

W. & G. Foyle Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
30 June 2018



Company Registration Number: 00945131

W. & G. Foyle Limited

COMPANY INFORMATION

DIRECTORS

A J Daunt (appointed 25 October 2018)

P Best (appointed 25 October 2018)

SECRETARY

A Campbell

COMPANY NUMBER

00945131

REGISTERED OFFICE

203-206 Piccadilly

London

W1J 9HD

AUDITOR

RSM UK Audit LLP

Chartered Accountants

6th Floor

25 Farringdon Street

London

EC4A 4AB

W. & G. Foyle Limited

STRATEGIC REPORT

The directors submit their Strategic Report and the financial statements of W. & G. Foyle Limited ("Foyles") for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The company operates a chain of seven bookshops, four of which are in London and the others in Birmingham, Bristol and Chelmsford and also through the Foyles.com e-commerce web site.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Turnover for the year was £26,124k (2017: £26,638k), a reduction of 1.92% over the previous year. Gross margins remained steady. The company made a pre-tax loss of £1,198k (2017: £89k loss) after incurring net exceptional costs of £724k (see note 5).

Trading conditions were challenging due to the relative lack of good publishing during the year but the directors are optimistic about the medium and long-term prospects and believe the company to be in a good position to take advantage of new opportunities as they arise.

No new shops were opened or closed during the period under review.

During the period under review, the company's shareholders undertook a decision to sell their shareholding in the company (note 23). The sale was completed on 25 October 2018. The Board expects the business to return to profitability in the medium term as improved margins and other cost savings and efficiencies begin to come through.

Information Technology is critical to our business and investment in this area is ongoing, with improvements being made to our management information systems and to the robustness and security of our server infrastructure.

Once again, the Board would like to note its appreciation of the commitment, dedication and hard work of the staff. The Board and executive management will continue the development of staff and managers through regular in-house and external training programmes.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the company are as follows:

- Competition in the retail industry, principally from Amazon;
- Poor economic conditions or slowdown in relation to Brexit;
- Cost price and inflationary impact following the exchange rate reduction in Sterling;
- Business rate increase following the re rating assessment;
- Dependence on Christmas sales and reliance on the strength of publishing throughout the year; and
- Failure or interruption of information technology systems.

The directors evaluate and guard against these principal risks and uncertainties in the preparation and subsequent execution of the company's strategic and operational plans and policies.

KEY PERFORMANCE INDICATORS ("KPIs")

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).

W. & G. Foyle Limited

STRATEGIC REPORT

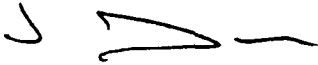
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 is 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.

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 and ensuring that appropriate facilities are available to be drawn upon where necessary.

On behalf of the Board



A J Daunt
Director

02 May 2019

W. & G. Foyle Limited

DIRECTORS' REPORT

The directors present their report and audited financial statements of W. & G. Foyle Limited for the year ended 30 June 2018.

DIRECTORS

The following directors held office throughout the period under review and up to and including the date of this Report:

A J Daunt (appointed 25/10/18)
P Best (appointed 25/10/2018)
W R C Foyle (resigned 25/10/2018)
C M Foyle (resigned 25/10/2018)
W E F Samuel (resigned 25/10/2018)
P A Currie (resigned 25/10/2018)
J Browne (resigned 25/10/2018)
R K Burnett (resigned 25/10/2018)
B A Aspinall (resigned 25/10/2018)

DIRECTORS' LIABILITIES

Qualifying third party indemnity provision is in place for directors who held office in the period of review and remains in force on the date of this Report.

RESULTS AND DIVIDENDS

The company made a loss after taxation of £1,686,580 (2017: £88,791).

The company does not have distributable reserves and therefore no dividend is to be paid or declared in connection with the period under review (2017: nil).

FUTURE DEVELOPMENTS

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

POST BALANCE SHEET EVENTS

During the period under review and following the year end, the company's shareholders undertook an exercise to sell the company. The sale of the company completed on 25 October 2018. Further details of this post balance sheet event are provided in note 23.

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.

On behalf of the Board

A J Daunt
Director



02 May 2019

W. & G. Foyle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

W. & G. Foyle Limited

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 2018 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 2018 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.

W. & G. Foyle Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. & G. FOYLE LIMITED

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; or

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.

