

W & G Foyle Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended  
30 June 2017

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COMPANIES HOUSE

Company Registration Number: 00945131

# W & G Foyle Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

WRC Foyle  
C M Foyle  
WEF Samuel  
PA Currie  
J Browne  
RK Burnett  
BA Aspinall

### SECRETARY

J Browne

### REGISTERED OFFICE

107 Charing Cross Road  
London WC2H 0DT

### AUDITOR

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

# W & G Foyle Limited

## STRATEGIC REPORT

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The directors submit their strategic report and the financial statements of W & G Foyle Limited ("Foyles") for the year ended 30 June 2017.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Turnover for the year was £26.6 million (2016: £25.0 million), an increase of 6.4% over the previous year, driven by the opening of the Chelmsford store in September and another strong year of organic growth from our flagship store on Charing Cross Road. Gross profit percentage showed a slight year on year improvement to 32.7% (2016: 32.3%) as we benefitted from further economies of scale that our increased size brings. The Company remains cash positive with EBITDA (earnings before interest, tax, depreciation and amortisation) of £490,656 (2016: £631,540).

During the year there have been a number of significant changes, which will benefit the business in the medium term. They include the restructuring and simplification of the central team and overhaul of the supply chain and logistic systems in the second half of the year. The full year benefit will be realised in the financial year 2017/18.

The heightened terrorism awareness in the final quarter, following the attacks in London and Manchester did impact on footfall in a number of our key city locations. Additional security measures restricted the flow of customers, plus the general public's concern whilst not accurately measurable did correlate with a reduction of footfall into our stores particularly at London South Bank Store.

Our shop on Charing Cross Road experienced flooding in the basement in October 2016 resulting in closure of the store for five days which coincided with half term peak trading. The flooding was covered through loss of trading insurance. Also, the store was not fully functional for a significant period after the reopening.

Operational and commercial efficiency for the key Christmas period delivered strong sales. In December, the business achieved a like-for-like growth of 4.3% year-on-year in stores.

Following the business rate revaluation there was a significant increase which added a further £70,000 to the business operational costs in the final quarter.

We continue to invest heavily in customer service training and staff professional development programmes, to ensure that our credentials as a high service focused retailer is maintained as a point of difference.

Foyles continues to upgrade and invest in Information Technology. This includes the improvement in security of our servers and remote backups. A major review of our web platform was undertaken in 2017, we plan to upgrade to a new platform for delivery in 2018.

Once again, the Board recognises the importance of the team of dedicated professionals that work for the company and would like to record its appreciation of the outstanding service and commitment of the staff. The Board and executive management will continue the development of staff and managers through coaching and a structured programme of in-house and external training.

### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategies are subject to a number of risks including:

- Competition in the retail industry
- Poor economic conditions or slowdown following the Brexit vote
- Cost price and inflationary impact following the exchange rate reduction in Sterling
- Business rate increase following the re rating assessment
- Seasonal fluctuations in sales and cash flow
- Failure or interruption of information technology systems
- Legislative changes
- Inclement weather
- Terrorism.

# W & G Foyle Limited

## STRATEGIC REPORT

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The directors ensure that the above risks are mitigated as far as possible by the preparation of, and subsequent monitoring of performance against, the Company's strategic and operational plans and policies.

### KEY PERFORMANCE INDICATORS

The directors consider the key indications of the performance of the Company, both financial and non-financial, to be turnover, gross profit percentage and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and any one-off exceptional costs).

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company uses financial instruments comprising cash and other liquid resources and various other items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risk arising from the Company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

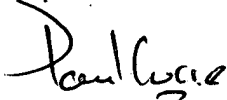
### INTEREST RATE RISK

The Company finances its operations through its positive trading cash flow. An overdraft facility of £1 million is in place to cover any seasonal cash flow requirements.

### LIQUIDITY RISK

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital, ensuring that appropriate facilities are available to be drawn upon where necessary.

By Order of the Board



PA Currie  
Director

22 February 2017

# W & G Foyle Limited

## DIRECTORS' REPORT

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The directors present their report and the financial statements of W & G Foyle Limited for the year ended 30 June 2017.

