

W. & G. Foyle Limited

Annual Report and Financial Statements

52 weeks ended 25 April 2020



W. & G. FOYLE LIMITED

REPORT AND ACCOUNTS 2020

Company Number: 00945131

COMPANY INFORMATION

DIRECTORS

A J Daunt
P Best (resigned 7 February 2020)
J Molloy (appointed 7 February 2020)
K Skipper (appointed 7 February 2020)

SECRETARY

L Aslam

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

00945131

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****STRATEGIC REPORT****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 website.

Review of the business

In the prior period, on 25 October 2018, the Company was sold to Book Retail Bidco Limited ("Bidco"), a private limited company incorporated and registered in England and Wales (registered company number: 11284041). As a result of this transaction, Bidco became the immediate parent company of the Company.

Following this transaction, Foyles continues to seek to improve the standards of bookselling within its shops by the training and enhanced career development of its booksellers and to support this with investment in the shops themselves and the operational infrastructure.

The outbreak of Covid-19 during the financial year has had, and continues to have, a significant adverse impact on the Company. Under Government direction, the entire estate of shops was closed in mid-March 2020. The shops re-opened in mid-June 2020 and footfall and sales continue to recover but remain depressed, notably in London and other metropolitan city centres. Subsequent mandated closures have also been implemented across the estate throughout the following financial year.

As a consequence of these various impacts, sales at Foyles declined relative to last year. The period of enforced closure of all shops adversely impacted profitability, as did the incremental costs associated with the implementation of safe working and trading environments. The business responded to these pressures with discipline and the overall impact on the Company's profitability has been substantially mitigated by early action to curtail costs. The support and hard work of employees in this challenging environment has been highly professional.

The Company has benefited from the following forms of UK Government financial support:

- (i) Coronavirus Job Retention Scheme
- (ii) Coronavirus business rates relief for the 2020-2021 tax year
- (iii) the Company has applied for and, in some cases, received government grants in accordance with EU State Aid rules (applicable up to and until December 31st 2020) and, in accordance with the Trade and Cooperation Agreement Subsidy Control rules and applicable limits following the UK's departure from the EU on January 1st. These limits include:
 - a. A de minimis threshold of approximately £335,000 over any period of 3 years;
 - b. A maximum of £1,600,000 to replace the EU's COVID framework; if a company reaches the limits under (1) and (2) they may claim under
 - c. COVID-19 Business Grant Special Allowance up to a maximum of £9,000,000, provided certain conditions are met.

Against this back drop, sales for the 52 week period ended 25 April 2020 were £22,683,808 (period from 1 July 2018 to 27 April 2019: £22,619,155). The operating profit before exceptional items was £109,132 (period from 1 July 2018 to 27 April 2019: £322,903). Exceptional operating charges totalled £1,784,912 (period ended 27 April 2019: £580,166) comprising impairment, onerous lease and payroll related expenses. In the prior year exceptional charges included professional charges relating to the sale, stamp duty land tax and other restructuring costs.

The loss after taxation amounted to £1,829,435 (period ended 27 April 2019: loss of £106,561). No dividend was paid or declared during the period (period ended 27 April 2019: £nil).

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

REPORT AND ACCOUNTS 2020

Company Number: 00945131

STRATEGIC REPORT (CONTINUED)

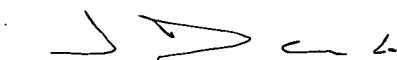
Principal risks and uncertainties

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

- (i) the impact of the Covid-19 pandemic on customer shopping behaviours, including any government actions to limit retail trading;
- (ii) the longer term impact of Covid-19 on customers behaviour, particularly in relation to city centres;
- (iii) the competitive nature of its markets, with particular emphasis on the e-commerce strength of Amazon and developing methods of digital delivery of products and content;
- (iv) the general sensitivity of customer confidence and spending in an economic downturn;
- (v) the notable risk that Brexit causes disruption and cost within the supply chain, and further damages consumer confidence;
- (vi) the seasonality of the business, with the reliance on Christmas performance for a high percentage of annual profitability;
- (vii) maintaining appropriate commercial agreements with key suppliers;
- (viii) the reliability of the Company's and key suppliers' supply chains;
- (ix) a failure to sustain or protect the Company's reputation and brand;
- (x) the maintenance and development of information technology systems; and
- (xi) attracting, motivating and retaining key staff, with the impact of Brexit on retention of European staff in the UK a particular consideration.