Use of our 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: 03/05/2019

W. & G. Foyle Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 £	2017 £
TURNOVER	1	26,124,481	26,637,528
Cost of sales		(17,640,235)	(17,936,549)
GROSS PROFIT		<u>8,484,246</u>	<u>8,700,979</u>
Operating expenses	2	(10,077,825)	(9,107,775)
Other operating income	3	413,028	327,001
OPERATING LOSS		<u>(1,180,551)</u>	<u>(79,795)</u>
Interest payable	4	(17,154)	(8,996)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(1,197,705)</u>	<u>(88,791)</u>
Taxation	7	(488,875)	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,686,580)</u>	<u>(88,791)</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 2018

Company Registration Number: 00945131

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible fixed assets	8	54,852	75,358
Tangible fixed assets	9	1,847,519	2,425,807
		<u>1,902,371</u>	<u>2,501,165</u>
CURRENT ASSETS			
Stocks	10	3,455,554	3,539,504
Debtors - due within one year	11	2,816,535	2,272,625
- due after more than one year	11	-	638,875
Cash at bank and in hand		35,084	34,502
		<u>6,307,173</u>	<u>6,485,506</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	(4,577,406)	(4,684,152)
NET CURRENT ASSETS		<u>1,729,767</u>	<u>1,801,354</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,632,138</u>	<u>4,302,519</u>
CREDITORS: Amounts falling due after more than one year	13	-	(16,801)
Provisions for liabilities	15	(283,000)	-
NET ASSETS		<u><u>3,349,138</u></u>	<u><u>4,285,718</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	1,200	1,200
Share premium account	17	1,990,695	1,990,695
Other reserve	17	750,000	-
Profit and loss account	17	607,243	2,293,823
SHAREHOLDERS' FUNDS		<u><u>3,349,138</u></u>	<u><u>4,285,718</u></u>

The financial statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on **02 May** 2019 and are signed on its behalf by:


A J Daunt
 Director


P Best
 Director

W. & G. Foyle Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
Balance at 1 July 2016	1,200	1,990,695	-	2,382,614	4,374,509
Comprehensive income for the year					
Loss for the year	-	-	-	(88,791)	(88,791)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 July 2017	1,200	1,990,695	-	2,293,823	4,285,718
Comprehensive income for the year					
Loss for the year	-	-	-	(1,686,580)	(1,686,580)
Share based payment reserve	-	-	750,000	-	750,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2018	1,200	1,990,695	750,000	607,243	3,349,138
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W. & G. Foyle Limited
STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Notes	2018 £	2017 £
OPERATING ACTIVITIES			
Cash generated from operations	18	110,204	439,851
Interest paid		(17,154)	(8,996)
NET CASH FROM OPERATING ACTIVITIES		93,050	430,855
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(343,850)	(549,713)
Purchase of intangible fixed assets		(17,781)	(26,508)
NET CASH USED IN INVESTING ACTIVITIES		(361,631)	(576,221)
FINANCING ACTIVITIES			
Proceeds from grant of option		750,000	-
Repayments of borrowings		(78,419)	(76,407)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		671,581	(76,407)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		403,000	(221,773)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(835,323)	(613,550)
CASH AND CASH EQUIVALENTS AT END OF YEAR		(432,323)	(835,323)
Relating to:-			
Bank balances included in cash at bank and in hand		35,084	34,502
Bank overdraft included in short term creditors		(467,407)	(869,825)
TOTAL		(432,323)	(835,323)

W. & G. Foyle Limited

ACCOUNTING POLICIES

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 is 203 – 206 Piccadilly, London, W1J 9HD and the principal place of business is 107 Charing Cross Road, London, WC2H 0DT.

The company's principal activities are disclosed in the Strategic Report on page 2.

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 have received formal confirmation from Waterstones Booksellers Limited that it will provide the necessary financial support to assist the company to meet its liabilities as and when they fall due, to the extent that alternative funding is not otherwise available, via access to the £30m credit facility that is made available by Book Retail Bidco Limited (the immediate parent company of both W. & G. Foyle Limited and Waterstones Booksellers Limited) to Waterstones Booksellers Limited.

This confirmation to provide the financial support outlined above is for a period of at least 12 months from the date of signing of the financial statements of W. & G. Foyle Limited for the year ended 30 June 2018.

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

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

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

FINANCIAL LIABILITIES AND EQUITY (continued)

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.

Impairment of fixed assets

Assets are reviewed annually for impairment which involves a degree of estimation and judgement over the expected future cash flows.