### PRINCIPAL ACTIVITIES

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

### DIRECTORS

The following directors have held office since 1 July 2016:

WRC Foyle  
C M Foyle (appointed 24 November 2016)  
WEF Samuel  
PA Currie  
J Browne  
RK Burnett  
BA Aspinall  
S Hamilton (resigned 28 April 2017)

### RESULT AND DIVIDENDS

The company made a loss after taxation of £88,791 (2016: £131,447). The directors do not recommend the payment of a dividend.

### FUTURE DEVELOPMENTS

Future developments have been detailed within the Strategic Report on page 2.

### GOING CONCERN

The financial statements have been prepared on a going concern basis. The accounting policy on going concern included on page 12 sets out the factors considered by the directors in assessing the appropriateness of the going concern basis of preparation.

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity is in place for directors who held office in the year.

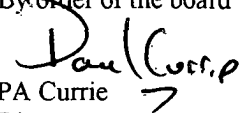
### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITOR

RSM UK Audit LLP has expressed its willingness to continue in office.

By order of the board

  
PA Currie  
Director

22 February 2017

# W & G Foyle Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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. 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 AUDITOR'S REPORT TO THE MEMBERS OF W & G FOYLE LIMITED**

### **Opinion**

We have audited the financial statements of W & G Foyle Limited (the 'company') for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W & G FOYLE LIMITED (Continued)**

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

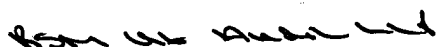
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



PAUL NEWMAN (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Date: 12/03/2018



**W & G Foyle Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 30 June 2017**

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	<i>Notes</i>	2017 £	2016 £
TURNOVER	1	26,637,528	25,027,866
Cost of sales		(17,936,549)	(16,946,656)
GROSS PROFIT		<u>8,700,979</u>	<u>8,081,210</u>
Operating expenses	2	(9,107,775)	(8,266,834)
Other operating income	3	327,001	329,098
OPERATING (LOSS)/PROFIT		<u>(79,795)</u>	<u>143,474</u>
Interest payable	4	(8,996)	(12,027)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(88,791)</u>	<u>131,447</u>
Taxation	7	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(88,791)</u></u>	<u><u>131,447</u></u>

There were no other comprehensive income items.

All operating gains and losses relate to continuing activities.

# W & G Foyle Limited

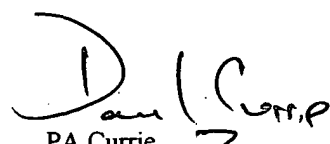
STATEMENT OF FINANCIAL POSITION  
30 June 2017

Company Registration Number: 00945131

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	8	75,358	92,721
Tangible fixed assets	9	2,425,807	2,402,674
		<u>2,501,165</u>	<u>2,495,395</u>
<b>CURRENT ASSETS</b>			
Stocks	10	3,539,504	3,341,746
Debtors - due within one year	11	2,272,625	2,409,640
- due after more than one year	11	638,875	638,875
Cash at bank and in hand		34,502	32,937
		<u>6,485,506</u>	<u>6,423,198</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	12	(4,684,152)	(4,450,876)
<b>NET CURRENT ASSETS</b>		<u>1,801,354</u>	<u>1,972,322</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,302,519</u>	<u>4,467,717</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(16,801)	(93,208)
<b>NET ASSETS</b>		<u><u>4,285,718</u></u>	<u><u>4,374,509</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,200	1,200
Share premium account	16	1,990,695	1,990,695
Profit and loss account	16	2,293,823	2,382,614
<b>SHAREHOLDERS' FUNDS</b>		<u><u>4,285,718</u></u>	<u><u>4,374,509</u></u>

The financial statements on pages 8 to 24 were approved and authorised for issue by the board of directors on ~~22 February~~ 2017 and are signed on its behalf by:

  
WRC Foyle  
Director

  
PA Currie  
Director

**W & G Foyle Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 June 2017**

	Share capital £	Share premium £	Profit and loss account £	Total £
<b>Balance at 1 July 2015</b>	1,200	1,990,695	2,251,167	4,243,062
Profit for the year	-	-	131,447	131,447
<b>Total comprehensive income for the year</b>	-	-	131,447	131,447
<b>Balance at 30 June 2016</b>	1,200	1,990,695	2,382,614	4,374,509
Loss for the year			(88,791)	(88,791)
<b>Total comprehensive income for the year</b>			(88,791)	(88,791)
<b>Balance at 30 June 2017</b>	1,200	1,990,695	2,293,823	4,285,718

**W & G Foyle Limited**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 30 June 2017**

	<i>Notes</i>	2017 £	2016 £
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	17	439,851	1,530,415
Interest paid		(8,996)	(12,027)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>430,855</u>	<u>1,518,388</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(549,713)	(1,255,727)
Purchase of intangible fixed assets		(26,508)	(59,557)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(576,221)</u>	<u>(1,315,284)</u>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings		(76,407)	(72,660)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(76,407)</u>	<u>(72,660)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(221,773)	130,444
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		(613,550)	(743,994)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>(835,323)</u>	<u>(613,550)</u>
Relating to:-			
Bank balances included in cash at bank and in hand		34,502	32,937
Bank overdraft included in short term creditors		(869,825)	(646,487)
<b>TOTAL</b>		<u>(835,323)</u>	<u>(613,550)</u>

# W & G Foyle Limited

## ACCOUNTING POLICIES (continued)

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### GENERAL INFORMATION

W & G Foyle Limited ("The Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is 107 Charing Cross Road, London, WC2H 0DT.

The company's principal activities are disclosed in the Directors' Report on page 4.

### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

### GOING CONCERN

The directors are confident that the company's trading forecasts and cash flow projections show that it has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of the financial statements.

### FOREIGN CURRENCIES

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### TURNOVER

Turnover represents the value, net of Value Added Tax, of goods sold to customers and is recognised when goods are delivered and title has passed.

### INTANGIBLE FIXED ASSETS

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Website development	25% per annum on cost
Intellectual property	10% per annum on cost

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

# W & G Foyle Limited

## ACCOUNTING POLICIES (continued)

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### TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

### IMPAIRMENT OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses in profit or loss. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices. At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

### TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# W & G Foyle Limited

## ACCOUNTING POLICIES (continued)

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### OPERATING LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

### EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### PENSION CONTRIBUTIONS

The company makes contributions to the personal pension plans of certain senior employees. 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.

### FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Sections 11 and 12 of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### FINANCIAL ASSETS

#### *Trade and other debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

### FINANCIAL LIABILITIES AND EQUITY

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Trade and other creditors*

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

# W & G Foyle Limited

## ACCOUNTING POLICIES (continued)

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### *Bank overdrafts*

Bank overdrafts are presented within creditors: amounts falling due within one year.

### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

### *Derecognition of Financial Assets and Liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### SHARE BASED PAYMENTS

The Company uses equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) on the date of grant. The fair value at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period.

### PROVISIONS

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Deferred tax asset*

Deferred tax assets are only recognised when the expectation of recovery is probable.

### *Provision for slow moving stock*

This estimate is based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances.



**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

<b>2 OPERATING EXPENSES (NET)</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Distribution costs	625,332	405,247
Administration expenses (net)	8,482,443	7,861,587
<b>Total operating expenses (net)</b>	<b>9,107,775</b>	<b>8,266,834</b>

<b>3 OTHER OPERATING INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Concession and commission income	327,001	329,098

<b>4 INTEREST PAYABLE</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on bank loans and overdrafts	8,996	12,027

<b>5 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Owned assets	526,580	420,620
Amortisation of intangible fixed assets	43,871	67,446
Operating lease rentals: land and buildings	2,622,358	2,380,728
Cost of stocks recognised as an expense	15,096,972	14,333,112

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Audit services – statutory audit of the company	29,000	28,000
Other services		
Tax services	7,000	6,750
Other services	12,450	15,250
	<b>48,450</b>	<b>50,000</b>

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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6	EMPLOYEES	2017 No.	2016 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Administrative	40	36
	Retail	154	147
		<u>194</u>	<u>183</u>
	Staff costs for above persons:	2017 £	2016 £
	Wages and salaries	4,101,940	3,815,489
	Social security costs	328,600	308,169
	Pension costs	28,068	25,865
		<u>4,458,608</u>	<u>4,149,523</u>

### DIRECTORS' REMUNERATION

The directors, who are considered to be the key management personnel of the Company, received the following remuneration for their services.