The Directors ensure that management of these principal risks and uncertainties is addressed in the preparation of, and subsequent execution of the Company's strategic and operational plans and policies.

On behalf of the Board



A J Daunt

Director

Date: 20th May 2021

W.& G. FOYLE LIMITED

REPORT AND ACCOUNTS 2020

Company Number: 00945131

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 25 April 2020, which were approved on behalf of the Board on 20th May 2021.

Future developments

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

Dividends

No dividend was paid or declared during the period (period ended 27 April 2019: £nil).

Financial instruments

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

Liquidity risk

During the period under review, the Company had sufficient funds and facilities available to satisfy its current cash flow requirements.

The financial liabilities of the Company have a maturity of less than 3 months.

Further information about liquidity risk is also included under going concern on page 5.

Credit risk

The Company operates as a retailer and therefore credit risk from trade receivables is limited. Allowances are made for doubtful debts based on the age of the debt and the customer's financial circumstances.

Further information about credit risk is also included under going concern on page 5.

Directors

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

Directors' liabilities

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

Post balance sheet events

There have been no post balance sheet events in the period from 25 April 2020 to the date of signing the accounts.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****DIRECTORS' REPORT (CONTINUED)****Employees**

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

Employees are provided with information about the Company through the intranet site "Watson" where employees are encouraged to present their questions, suggestions and views. Foyles employees currently have limited access to Watson but this access is expected to increase as its back office systems integrate with those of Waterstones Booksellers Limited, a subsidiary of Bidco.

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

Disabled employees

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic Report on page 2 and the financial risk section of the Directors' Report on page 4. On the date of signing these financial statements of the Company, the factor that has the most uncertainty and the biggest potential impact on the economic circumstances of the Company, is the Covid-19 pandemic.

In 2020 the rapid, worldwide spread of Covid-19 required severe governmental interventions. The government's measures to contain the pandemic have had, and continue to have, significant impact on the Company. The Company has been subject to periods of full closure and, even when allowed to open, a significant decline in revenue. Although vaccinations are being rolled out, and shops reopened in April 21, it is not clear how customers will respond to the easing of restrictions and whether further lockdowns will be required. It is certain in particular that much diminished tourism will impact negatively footfall in central London to the detriment of the Company's sales.

The Directors have reviewed cashflow forecasts for the period ended 28 May 2022. The base forecast assumes that shops will remain open, having reopened in April 21, with the initial sales performance broadly in line the performance previously seen when operating with Covid-19 restrictions. The forecast assumes a stepped improvement over the summer, with sales continuing to be down on the 19/20 pre-Covid performance for the rest of the year. Under these circumstances, the cash resources will be sufficient to meet liabilities as they fall due. Sales performance over the next 12 months could fall by 26% on current forecast (and 43% on the equivalent pre Covid month) before the Company faces a liquidity shortfall. This excludes the repayment of the £1.7m from Bidco, Foyles parent company, any further costs savings and government support which would be expected in such a scenario.

Whilst the Directors acknowledge a sales drop of 26% against forecast is unlikely, they note that, with the ongoing uncertainty concerning the Covid-19 pandemic and the potential impact of future UK government decisions, combined with the Company's reliance on city centre locations, there is a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

W. & G. FOYLE LIMITED

REPORT AND ACCOUNTS 2020

Company Number: 00945131

DIRECTORS' REPORT (CONTINUED)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the 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 period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iii) make judgements and accounting estimates that are reasonable and prudent; and
- (iv) 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 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.

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.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- (i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (ii) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Elective resolutions to dispense with holding annual general meetings and the laying of accounts before the Company in a general meeting are currently in force. During the period RSM UK Audit LLP resigned as auditors of the Company and Ernst & Young LLP were appointed. Ernst and Young LLP are deemed to continue as auditors of the Company.