Onerous lease

Onerous lease provisions require a degree of estimation and judgement over the timing of expected future costs and cash flows including revenue, margin, operating costs, dilapidations and the discount rate applied.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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 OPERATING EXPENSES (NET)	2018	2017
	£	£
Distribution costs	724,059	625,332
Administration expenses (net)	9,353,766	8,482,443
Total operating expenses (net)	10,077,825	9,107,775

3 OTHER OPERATING INCOME	2018	2017
	£	£
Concession and commission income	413,028	327,001

4 INTEREST PAYABLE	2018	2017
	£	£
Interest on bank loans, overdrafts and other loans	17,154	8,996

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2018	2017
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	549,548	526,580
Amortisation of intangible fixed assets	38,287	43,871
Operating lease rentals: land and buildings	2,884,191	2,622,358
Cost of stocks recognised as an expense	14,803,216	15,096,972
Auditor's remuneration for statutory audit	30,000	29,000
Exceptional items:		
Impairment charge	372,590	-
Onerous lease charge	283,000	-
Provision for bad debt	150,000	-
Other costs	344,961	-
Rate rebates relating to prior periods	(426,211)	-

Other exceptional costs noted above include professional fees relating to the sale, stamp duty land tax and other restructuring costs.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

6	EMPLOYEES	2018	2017
		No.	No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Administrative	37	40
	Retail	152	154
		<u>189</u>	<u>194</u>
	Staff costs for above persons:	2018	2017
		£	£
	Wages and salaries	3,945,689	4,101,940
	Social security costs	309,911	328,600
	Pension costs	36,417	28,068
		<u>4,292,017</u>	<u>4,458,608</u>

DIRECTORS' REMUNERATION

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

	2018	2017
	£	£
Emoluments	395,916	457,239
Company contributions to money purchase pension schemes	-	718
	<u>395,916</u>	<u>457,957</u>
	2018	2017
	No.	No.
The number of directors to whom retirement benefits are accruing under money purchase schemes was:	-	1
	2018	2017
	£	£
Highest paid director:		
Emoluments	212,179	216,667
Company contributions to money purchase pension schemes	-	-
	<u>212,179</u>	<u>216,667</u>

There were no share options exercised during the year (2017: none).

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

7	TAXATION	2018	2017
		£	£
	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	493,857	(27,159)
	Adjustments in respect of prior periods	(4,982)	-
	Total deferred tax	488,875	-
	Tax on loss on ordinary activities	488,875	-
		2018	2017
		£	£
	The current tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:		
	Loss on ordinary activities before tax	(1,197,705)	(88,791)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	(227,564)	(17,537)
	Effects of:		
	Expenses not deductible for tax purposes	100,852	1,373
	Adjust closing deferred tax to average rate of 19.75%	-	87,006
	Adjust opening deferred tax to average rate of 19.75%	-	(55,947)
	Fixed Asset differences	57,743	22,613
	Deferred tax not recognised	558,565	(37,508)
	Change in deferred tax rate	4,261	-
	Adjustments in respect of prior periods	(4,982)	-
	Current tax charge for period	488,875	-

The company has trading losses of approximately £3.2 million (2017: £2.9 million) which, subject to agreement with HM Revenue & Customs, are available to carry forward and offset against future profits of the same trade.

A potential deferred tax asset of £560,000 has not been recognised (2017: £451,261 recognised) in respect of these losses due to uncertainty over the amount and timing of future profits against which they can be offset.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

8	INTANGIBLE FIXED ASSETS	Website	Intellectual	Total
		development	property	
		£	£	£
	Cost			
	1 July 2017	636,139	7,280	643,419
	Additions	17,781	-	17,781
	Disposals	(427,087)	-	(427,087)
	30 June 2018	226,833	7,280	234,113
	Amortisation			
	1 July 2017	560,781	7,280	568,061
	Charge for the year	38,287	-	38,287
	Disposals	(427,087)	-	(427,087)
	30 June 2018	171,981	7,280	179,261
	Net book value			
	30 June 2018	54,852	-	54,852
	30 June 2017	75,358	-	75,358
9	TANGIBLE FIXED ASSETS	Leasehold	Fixtures,	Total
		improvements	fittings and	
		£	£	£
	Cost			
	1 July 2017	3,472,464	2,773,320	6,245,784
	Additions	38,321	305,529	343,850
	Disposals	-	(2,119,727)	(2,119,727)
	30 June 2018	3,510,785	959,122	4,469,907
	Depreciation			
	1 July 2017	1,430,546	2,389,431	3,819,977
	Charge for the year	394,954	154,594	549,548
	Impairment	372,590	-	372,590
	Disposals	-	(2,119,727)	(2,119,727)
	30 June 2018	2,198,090	424,298	2,622,388
	Net book value			
	30 June 2018	1,312,695	534,824	1,847,519
	30 June 2017	2,041,918	383,889	2,425,807