	£	£
Emoluments	457,239	431,887
Company contributions to money purchase pension schemes	718	655
	<u>457,957</u>	<u>432,542</u>
	No.	No.
The number of directors to whom retirement benefits are accruing under money purchase schemes was:	1	1
	£	£
Highest paid director:		
Emoluments	216,667	200,000
Company contributions to money purchase pension schemes	-	655
	<u>216,667</u>	<u>200,655</u>

There were no share options exercised during the year (2016: none).

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

7	TAXATION	2017 £	2016 £
	Current tax:		
	UK corporation tax	-	-
	Total current tax	-	-
	Deferred taxation:		
	Effect of decreased rate on opening asset	27,159	-
	Origination and reversal of timing differences	(27,159)	-
	Total deferred tax	-	-
	Tax on (loss)/profit on ordinary activities	-	-
		2017 £	2016 £
	The current tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:		
	(Loss)/profit on ordinary activities before tax	(88,792)	131,447
	(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	(17,537)	26,289
	Effects of:		
	Expenses not deductible for tax purposes	1,373	2,400
	Adjust closing deferred tax to average rate of 19.75%	87,006	61,308
	Adjust opening deferred tax to average rate of 19.75%	(55,947)	-
	Fixed Asset differences	22,613	45,836
	Deferred tax not recognised	(37,508)	(135,833)
	Current tax charge for period	-	-

The company has trading losses of approximately £2.9 million (2016: £3.2 million) which, subject to agreement with HM Revenue & Customs, are available to carry forward and offset against future profits of the same trade.

A deferred tax asset of £451,261 (2016: £508,098) has been recognised in respect of trading losses which are expected to reverse within the foreseeable future based on forecasts of future profitability. No deferred tax asset has been recognised in respect of the remaining losses due to uncertainty over the amount and timing of future profits against which the losses can be offset. The unrecognised deferred tax asset in relation to such losses is £48,851 (2016: £65,987).

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

8	INTANGIBLE FIXED ASSETS	Website	Intellectual	Total
		development	property	
		£	£	£
	Cost			
	1 July 2016	609,631	7,280	616,911
	Additions	26,508	-	26,508
	30 June 2017	636,139	7,280	643,419
	Amortisation			
	1 July 2016	518,338	5,852	524,190
	Charge for the year	42,443	1,428	43,871
	30 June 2017	560,781	7,280	568,061
	Net book value			
	30 June 2017	75,358	-	75,358
	30 June 2016	91,293	1,428	92,721
9	TANGIBLE FIXED ASSETS	Leasehold	Fixtures,	Total
		improvements	fittings, and	
		£	£	£
	Cost			
	1 July 2016	3,048,536	2,647,535	5,696,071
	Additions	423,928	125,785	549,713
	30 June 2017	3,472,464	2,773,320	6,245,784
	Depreciation			
	1 July 2016	1,055,272	2,238,125	3,293,397
	Charge for the year	375,274	151,306	526,580
	30 June 2017	1,430,546	2,389,431	3,819,977
	Net book value			
	30 June 2017	2,041,918	383,889	2,425,807
	30 June 2016	1,993,264	409,410	2,402,674

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

10	STOCKS	2017 £	2016 £
	Books, gifts and stationery	3,539,504	3,341,746

11	DEBTORS	2017 £	2016 £
	Amounts falling due within one year:		
	Trade debtors	216,471	272,230
	Other debtors	66,545	245,859
	Unpaid share capital	500,000	673,850
	Prepayments and accrued income	1,489,609	1,217,701
		<u>2,272,625</u>	<u>2,409,640</u>
	Amounts falling due after more than one year:		
	Deferred tax asset	488,875	488,875
	Other debtors	150,000	150,000
		<u>638,875</u>	<u>638,875</u>
	Total	<u>2,911,500</u>	<u>3,048,515</u>

Other debtors falling due after more than one year represents anticipated recovery of monies due relating to a historic claim.