On behalf of the Board



A J Daunt

Director

Date: 20th May 2021

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

Opinion

We have audited the financial statements of W. & G. Foyle Limited for the year ended 25 April 2020 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 25, 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 Company's affairs as at 25 April 2020 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ 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 below. 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.

Material uncertainty relating to going concern

We draw attention to Note 3 in the financial statements, which describes the ongoing impact of COVID-19 on the Company and the risk that future government actions in relation to COVID-19 may have on the financial position of the Company. As stated in Note 3, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W. & G. FOYLE LIMITED (CONTINUED)

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 directors' report have been prepared in accordance with applicable legal requirements.

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 or 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 6, 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

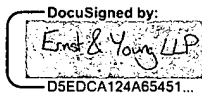
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W. & G. FOYLE LIMITED (CONTINUED)

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.

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Adam Gittens (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date: May 20, 2021

W. & G. FOYLE LIMITED
Company Number: 00945131

REPORT AND ACCOUNTS 2020

INCOME STATEMENT

For the 52 weeks ended 25 April 2020 and the period from 1 July 2018 to 27 April 2019

		52 weeks ended 25 April 2020 Before exceptional items	52 weeks ended 25 April 2020 Exceptional items	52 weeks ended 25 April 2020 Total
	Notes	£	£	£
Revenue	4	22,683,808	-	22,683,808
Cost of sales		(14,662,610)	(1,681,908)	(16,344,518)
Gross profit		8,021,198	(1,681,908)	6,339,290
Distribution costs		(265,114)	-	(265,114)
Administrative expenses		(8,072,691)	(103,004)	(8,175,695)
Other operating income	8	425,739	-	425,739
Operating profit/(loss)	5	109,132	(1,784,912)	(1,675,780)
Interest receivable and similar income	9	-	-	-
Interest payable and similar expenses	10	(3,200)	-	(3,200)
Profit/(loss) before taxation		105,932	(1,784,912)	(1,678,980)
Income tax (charge)/credit	11	(399,537)	249,082	(150,455)
Loss for the financial period attributable to the shareholders of the Company		(293,605)	(1,535,830)	(1,829,435)

		Period from 1 July 2018 to 27 April 2019 Before exceptional items	Period from 1 July 2018 to 27 April 2019 Exceptional items	Period from 1 July 2018 to 27 April 2019 Total
	Notes	£	£	£
Revenue	4	22,619,155	-	22,619,155
Cost of sales		(14,682,130)	-	(14,682,130)
Gross profit		7,937,025	-	7,937,025
Distribution costs		(647,853)	-	(647,853)
Administrative expenses		(7,217,592)	(580,166)	(7,797,758)
Other operating income	8	251,323	-	251,323
Operating profit/(loss)	5	322,903	(580,166)	(257,263)
Interest receivable and similar income	9	1,904	-	1,904
Interest payable and similar expenses	10	(1,657)	-	(1,657)
Profit/(loss) before taxation		323,150	(580,166)	(257,016)
Income tax credit	11	55,331	95,124	150,455
Profit/(loss) for the financial period attributable to the shareholders of the Company		378,481	(485,042)	(106,561)

These financial statements are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 52 weeks ended 25 April 2020 and the comparative period covered the period from 1 July 2018 to 27 April 2019 (following the change in the Company's accounting reference date from 30 June to 30 April).

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

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

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****STATEMENT OF COMPREHENSIVE INCOME****For the 52 weeks ended 25 April 2020 and the period from 1 July 2018 to 27 April 2019**

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Loss for the period attributable to the shareholders of the Company	(1,829,435)	(106,561)
Total comprehensive loss for the period attributable to the shareholders of the Company	(1,829,435)	(106,561)

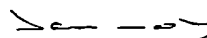
W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****BALANCE SHEET**