Leasehold improvements were written down by £372,590 (2017: £nil) following an impairment review based on prevailing market trading conditions affecting one of the company's shops.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

10	STOCKS	2018 £	2017 £
	Books, gifts and stationery	3,455,554	3,539,504
		<u> </u>	<u> </u>
11	DEBTORS	2018 £	2017 £
	Amounts falling due within one year:		
	Trade debtors	229,315	216,471
	Other debtors	139,432	66,545
	Unpaid share capital	-	500,000
	Prepayments and accrued income	2,447,788	1,489,609
		<u>2,816,535</u>	<u>2,272,625</u>
	Amounts falling due after more than one year:		
	Deferred tax asset	-	488,875
	Other debtors	-	150,000
		<u>-</u>	<u>638,875</u>
		<u>2,816,535</u>	<u>2,911,500</u>
	Total	<u>2,816,535</u>	<u>2,911,500</u>
		2018 £	2017 £
	The deferred tax asset is made up as follows:		
	Tax losses	-	451,261
	Short term timing differences	-	577
	Decelerated capital allowances	-	37,037
		<u>-</u>	<u>488,875</u>
		<u>488,875</u>	<u>488,875</u>
	At 1 July	488,875	488,875
	Deferred tax charged to profit and loss account	(488,875)	-
		<u>-</u>	<u>488,875</u>
	At 30 June	<u>-</u>	<u>488,875</u>

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

12	CREDITORS: Amounts falling due within one year	2018 £	2017 £
	Bank loans and overdraft	480,789	944,825
	Trade creditors	2,974,981	2,956,038
	Other taxation and social security costs	71,023	74,978
	Accruals and deferred income	1,050,613	708,311
		<u>4,577,406</u>	<u>4,684,152</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 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	2018 £	2017 £
	Bank loans	-	16,801
		<u>-</u>	<u>16,801</u>

14	BORROWINGS	2018 £	2017 £
	Included in creditors are:		
	Amounts repayable in one year or less or on demand:		
	Bank overdraft	467,407	869,825
	Bank loans	13,382	75,000
		<u>480,789</u>	<u>944,825</u>
	Amounts repayable in more than one year but not more than two years:		
	Bank loans	-	16,801
	Total	<u>480,789</u>	<u>961,626</u>

15	PROVISIONS FOR LIABILITIES	2018 £
	At 1 July	-
	Charged in the year	283,000
	At 30 June	<u>283,000</u>

The above represents an onerous lease provision on one of the company's shops that is expected to crystallise over the unexpired lease term.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

16	FINANCIAL INSTRUMENTS	2018 £	2017 £
	Carrying amount of financial assets:		
	Debt instruments measured at amortised cost	229,315	866,471
		<u>229,315</u>	<u>866,471</u>
	Carrying amount of financial liabilities:		
	Measured at amortised cost	4,506,383	4,625,975
		<u>4,506,383</u>	<u>4,625,975</u>
17	SHARE CAPITAL AND RESERVES	2018 £	2017 £
	Authorised:		
	25,000 Ordinary shares of 5p each (2017: 25,000 Ordinary shares of 5p each)	1,250	1,250
	22,000 'A' Ordinary shares of 5p each (2017: 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 (2017: 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 30.06.18	30.06.17
EMI Scheme	14.07.13	111	14.07.13-13.07.23	5,375	5,375
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

Post year end, the company allotted and issued 15,883 'A' Ordinary shares of £1 each on the exercise of the above options, 367 having lapsed prior to exercise.

W. & G. Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

17. 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.

Other reserve

The other reserve represents consideration for the grant of an option to subscribe for 4,002 Ordinary shares. The option was exercised post year-end.

