

W & G Foyle Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
30 June 2004



L11
COMPANIES HOUSE

LNKKEZRT

0773
29/10/04

Company Registration No. 00945131

W & G Foyle Limited

DIRECTORS AND OFFICERS

DIRECTORS

WRC Foyle
WEF Samuel
Dalmeny Investments Limited
MP McGinley

SECRETARY

J Browne

REGISTERED OFFICE

113-119 Charing Cross Road
London WC2H 0EB

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

W & G Foyle Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of W & G Foyle Limited for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was bookselling and related activities.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

W & G Foyle Limited operates as a bookseller. With the exception of rental and investment income which is disclosed separately, the Company's revenue is derived from bookselling and related activities.

The Company has recorded a trading profit for the first time since 1997. The Company continues to outperform the retail book market with sales for the year increasing by just under 10% over those for the previous year, compared to the retail book market's overall growth of 2.3% in the same period. Sales during the first few weeks of the current year showed an even higher rate of increase.

During the year the Company continued with the refurbishment of the premises. Phase three of this programme, which commenced in February 2004 and was completed in August 2004, included the complete refurbishment of the second floor and a reconfiguration of the new "Front-of-House" area of the ground floor. With the completion of this final phase the Company now occupies some 35,000 square feet (3,250 square metres) of completely renovated sales space on 5 floors, supported by fully modernised offices, goods in and despatch areas.

Towards the end of 2003 the Directors decided that, to maximise the benefits of having an attractive, fully-renovated shop, the Company should add general retailing experience to its very strong bookselling expertise and in January 2004 Mike McGinley was appointed Chief Executive Officer. Mr McGinley is a highly regarded retailer from outside the booktrade with extensive experience in general and music retailing. His impact on the business has been significant; a new management structure has been put in place with a brief to deliver best retail practice and disciplines. This has been reflected in the shops improved merchandising, particularly of our ground floor departments.

Foyles continues to offer arguably the best programme of literary events in London, with the list of authors at our evening events including Stephen Fry, J G Ballard, Paul Auster, Rageh Omaar, Alan Parker and Peter Ackroyd and speakers at our Literary Luncheons including Madeleine Albright, Kate Adie, John Mortimer, Robin Cook, Douglas Hurd and Simon Jenkins.

Our Gallery was closed as part of our refurbishment from March until August 2004, but before this hosted photographic exhibitions for the charities Mind and Save the Children, a photographic exhibition to launch a book by Lena Hertzog, an exhibition on books as objects of art as well as regular meetings for Poetry London magazine.

During recent years we have successfully introduced a number of non-book lines and during the coming year we will build on that success by opening a new Gifts, Memorabilia and Stationery department. We have also reintroduced second hand and out of print books into selected departments and plan gradually to increase that offering.

Once again the Board would like to note its appreciation of the dedication and hard work of the staff, and very particularly thank them for their forbearance throughout the disruption of the refurbishment. The Directors and staff celebrated the end of the three and a half year refurbishment with a party at the end of August.

DIVIDENDS

The directors do not recommend the payment of a dividend.

W & G Foyle Limited

DIRECTORS' REPORT

DIRECTORS

The following directors have held office since 1 July 2003 unless otherwise stated:

WRC Foyle
WEF Samuel
Dalmeny Investments Limited
MP McGinley (appointed 7 July 2004)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

	30/06/04	<i>Ordinary shares of 5p each 01/07/03</i>
WRC Foyle	1,893	1,893
WEF Samuel	252	252
Dalmeny Investments Limited	-	-
MP McGinley	-	-

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



J Browne
Secretary

11 October 2004

W & G Foyle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W & G FOYLE LIMITED

We have audited the financial statements on pages 6 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