	Notes	As at 25 April 2020 £	As at 27 April 2019 £
Fixed assets			
Intangible fixed assets	12	74,844	47,482
Tangible fixed assets	13	601,557	1,552,962
		676,401	1,600,444
Current assets			
Inventories	14	3,030,629	3,285,922
Debtors – Due within one year	15	2,613,276	3,720,969
Due after more than one year	15	-	150,455
Cash and cash equivalents	16	3,380,382	1,776,072
		9,024,287	8,933,418
Current liabilities			
Creditors: Amounts falling due within one year	17	(5,326,101)	(5,354,272)
Net current assets		3,698,186	3,579,146
Total assets less current liabilities		4,374,587	5,179,590
Provision for other liabilities	19	(1,198,432)	(174,000)
Net assets		3,176,155	5,005,590
Equity			
Called-up share capital	21	2,194	2,194
Share premium account	21	4,502,714	4,502,714
(Accumulated losses)/retained earnings	21	(1,328,753)	500,682
Total equity		3,176,155	5,005,590

The financial statements were approved by the Board of Directors on 20th May 2021 and were signed on its behalf by:



A J Daunt
Director



J Molloy
Director

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****STATEMENT OF CHANGES IN EQUITY****For the 52 weeks ended 25 April 2020 and the period from 1 July 2018 to 27 April 2019**

	Share capital £	Share premium £	Other reserve £	Retained earnings £	Total £
At 1 July 2018	1,200	1,990,695	750,000	607,243	3,349,138
Loss for the period	-	-	-	(106,561)	(106,561)
Total comprehensive loss	-	-	-	(106,561)	(106,561)
Shares issued	994	2,512,019	(750,000)	-	1,763,013
At 27 April 2019	2,194	4,502,714	-	500,682	5,005,590
Loss for the period	-	-	-	(1,829,435)	(1,829,435)
Total comprehensive loss	-	-	-	(1,829,435)	(1,829,435)
At 25 April 2020	2,194	4,502,714	-	(1,328,753)	3,176,155

W. & G. FOYLE LIMITED
Company Number: 00945131

REPORT AND ACCOUNTS 2020

CASH FLOW STATEMENT

For the 52 weeks ended 25 April 2020 and the period from 1 July 2018 to 27 April 2019

		52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	Notes	£	£
Net cash from operating activities	22	1,719,804	2,376,720
Interest paid		(3,200)	(1,657)
Net cash generated from operating activities		1,716,604	2,375,063
Cash flow from investing activities			
Purchase of intangible fixed assets		(61,083)	(136,844)
Purchase of tangible fixed assets		(51,211)	(18,346)
Interest received		-	1,904
Net cash used in investing activities		(112,294)	(153,286)
Cash flow from financing activities			
Repayment of bank borrowings		-	(13,382)
Net cash used in financing activities		-	(13,382)
Net increase in cash and cash equivalents		1,604,310	2,208,395
Opening cash and cash equivalents at the beginning of the year	16	1,776,072	(432,323)
Closing cash and cash equivalents	16	3,380,382	1,776,072

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS****1. General information**

The financial statements of W. & G. Foyle Limited (the "Company") for the period ended 25 April 2020 were authorised for issue by the Board on 20th May 2021. The Company is a limited company, incorporated and domiciled in England and Wales. Its registered office is at 203-206 Piccadilly, London, W1J 9HD and the principal place of business is 107 Charing Cross Road, London, WC2H 0DT.

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.

2. Statement of compliance

The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. Summary of significant accounting policies**Basis of preparation**

These financial statements are prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under "Judgements and key sources of estimation uncertainty" within Note 3.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic Report on page 2 and the financial risk section of the Directors' Report on page 4. On the date of signing these financial statements of the Company, the factor that has the most uncertainty and the biggest potential impact on the economic circumstances of the Company, is the Covid-19 pandemic.

In 2020 the rapid, worldwide spread of Covid-19 required severe governmental interventions. The government's measures to contain the pandemic have had, and continue to have, significant impact on the Company. The Company has been subject to periods of full closure and, even when allowed to open, a significant decline in revenue. Although vaccinations are being rolled out, and shops reopened in April 21, it is not clear how customers will respond to the easing of restrictions and whether further lockdowns will be required. It is certain in particular that much diminished tourism will impact negatively footfall in central London to the detriment of the Company's sales.