	2017 £	2016 £
The deferred tax asset is made up as follows:		
Tax losses	451,261	508,098
Short term timing differences	577	-
Decelerated capital allowances	37,037	-
Accelerated capital allowances	-	(19,223)
	<u>488,875</u>	<u>488,875</u>
At 1 July	488,875	488,875
Deferred tax debited to profit and loss account	-	-
At 30 June	<u>488,875</u>	<u>488,875</u>

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

12	CREDITORS: Amounts falling due within one year	2017 £	2016 £
	Bank loans and overdraft	944,825	721,487
	Trade creditors	2,956,038	2,720,111
	Other taxation and social security costs	74,978	82,669
	Other creditors	-	79,205
	Accruals and deferred income	708,311	847,404
		<u>4,684,152</u>	<u>4,450,876</u>

Bank loans and overdraft disclosed above and in notes 13 and 14 are secured by a fixed and floating charge over the assets of the company.

The bank overdraft is an annual facility, subject to review in October 2018 and repayable on demand. Interest is payable at 3.25% per annum over Base Rate.

13	CREDITORS: Amounts falling due after more than one year	2017 £	2016 £
	Bank loans	16,801	93,208
		<u>16,801</u>	<u>93,208</u>
	Included in creditors are:	2017 £	2016 £
	Amount payable:		
	In one year or less or on demand	944,825	721,487
	In more than one year but not more than two years	16,801	75,000
	In more than two years but not more than five years	-	18,208
		<u>961,626</u>	<u>814,695</u>

14	BORROWINGS	2017 £	2016 £
	Creditors: amounts falling due within one year:		
	Bank overdraft	869,825	646,487
	Bank loans	75,000	75,000
		<u>944,825</u>	<u>721,487</u>
	Creditors: amounts falling due after more than one year:		
	Bank loans	16,801	93,208
	Total	<u>961,626</u>	<u>814,695</u>

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

15	FINANCIAL INSTRUMENTS	2017 £	2016 £
	Carrying amount of financial assets:		
	Debt instruments measured at amortised cost	866,471	1,337,890
		<u>866,471</u>	<u>1,337,890</u>
	Carrying amount of financial liabilities:		
	Measured at amortised cost	4,625,975	4,461,415
		<u>4,625,975</u>	<u>4,461,415</u>
16	SHARE CAPITAL AND RESERVES	2017 £	2016 £
	Authorised:		
	25,000 ordinary shares of 5p each (2016: 25,000 ordinary shares of 5p each)	1,250	1,250
	22,000 'A' ordinary shares of 5p each (2016: 22,000 'A' ordinary shares of 5p each)	1,100	1,100
		<u>2,350</u>	<u>2,350</u>
	Allotted and issued		
	24,014 ordinary shares of 5p each (2016: 24,014 ordinary shares of 5p each)	1,200	1,200
		<u>1,200</u>	<u>1,200</u>

The ordinary shares and the 'A' ordinary shares rank pari passu as to dividend rights. The 'A' ordinary shares rank behind the ordinary shares on a winding up or other return of capital and do not generally entitle holders to receive notice of and/or to attend vote and speak at general meetings.

The company has granted the following options, which remain exercisable, to subscribe for 'A' ordinary shares of 5p each.

	Grant date	Subscription price per share £	Period within which options are exercisable	Number of shares for which rights are exercisable	
				30.06.17	30.06.16
EMI Scheme	19.07.06	111	19.07.06-18.07.16	-	1,500
EMI Scheme	14.07.13	111	14.07.13-13.07.23	5,375	5,375
Unapproved Scheme	19.07.06	111	19.07.06-18.07.16	-	1,000
Unapproved Scheme	14.07.13	111	14.07.13-13.07.23	5,875	5,875
EMI Scheme	02.03.16	111	02.03.16-01.03.26	5,000	5,000

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### 16 SHARE CAPITAL AND RESERVES (continued)

#### RESERVES

##### *Share premium account*

The share premium reserves represent the consideration received for shares issued above their nominal value net of transaction costs.