11 October 2004

W & G Foyle Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2004

	Notes	2004 £	2003 £
TURNOVER	1	12,500,373	11,402,930
Cost of sales		(9,559,580)	(8,972,394)
Gross profit		<u>2,940,793</u>	<u>2,430,536</u>
Exceptional item	6	(1,394,954)	(1,655,957)
Other operating expenses (net)	2	(2,753,307)	(2,846,966)
OPERATING LOSS		<u>(1,207,468)</u>	<u>(2,072,387)</u>
Investment income	3	78,074	56,071
		<u>(1,129,394)</u>	<u>(2,016,316)</u>
Interest payable	4	(47,352)	(2,354)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(1,176,746)</u>	<u>(2,018,670)</u>
Taxation	8	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>(1,176,746)</u></u>	<u><u>(2,018,670)</u></u>

The operating loss for the year arises from the company's continuing operations.

No Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

W & G Foyle Limited

BALANCE SHEET

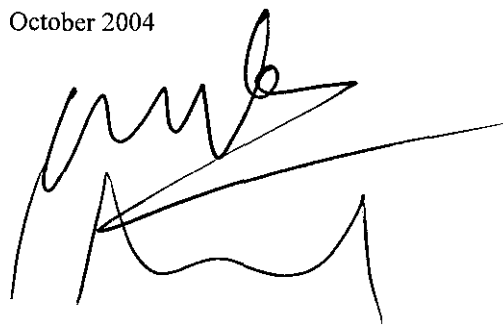
30 June 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Intangible fixed assets	9	19,086	21,586
Tangible assets	10	293,691	336,656
		<u>312,777</u>	<u>358,242</u>
CURRENT ASSETS			
Stocks	11	4,799,968	5,123,376
Debtors	12	582,731	405,652
Cash at bank and in hand		15,693	12,407
		<u>5,398,392</u>	<u>5,541,435</u>
CREDITORS: Amounts falling due within one year	13	(3,094,858)	(2,106,620)
NET CURRENT ASSETS		<u>2,303,534</u>	<u>3,434,815</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,616,311</u>	<u>3,793,057</u>
CAPITAL AND RESERVES			
Called up share capital	14	600	600
Profit and loss account	15	2,615,711	3,792,457
SHAREHOLDERS' FUNDS	16	<u>2,616,311</u>	<u>3,793,057</u>

Approved by the board on 11 October 2004

WRC Foyle Director

WEF Samuel Director



W & G Foyle Limited
CASH FLOW STATEMENT
for the year ended 30 June 2004

	<i>Notes</i>	2004 £	2003 £
Net cash outflow from operating activities	17a	(962,236)	(1,409,429)
Returns on investments and servicing of finance	17b	30,722	53,717
Taxation		-	-
Capital expenditure and financial investment	17b	(59,221)	(94,569)
DECREASE IN CASH IN THE YEAR		<u>(990,735)</u>	<u>(1,450,281)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £	2003 £
Decrease in cash in the year	(990,735)	(1,450,821)
Change in net cash resulting from cash flows	<u>(990,735)</u>	<u>(1,450,821)</u>
MOVEMENT IN NET CASH IN YEAR	(990,735)	(1,450,821)
NET (DEBT)/CASH AT 1 JULY 2003	(483,362)	967,459
NET DEBT AT 30 JUNE 2004	<u>(1,474,097)</u>	<u>(483,362)</u>

W & G Foyle Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

INTANGIBLE FIXED ASSETS

The cost of acquiring intellectual property rights including goodwill, trade marks and trade names is capitalised and written off evenly over 10 years as, in the opinion of the directors, this represents the useful economic life of such intangible fixed assets.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold improvements	over the unexpired lease term
Fixtures, fittings and equipment	20% per annum on cost

STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices. Provision is made for obsolete and slow moving items.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

OPERATING LEASES

Annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

PENSION CONTRIBUTIONS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FOREIGN CURRENCIES

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the dates of the transactions. Assets and liabilities have been translated at rates ruling at the balance sheet date. Exchange differences have been included in the profit and loss account.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity. All sales were made in the United Kingdom