The Directors have reviewed cashflow forecasts for the period ended 28 May 2022. The base forecast assumes that shops will remain open, having reopened in April 21, with the initial sales performance broadly in line the performance previously seen when operating with Covid-19 restrictions. The forecast assumes a stepped improvement over the summer, with sales continuing to be down on the 19/20 pre-Covid performance for the rest of the year. Under these circumstances, the cash resources will be sufficient to meet liabilities as they fall due. Sales performance over the next 12 months could fall by 26% on current forecast (and 43% on the equivalent pre Covid month) before the Company faces a liquidity shortfall. This excludes the repayment of the £1.7m from Bidco, Foyles parent company, any further costs savings and government support which would be expected in such a scenario.

Whilst the Directors acknowledge a sales drop of 26% against forecast is unlikely, they note that, with the ongoing uncertainty concerning the Covid-19 pandemic and the potential impact of future UK government decisions, combined with the Company's reliance on city centre locations, there is a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

W. & G. FOYLE LIMITED

REPORT AND ACCOUNTS 2020

Company Number: 00945131

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Foreign currency

Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss account within interest income or expense. All other foreign exchange gains and losses are presented in the profit and loss account within other operating amounts.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Summary of significant accounting policies (continued)****Revenue**

Revenue represents the value of the consideration received or receivable for goods sold to customers, net of discounts given and returns received, excluding value added tax ("VAT") and similar sales-related taxes.

Sales of goods

The sale of goods to customers in store represents the majority of the Company's revenue. For goods sold in store, revenue is recognised at the point of sale. For goods sold by the Company on the internet, either for delivery to the customer or 'click and collect' to its retail shops, revenue is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for 'click and collect' this is the time of collection.

Sales are made with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Gift cards

The revenue from the sale of gift cards is recognised when the gift cards are redeemed.

The Company recognises breakage, being the amount attributable to customers' rights to future goods that is expected will never be exercised, in proportion to customers' pattern of redemption.

Loyalty schemes

The Company issues loyalty rewards to customers when they purchase goods which entitles them to a future discount. A portion of the transaction price is allocated to the loyalty points awarded to customers based on their fair value and recognized as a liability until the points are redeemed. Revenue is recognised upon redemption of loyalty points by the customer.

When estimating the stand-alone selling price of the loyalty points, the Company considers the likelihood that the customer will redeem the points. The Company annually reviews the estimates of the points that will be redeemed and any adjustments to the liability balance are charged against revenue.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material either because of their size or their nature, or that are non-recurring and are presented within the line items to which they best relate.

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Summary of significant accounting policies (continued)****Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible 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 and software costs	20% to 25%
Intellectual property	10%

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

Tangible 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:

Plant and equipment	10 to 33 $\frac{1}{3}$ %
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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.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Summary of significant accounting policies (continued)****Leased assets**

Operating lease rentals are charged to the profit and loss account on a straight line basis, over the lease term. Rent free periods are accounted for as a reduction to the expense and are recognised, on a straight-line basis, over the lease term.

Impairment of non-financial assets

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

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated. To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions and contingencies*Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed.

W. & G. FOYLE LIMITED
Company Number: 00945131

REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

Judgements and key sources of estimation uncertainty

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

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

Revenue recognition in respect of customer loyalty schemes - revenue recognition is based on the fair value of loyalty rewards, the calculation of which is based on expected redemption rates. This calculation requires judgements to be made regarding future redemption rates which are based on historical information available.

Revenue from the sale of gift cards - the calculation of breakage requires redemption rates to be estimated. Historical statistics are used to estimate redemption rates.

Impairment of tangible fixed assets – fixed assets are reviewed for impairment/reversal of an impairment if events or changes in circumstances indicate that the carrying value may not be recoverable or that a previously recognised impairment loss may have reversed. When a review for impairment/reversal of an impairment is conducted, the recoverable amount of an asset or a cash generating unit ("CGU") is based on the value in use calculation prepared using management assumptions and estimates. Key assumptions for the value in use calculation include revenue, margin, operating costs and discount rate. Identification of a CGU involves significant judgement regarding largely independent cash flows and geographical proximity of stores.

Inventory valuation – inventories are valued at the lower of cost and net realisable value, which includes, where necessary, provisions for slow moving and obsolete inventory. Calculation of provisions requires judgements to be made regarding future customer demand, future sales prices and inventory loss trends. Historical sales performance statistics are used in the formulation of these judgements.