##### *Profit and loss reserve*

The profit and loss account represents the cumulative profit and loss net of distributions to the owners.

17	RECONCILIATION OF (LOSS)/PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATING ACTIVITIES	2017 £	2016 £
	(Loss)/profit after tax	(88,791)	131,447
	Depreciation of tangible fixed assets	526,580	420,620
	Amortisation of intangible fixed assets	43,871	67,446
	Interest payable	8,996	12,027
		<u>490,656</u>	<u>631,540</u>
	Operating cash flows before movements in working capital		
	Increase in stocks	(197,758)	(318,460)
	Decrease in debtors	137,015	872,180
	Increase in creditors	9,938	345,155
	Net cash inflow from operating activities	<u>439,851</u>	<u>1,530,415</u>

### 18 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2017 the company had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Amounts due:		
Land and buildings		
Within one year	2,691,500	2,591,500
Between one and five years	9,448,625	9,866,000
After five years	4,602,500	6,601,625
Total	<u>16,742,625</u>	<u>19,059,125</u>

### 19 RELATED PARTY DISCLOSURES

The company purchased services of £1,200,000 (2016: £1,023,212) from companies in which the directors have an interest.

£500,000 (2016: £652,300) was owed to the company by directors at the balance sheet date.



# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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### 20 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors, who are considered to be the key management personnel of the Company was £517,766 (2016: £487,907) including employer's national insurance.

### 21 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is WRC Foyle.

**W & G Foyle Limited**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
**for the year ended 30 June 2017**

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	2017 £	2016 £
<b>TURNOVER</b>		
Bookshop sales	26,637,528	25,027,866
	<u>26,637,528</u>	<u>25,027,866</u>
<b>COST OF SALES</b>		
Opening stock	3,341,746	3,023,315
Purchases	15,294,730	14,651,543
Salaries, wages and NIC	2,839,577	2,613,544
Closing stock	(3,539,504)	(3,341,746)
	<u>17,936,549</u>	<u>16,946,656</u>
<b>GROSS PROFIT</b>	<b>8,700,979</b>	<b>8,081,210</b>
Distribution costs – postage and carriage	(625,332)	(405,247)
Administration expenses	(8,482,443)	(7,861,587)
Other income	327,001	329,098
<b>OPERATING LOSS/PROFIT</b>	<b>(79,795)</b>	<b>143,474</b>
Interest payable	(8,996)	(12,027)
<b>LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b>(88,791)</b>	<b>131,447</b>

This page does not form part of the statutory financial statements.

**W & G Foyle Limited**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
**for the year ended 30 June 2017**

	2017 £	2016 £
<b>ADMINISTRATION EXPENSES</b>		
Salaries, wages and NIC	1,619,031	1,535,979
Rent	2,622,358	2,430,872
Rates	1,102,117	1,027,842
Power, light and heat	171,668	170,858
Concessions and service charges	368,624	257,033
Cleaning, maintenance and repairs	343,781	368,262
Equipment rental	7,341	10,157
Shop signage and consumables	100,799	76,646
Customer bags	29,347	29,828
New shop designs	5,730	4,200
Telephones	25,418	22,034
Advertising, printing and stationery	365,390	363,265
Insurance and security	230,051	213,490
Affiliates & commissions	9,853	11,452
Depreciation	526,580	420,620
Amortisation	43,871	67,446
Travel expenses, conferences, Christmas party	(507)	18,549
Audit and accountancy	50,793	50,000
Cash collections	28,852	25,940
Software and computer services	269,821	188,547
Web hosting, subscriptions, line rentals	125,135	105,024
Legal & Prof Fees	42,036	34,654
Payroll	13,042	13,352
Bank commission and credit card charges	200,023	146,266
Booksellers Association	8,884	8,590
Foreign currency	10,695	-
Book token charges	84,459	73,530
Stocktaking costs	32,027	27,743
Staff training & advertising	29,606	66,441
Health & Safety	9,000	-
Bad debts	-	14,551
Miscellaneous expenses	6,618	78,416
	<u>8,482,443</u>	<u>7,861,587</u>

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