2	OTHER OPERATING EXPENSES (NET)	2004 £	2003 £
	Distribution costs	94,106	107,717
	Administration expenses	2,659,201	2,739,249
		<u>2,753,307</u>	<u>2,846,966</u>
3	INVESTMENT INCOME	2004 £	2003 £
	Interest receivable	-	16,596
	Rent receivable	20,500	19,281
	Other income	57,574	20,194
		<u>78,074</u>	<u>56,071</u>
4	INTEREST PAYABLE	2004 £	2003 £
	On bank loans and overdrafts	<u>47,352</u>	<u>2,354</u>
5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 £	2003 £
	Loss on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year		
	owned assets	102,186	149,936
	Operating lease rentals:		
	Land and buildings	560,000	560,000
	Plant and machinery	37,981	37,598
	Auditors' remuneration - audit		15,000
	- non-audit	13,790	11,265
	Exceptional item (see note 6)	<u>1,394,954</u>	<u>1,655,957</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

6	EXCEPTIONAL ITEM	2004 £	2003 £
	Refurbishment costs	1,394,954	1,655,957

Refurbishment costs represent the cost of phase three of the refurbishment of the property as more fully detailed in the Directors' Report.

7	EMPLOYEES	2004 No	2003 No
	The average monthly number of persons (including directors) employed by the company during the year was	118	119

		2004 £	2003 £
	Staff costs for above persons:		
	Wages and salaries	1,818,867	1,825,616
	Social security costs	170,174	195,191
	Pension costs	7,637	5,942
		1,996,678	2,026,749

		2004 £	2003 £
	DIRECTORS' REMUNERATION		
	Emoluments	60,000	70,000

8	TAXATION	2004 £	2003 £
	Current tax:		
	UK corporation tax on profits of the period	-	-
	Total current tax	-	-
	Deferred taxation:		
	Origination and reversal of timing differences	-	-
	Total deferred tax	-	-
	Tax on profit on ordinary activities	-	-

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

8	TAXATION (continued)	2004 £	2003 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:		
	Loss on ordinary activities before tax	(1,176,746)	(2,018,670)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(353,024)	(605,601)
	Effects of:		
	Expenses not deductible for tax purposes	63,539	158,722
	Capital allowances in excess of depreciation	367,234	354,086
	Utilisation of tax losses	-	92,793
	Unutilised tax losses carried forward	(77,749)	-
	Current tax charge for period	-	-

The company has tax losses of approximately £784,000 (2003: £1,041,000) which, subject to agreement with the Inland Revenue, are available to carry forward and offset future profits of the same trade.

A deferred tax asset of approximately £1,143,000 (2003: £854,000) in respect of both these losses and accelerated capital allowances has not been recognised on the grounds that it is expected that it will take some time for the full effects of the store refurbishment programme to translate into taxable profits and allow this deferred tax asset to be utilised.

9	INTANGIBLE FIXED ASSETS	Intellectual property £
	Cost	
	1 July 2003 and 30 June 2004	25,000
	Amortisation:	
	1 July 2003	3,414
	Charge for the year	2,500
	30 June 2004	5,914
	Net book value	
	30 June 2004	19,086
	30 June 2003	21,586

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

10 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Office furniture & equipment £	Fixtures & fittings £	Total £
Cost				
1 July 2003	174,622	713,308	750,538	1,638,468
Additions	-	59,221	-	59,221
30 June 2004	174,622	772,529	750,538	1,697,689
Depreciation				
1 July 2003	52,384	498,890	750,538	1,301,812
Charged in the year	17,460	84,726	-	102,186
30 June 2004	69,844	583,616	750,538	1,403,998
Net book value 30 June 2004	104,778	188,913	-	293,691
30 June 2003	122,238	214,418	-	336,656

