of the Company is set out in Note 7. The Directors comprise the key personnel of the Company.

29. Ultimate parent undertaking

The immediate parent undertaking of the Company is Waterstones Holdings Limited.

The ultimate European parent undertaking of the Company is Lynwood Investments CY Limited, registered in Cyprus and the ultimate parent company is Alpha Trustees Limited, registered in Nevis. The ultimate beneficial owners of the Company are Alexander Mamut's children who are the beneficiaries under the trusts held by Alpha Trustees Limited.

The largest and smallest group, including the Company, for which consolidated accounts are prepared is that headed by Waterstones Holdings Limited. Copies of these financial statements can be obtained from the Company Secretary, 203-206 Piccadilly, London, W1J 9HD.