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

Provisions – Provisions for store closures, onerous leases and restructuring costs are estimates and the actual costs and timing of future cash flows are dependent on future events. Expectations are revised in each period, with any difference accounted for in the period in which the revision is made. Key assumptions for the estimated costs and timing of future cash flows are those regarding revenue, margin, operating costs, dilapidations, rental income and the discount rate.

4. Revenue

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

W. & G. FOYLE LIMITED
Company Number: 00945131

REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating loss

Operating loss is stated after charging (crediting):

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Wages and salaries	2,960,473	3,352,748
Social security costs	254,695	336,681
Other pension costs	75,010	54,294
Staff costs charged to profit and loss	3,290,178	3,743,723
Depreciation and amortisation	425,741	457,117
Loss on disposal of tangible and intangible fixed assets	15,564	-
Inventory recognised as an expense	11,217,409	12,328,357
Impairment of inventory (included in 'Cost of sales')	90,365	86,208
Operating lease charges	3,453,493	2,948,703
Audit fees payable to the Company's auditors for statutory audit	70,500	41,500
Audit fees payable to the Company's auditors for group reporting	-	18,500

6. Exceptional items

Charged in arriving at operating profit:

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Included in cost of sales:		
Impairment of tangible fixed assets	595,032	-
Onerous lease charges	1,024,432	-
Payroll related expenses	62,444	-
Included in administrative expenses		
Other costs	-	121,680
Payroll related expenses	103,004	458,486
Exceptional items charged to profit and loss	1,784,912	580,166

A tax credit of £249,082 (2019: £95,124) arose in respect of this charge.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Employees and directors****Employees**

The average monthly number of persons employed by the Company during the period was 152 (period ended 27 April 2019: 181).

Directors

The Directors' emoluments were as follows:

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Emoluments	7,283	126,099
Payments for termination of contracts	-	360,884
	7,283	486,983

During the current financial period, the directors were remunerated by another group company. The amounts above include amounts recharged to the Company for services provided to the Company.

Two (period ended 27 April 2019: none) of the Directors are accruing benefits under defined contribution pension arrangements.

Highest paid director

In the prior period the amounts in respect of the highest paid Director were as follows:

	Period from 1 July 2018 to 27 April 2019
	£
Emoluments	194,123
	194,123

Prior to the sale of the Company in the prior period, the Directors exercised 15,883 share options. Further, as a result of this sale and the termination of contracts the directors were paid a sum of £360,884. This payment was comprised as follows: contractual termination payments (£175,580), ex gratia payments (£31,990), statutory redundancy (£16,002), holiday pay (£11,692) and payment in lieu of notice (£125,620).

Key management compensation

Key management compensation is as follows:

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Emoluments	25,998	126,099
Payments for termination of contracts	-	360,884
	25,998	486,983

During the current financial period, the key management personnel were remunerated by another group company. The amounts above include amounts recharged to the Company for services provided to the Company.

W. & G. FOYLE LIMITED
Company Number: 00945131

REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Other income

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Job retention scheme grant income	182,186	-
Other income	243,553	251,323
	425,739	251,323

9. Interest receivable and similar income

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Bank interest receivable	-	1,904
	-	1,904

10. Interest payable and similar expense

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Interest payable on overdrafts and bank loans	-	1,657
Other interest payable	3,200	-
	3,200	1,657

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation

Tax credit included in profit or loss

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Current tax:		
- UK corporation tax on loss for the period	-	-
- Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred tax:		
- Origination and reversal of timing differences	150,455	(45,911)
- Impact of change in tax rate	-	-
- Adjustments in respect of prior periods	-	(104,544)
Total deferred tax credit	150,455	(150,455)
Total tax credit included in profit or loss	150,455	(150,455)

Reconciliation of tax credit

The tax credit assessed for the period is lower (period ended 27 April 2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Loss before tax	(1,678,980)	(257,016)
Loss multiplied by the standard rate of tax in the UK of 19% (period ended 27 April 2019: 19%)	(319,006)	(48,833)
Effects of:		
- Expenses not deductible for tax purposes	57,548	42,430
- Difference in tax rate between current and deferred tax	-	5,401
- Group relief surrendered for £nil payment	196,213	-
- Losses brought forward used (no deferred tax recognised)	-	(44,909)
- Accelerated capital allowances (no deferred tax recognised)	65,245	-
- De-recognition of deferred tax asset	150,455	-
- Adjustments in respect of prior periods	-	(104,544)
Tax credit for the period	150,455	(150,455)

The Company has trading losses of approximately £2.9m (27 April 2019: £3.0 million) which, subject to agreement with HM Revenue and Customs, are available to carry forward and offset against future profits of the same trade.