11	STOCKS	2004 £	2003 £
	Books	4,799,968	5,123,376
12	DEBTORS	2004 £	2003 £
	Due within one year:		
	Trade debtors	17,204	19,581
	Other debtors	108,852	68,801
	Prepayments and accrued income	456,675	317,270
		582,731	405,652
13	CREDITORS: Amounts falling due within one year	2004 £	2003 £
	Bank overdraft	1,489,250	495,229
	Trade creditors	1,417,343	1,436,901
	Other taxation and social security costs	47,898	47,136
	Other creditors	7,616	46,503
	Accruals and deferred income	132,751	80,851
		3,094,858	2,106,620

The bank overdraft is secured by a floating charge on the assets of the company.

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

14	SHARE CAPITAL	2004 £	2003 £
	Authorised: 14,000 ordinary shares of 5p each	700	700
	Allotted, issued and fully paid: 12,007 ordinary shares of 5p each	600	600
15	PROFIT AND LOSS ACCOUNT	2004 £	2003 £
	1 July 2003	3,792,457	5,811,127
	Loss for the financial year	(1,176,746)	(2,018,670)
	30 June 2004	2,615,711	3,792,457
16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2004 £	2003 £
	Loss for the financial year	(1,176,746)	(2,018,670)
	Opening shareholders' funds	3,793,057	5,811,727
	Closing shareholders' funds	2,616,311	3,793,057
17	CASH FLOWS	2004 £	2003 £
a	Reconciliation of operating loss to net cash outflow from operating activities		
	Operating loss	(1,207,468)	(2,072,387)
	Depreciation	102,186	149,936
	Amortisation	2,500	2,500
	Decrease in stocks	323,408	110,480
	(Increase)/decrease in debtors	(177,079)	228,153
	(Decrease)/increase in creditors	(5,783)	171,889
	Net cash outflow from operating activities	(962,236)	(1,409,429)

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

17	CASH FLOWS (continued)		2004 £	2003 £
b	Analysis of cash flows for headings netted in the cash flow			
	Returns on investments and servicing of finance			
	Interest received		-	16,596
	Rent received		20,500	19,281
	Other income		57,574	20,194
	Interest paid		(47,352)	(2,354)
	Net cash inflow from returns on investments and servicing of finance		<u>30,722</u>	<u>53,717</u>
	Capital expenditure and financial investment			
	Purchase of tangible fixed assets		(59,221)	(94,569)
	Net cash outflow from capital expenditure and financial investment		<u>(59,221)</u>	<u>(94,569)</u>
		At		At
		1 July		30 June
		2003	Cash flow	2004
		£	£	£
c	Analysis of net cash			
	Cash at bank and in hand	12,407	3,286	15,693
	Bank overdraft	(495,229)	(994,021)	(1,489,250)
	Cash at bank and in hand	<u>(483,362)</u>	<u>(990,735)</u>	<u>(1,473,557)</u>
18	CAPITAL COMMITMENTS		2004 £	2003 £
	Capital expenditure contracted for but not provided in the financial statements		175,000	-
19	COMMITMENTS UNDER OPERATING LEASES			
	At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:			
			2004 £	2003 £
	Plant and machinery			
	expiring in the first year		5,404	9,739
	expiring in the second to fifth year		30,720	26,386
	Land and buildings			
	expiring in the second to fifth year		560,000	560,000
			<u>596,124</u>	<u>596,125</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

20 RELATED PARTY DISCLOSURES

The company rents its bookshop premises from Noved Investment Company, a company in which the directors, WRC Foyle and WEF Samuel, have an interest, at a rental charge during the year of £560,000 (2003: £560,000).

At 30 June 2004 the company owed Noved Investment Company £100 (2003: £17,739).

During the year the company made payments to Air Foyle Limited, a company of which WRC Foyle is a director, in respect of administration expenses recharged to W & G Foyle Limited amounting to £443. At 30 June 2004 the company was owed £Nil by Air Foyle Limited (2003: £158).