Profit and loss reserve

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

18 RECONCILIATION OF LOSS AFTER TAX TO NET CASH GENERATED FROM OPERATIONS	2018 £	2017 £
Loss after tax	(1,686,580)	(88,791)
Depreciation and impairment of tangible fixed assets	922,138	526,580
Amortisation of intangible fixed assets	38,287	43,871
Interest payable	17,154	8,996
Increase in provisions	283,000	-
Taxation	488,875	-
	<hr/>	<hr/>
Operating cash flows before movements in working capital	62,874	490,656
Decrease/(increase) in stocks	83,950	(197,758)
(Increase)/decrease in debtors	(393,910)	137,015
Increase in creditors	357,290	9,938
	<hr/>	<hr/>
Cash generated from operations	110,204	439,851
	<hr/>	<hr/>

19 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2018 the company had total future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Amounts due:		
Land and buildings		
Within one year	1,941,500	2,691,500
Between one and five years	9,167,125	9,448,625
After five years	42,839,365	4,602,500
	<hr/>	<hr/>
Total	53,947,990	16,742,625
	<hr/>	<hr/>

W. & G. Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

20 RELATED PARTY DISCLOSURES

The company purchased goods and services of £1,691,482 (2017: £1,200,000) from companies in which the directors have an interest. £135,000 was owed to these related parties at the year end (2017: £120,000 owed by these related parties at the year end).

£12,000 was owed by the company to directors (2017: £500,000 owed to the company by directors) at the balance sheet date.

21 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors, who are considered to be the key management personnel of the company was £434,745 (2017: £517,766) including employer's national insurance.

22 ULTIMATE CONTROLLING PARTY

At the year end, the ultimate controlling party was Mr. William Richard Christopher Foyle.

23 POST BALANCE SHEET EVENTS

During the period under review and following the year end, the company's shareholders undertook an exercise to sell the company.

The sale of the company completed after the year end on 25 October 2018, and so there was no change to the controlling party referred to in note 22 during the period under review. Following sale completion, the next senior holding company of the company became Book Retail Bidco Limited and the ultimate parent company became Book Retail Investco Limited (incorporated in Jersey). Book Retail Investco Limited is wholly owned and controlled by the Elliott funds. The Elliott funds receive investment advice, directly and indirectly, from their investment adviser Elliott Management Corporation, incorporated in the U.S.A., and its affiliates.

W. & G. Foyle Limited
 DETAILED PROFIT AND LOSS ACCOUNT
 for the year ended 30 June 2018

	2018 £	2017 £
TURNOVER		
Bookshop sales	26,124,481	26,637,528
	<u>26,124,481</u>	<u>26,637,528</u>
COST OF SALES		
Opening stock	3,539,504	3,341,746
Purchases	14,719,266	15,294,730
Salaries, wages and NIC	2,837,019	2,839,577
Closing stock	(3,455,554)	(3,539,504)
	<u>17,640,235</u>	<u>17,936,549</u>
GROSS PROFIT	8,484,246	8,700,979
Distribution costs – postage and carriage	(724,059)	(625,332)
Administration expenses	(9,353,766)	(8,482,443)
Other income	413,028	327,001
OPERATING LOSS	<u>(1,180,551)</u>	<u>(79,795)</u>
Interest payable	(17,154)	(8,996)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	<u>(1,197,705)</u>	<u>(88,791)</u>

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 2018

	2018 £	2017 £
ADMINISTRATION EXPENSES		
Salaries, wages and NIC	1,454,997	1,619,031
Rent	2,884,191	2,622,358
Rates	804,037	1,102,117
Power, light and heat	171,314	171,668
Concessions and service charges	401,979	368,624
Cleaning, maintenance and repairs	389,640	343,781
Onerous Leases	283,000	-
Equipment rental	12,224	7,341
Shop signage and consumables	94,778	100,799
Customer bags	29,204	29,347
New shop designs	5,040	5,730
Telephones	28,829	25,418
Advertising, printing and stationery	208,353	365,390
Insurance and security	239,619	230,051
Affiliates & commissions	9,656	9,853
Depreciation	922,138	526,580
Amortisation	38,287	43,871
Travel expenses, conferences, Christmas party	6,204	(507)
Audit and accountancy	45,000	50,793
Cash collections	30,426	28,852
Software and computer services	256,131	269,821
Web hosting, subscriptions, line rentals	133,238	125,135
Legal & Prof Fees	29,869	42,036
Payroll	15,248	13,042
Bank commission and credit card charges	205,377	200,023
Booksellers Association	6,147	8,884
Foreign currency	296	10,695
Book token charges	68,885	84,459
Stocktaking costs	31,669	32,027
Staff training & advertising	17,556	29,606
Health & Safety	9,000	9,000
Document Storage	19,924	-
Exceptional Items	494,961	-
Miscellaneous expenses	6,549	6,618
	<u>9,353,766</u>	<u>8,482,443</u>

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