A potential deferred tax asset of £552,000 (27 April 2019: £509,000) has not been recognised in respect of these losses due to the uncertainty over the amount and timing of future profits against which they can be offset.

Similarly a potential deferred tax asset of £239,000 has not been recognised in respect of accelerated capital allowances of £1,258k due to uncertainty over the amount and timing of future profits against which they can be offset.

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. Taxation (continued)****Tax rate changes**

During the period the government announced a change in the enacted corporation tax rate for the financial years ending 31 March 2021 and 2022 to maintain the existing 19% rate (previously this rate had been legislated to reduce to 17% from 1 April 2020). Deferred tax has been calculated using this revised rate. In the budget on 3 March 2021 by HM Government, legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023 was announced. This will be reflected in the Company's financial results once substantively enacted.

12. Intangible fixed assets

	Website costs	Software costs	Intellectual property	Total
	£	£	£	£
Cost at 27 April 2019	233,496	-	18,963	252,459
Disposals	(14,958)	-	-	(14,958)
Additions	32,663	28,420	-	61,083
Cost at 25 April 2020	251,201	28,420	18,963	298,584
Amortisation at 27 April 2019	196,918	-	8,059	204,977
Charge for period	23,378	4,075	1,168	28,621
Disposals	(9,858)	-	-	(9,858)
Amortisation at 25 April 2020	210,438	4,075	9,227	223,740
Net book value at 25 April 2020	40,763	24,345	9,736	74,844
Net book value at 27 April 2019	36,578	-	10,904	47,482

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Tangible fixed assets

	Plant and equipment £
Cost at 27 April 2019	4,606,751
Disposals	(41,837)
Additions	51,211
Cost at 25 April 2020	4,616,125
Depreciation at 27 April 2019	3,053,789
Charge for period	397,120
Impairment	595,032
Disposals	(31,373)
Depreciation at 25 April 2020	4,014,568
Net book value at 25 April 2020	601,557
Net book value at 27 April 2019	1,552,962

Plant and equipment are reviewed for impairment/reversal of an impairment if events or changes in circumstances indicate that the carrying value may not be recoverable or that a previously recognised impairment loss may have reversed. When a review for impairment/reversal of an impairment is conducted, the recoverable amount of an asset or a cash generating unit ("CGU") is based on the value in use calculation prepared using management assumptions and estimates. Identification of a CGU involves significant judgement regarding largely independent cash flows and geographical proximity of stores.

Plant and equipment was written down by £595,032 (2019: £nil) following an impairment review based on prevailing market trading conditions. The market trading conditions have been heavily impacted by the outbreak of Covid-19 during the financial year which have had, and continue to have, a significant adverse impact on the Company. The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow estimates, discounted at an appropriate pre-tax discount rate of 15.3%. Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The first year reflects the impact of Covid-19, including extended lockdowns, in the year ending April 21. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions. The cash flows reflected management's best estimates in the uncertain circumstances created by Covid-19 of revenue, margin, operating costs and discount rate over the forecast period and does not assume that there will be any further enforced lockdowns. The total recoverable amount of the assets impaired was £nil.

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Inventories

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

15. Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	175,023	198,043
Amounts owed by group undertakings	1,763,013	1,763,013
Other debtors	296,779	38,203
Prepayments and accrued income	378,461	1,721,710
	2,613,276	3,720,969
Amounts falling due after more than one year:		
Deferred tax asset	-	150,455
	-	150,455
Total	2,613,276	3,871,424

The deferred tax asset is made up as follows:

	2020	2019
	£	£
Decelerated capital allowances	-	150,455
	-	150,455

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £30,953 (2019: £nil).

16. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	3,380,382	1,776,072
	3,380,382	1,776,072

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	804,148	2,538,980
Amounts owed to group undertakings	325,443	426,659
Other taxation and social security	48,776	76,411
Other creditors	22,822	-
Accruals and deferred income	4,124,912	2,312,222
	5,326,101	5,354,272

Amounts due to fellow subsidiary undertakings relate to intercompany trading and are usually settled monthly, with no interest charged.

18. Post employment benefits

The Company provides a defined contribution pension scheme for its employees.

The amount recognised as an expense for the defined contribution pension scheme was:

	52 weeks ended 25 April 2020	Period from 1 July 2018 to 27 April 2019
	£	£
Current year contributions	75,010	54,294
	75,010	54,294

19. Provisions for other liabilities

	Total
	£
At 27 April 2019	174,000
Provisions created in the period	1,056,048
Provisions utilised	(31,616)
At 25 April 2020	1,198,432

Provisions consist of amounts in respect of onerous leases. Of the total provisions, £85,981 (2019: £44,101) is expected to be utilised after 5 years from the balance sheet date.

20. Financial instruments

The Company has the following financial instruments:

	2020	2019
	£	£
Financial assets that are debt instruments measured at amortised cost:		
- Trade receivables	175,023	198,043
- Amounts owed by group undertakings	1,763,013	1,763,013
- Other debtors	4,364	-
- Prepayments and accrued income	75,374	-
	2,017,774	1,961,056
Financial liabilities measured at amortised cost:		
- Trade payables	804,148	2,538,980
- Amounts owed to group undertakings	325,443	426,659
- Other creditors	16,275	-
- Accruals and deferred income	513,569	403,338
	1,659,435	3,368,977

W. & G. FOYLE LIMITED
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REPORT AND ACCOUNTS 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share capital and reserves

Share capital

	No.	£
Ordinary shares of £0.05 each, allotted and fully paid		
At 27 April 2019 and 25 April 2020	28,016	1,400
'A' Ordinary shares of £0.05 each, allotted and fully paid		
At 27 April 2019 and 25 April 2020	15,883	794
		2,194

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.

Share premium account

The share premium account represents 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.

22. Notes to the statement of cash flows

	52 weeks ended 25 April 2020 £	Period from 1 July 2018 to 27 April 2019 £
Loss for the financial period	(1,829,435)	(106,561)
Tax on loss	150,455	(150,455)
Net interest income	3,200	(247)
Operating loss	(1,675,780)	(257,263)
Amortisation of intangible fixed assets	28,621	25,716
Depreciation of tangible fixed assets	397,120	431,401
Impairment of tangible fixed assets	595,032	-
Loss on disposal of fixed assets	15,564	-
Increase/(decrease) in provisions	1,024,432	(109,000)
Working capital movements:		
- Decrease in stocks	255,293	169,632
- Decrease in debtors	1,107,693	858,579
- (Decrease)/increase in creditors	(28,171)	1,257,655
Cash flow from operating activities	1,719,804	2,376,720

23. Commitments

The Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Payment due:		
Not later than one year	2,084,105	2,228,041
Later than one year and not later than five years	12,035,813	10,638,306
Later than five years	37,424,677	39,886,575
	51,544,595	52,752,922

W. & G. FOYLE LIMITED**REPORT AND ACCOUNTS 2020****Company Number: 00945131****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****24. Related party transactions**

	Goods purchased from related party	Services Purchased from related party	Amounts owed to related party	Amounts owed by related party
	£	£000	£000	£000
<i>With fellow subsidiary undertakings:</i>				
Waterstones Booksellers Limited				
Period ended 25 April 2020	5,873,743	308,359	325,443	-
Period ended 27 April 2019	1,642,809	307,727	426,659	-
<i>With immediate parent undertaking:</i>				
Book Retail Bidco Limited				
Period ended 25 April 2020	-	-	-	1,763,013
Period ended 27 April 2019	-	-	-	1,763,013

Amounts owed to fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts owed by immediate parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

25. Controlling parties

The immediate parent undertaking of the Company is Book Retail Bidco Limited and the ultimate parent company is 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 Delaware, U.S.A., and its affiliates.

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