Company Number: 07673642

Waterstones Holdings Limited

Revised Consolidated Financial Statements

52 weeks ended 29 April 2017

These revised consolidated financial statements replace the original consolidated financial statements for the year ended 29 April 2017 and are now the statutory accounts of the Group for that year. They have been prepared as at the date of approval of the original consolidated financial statements and not as at the date of the revisions and accordingly do not deal with events between those dates.

COMPANY INFORMATION

DIRECTORS

A J Daunt
M Groenberg
G N Perren (resigned 31 July 2016)
A L Mamut
M T C Curtis (resigned 31 July 2016)
Lord D Stevenson (resigned 31 July 2016)
R C A Hingley (resigned 31 July 2016)

SECRETARY

R D J Manning

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

07673642

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

STRATEGIC REPORT

Principal activity

The Company acts as a holding company.

The Waterstones Group operates as a bookseller through a chain of bookshops in the United Kingdom, Ireland, Holland and Belgium and through the Waterstones.com e-commerce website.

Review of the business

Waterstones continues to follow the same strategy that it adopted following its acquisition from HMV Group in June 2011. It seeks to improve the standards of bookselling within its shops by training and enhanced career development of its booksellers, and supports this with investment in the shops themselves and the operational infrastructure. Capital investment has increased from the prior year at £9.6m (2016: £9.0m). Four new shops were opened, of which all are trading successfully, and a further 21 café's were added to the Café W estate.

Sales for the 52 week period ended 29 April 2017 were £403.8m (53 week period ended 30 April 2016: £409.1m), which, combined with continued improvement in operational efficiencies and margin improvements, resulted in an operating profit before exceptional items of £26.6m, an improvement from a profit of £20.8m in the prior period. Operating exceptional costs totalled £nil (2016: £2.0m) comprising £nil (2016: £2.0m) impairment of plant and equipment.

The profit after taxation amounted to £16.1m (2016: £17.6m). No dividend was paid during the period and the Directors recommend that no final dividend be declared with the profit being transferred to reserves.

During the period under review, 5 shops were closed and 4 new shops were opened, resulting in a total estate of 274 shops at 29 April 2017 (2016: 275).

Principal risks and uncertainties

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

(i) the competitive nature of its markets, with particular emphasis on the developing methods of digital delivery of products and content;

(ii) the general sensitivity to changes in economic conditions;

(iii) the seasonality of the business, with Christmas performance key to annual profitability;

(iv) maintaining appropriate commercial agreements with key suppliers;

(v) the reliability of the Group's and key suppliers' supply chains;

(vi) a failure to sustain or protect the Group's reputation and brand;

(vii) the maintenance and development of information technology systems; and

(viii) attracting, motivating and retaining key staff.

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

On behalf of the Board

A J Daunt
Director
11 July 2017
Revisions approved: 5 December 2017

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 29 April 2017 which were approved on behalf of the Board on 11 July 2017.

These revised consolidated financial statements replace the original consolidated financial statements for the year ended 29 April 2017. They have been prepared as at the date of approval of the original consolidated financial statements and not as at the date of approval of the revisions and accordingly do not deal with events between those dates.

The changes made to these revised financial statements relate to a re-ageing of amounts owed to group undertakings following identification of an error. This has resulted in the following changes to the Group's and the Company's balance sheets:

- Current liabilities: Amounts owed to group undertakings: increase of £7,722,000
- Non-current liabilities: Amounts owed to group undertakings: decrease of £7,722,000

These financial statements now show a true and fair view of the state of the Group's and of the Company's affairs as at 29 April 2017.

Directors

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

Directors' liabilities

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

Dividends

No dividend was paid during the period and the Directors recommend that no final dividend be declared (2016: £nil).

Foreign branches

The Group continues to operate a number of overseas stores.

Future developments

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

Subsequent events

There have been no subsequent events in the period from 29 April 2017 to the date of signing the accounts.

Financial risk factors

The Group's exposure to and management of liquidity risk, interest rate risk, credit risk and foreign exchange risk is set out in Note 26.

Policy on payment of creditors

During the period under review, the Group did not impose standard payment terms on its suppliers but agreed specific terms with each and ensured that each supplier was made aware of such terms. It was the Group's policy to pay its suppliers in accordance with the terms that they had agreed. The Group had 56 (2016: 54) days' purchases outstanding as payable at 29 April 2017. The Company is a holding company and therefore has no trade creditors.

DIRECTORS' REPORT (CONTINUED)

Employee policies

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

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

Waterstones 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 Group 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 Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Donations

The Group made charitable donations of £281,000 (2016: £1,161,000) in the period.

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

Auditors

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

(i) to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and

(ii) each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

A statement of the Directors' responsibilities for the financial statements can be found on page 6, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report.

Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an AGM.

DIRECTORS' REPORT (CONTINUED)

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources and access to funding, through the continuing support of the immediate parent undertaking and A L Mamut, a Director, to continue in operational existence for the foreseeable future and meet the repayments on the loan from the immediate parent undertaking which are payable within in the next 12 months (see Note 22). On this basis, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

R D J Manning
Secretary
11 July 2017
Revisions approved: 5 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

(i) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Estimates and then apply them consistently;

(ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(iii) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

(iv) state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and

(v) make judgements and estimates that are reasonable and prudent.

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

We confirm that, to the best of our knowledge:

(i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and profit or loss of the Group taken as a whole, and

(ii) the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group may face.

On behalf of the Board

A J Daunt	**M Groenberg**
Director	Director
11 July 2017	11 July 2017
Revisions approved: 5 December 2017	Revisions approved: 5 December 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES HOLDINGS LIMITED

We have audited the revised financial statements of Waterstones Holdings Limited for the year ended 29 April 2017 which comprise the Consolidated Income Statement, the Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flow and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the revised Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

We issued our report on the original financial statements on 17 July 2017. The original financial statements were, not prepared in accordance with the provisions of the Companies Act 2006 for the reasons disclosed in the Directors' Report and in note 1 to these financial statements.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (as amended) and accordingly do not take into account events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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.

Under section 454 of the Companies Act 2006, the Directors have the authority to revise the financial statements or Directors' Report if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 2008 (as amended). These require that the revised financial statements show a true and fair view as if they were prepared and approved by the Directors as at the date of the original financial statements and accordingly do not take into account events which have taken place after the date on which the original financial statements were approved.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We are also required to report whether, in our opinion, the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES HOLDINGS LIMITED (CONTINUED)

Scope of the audit of the financial statements

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

The audit of the revised financial statements includes procedures to ensure that the revisions made to the financial statements are appropriate and have been properly made.

Opinion on financial statements

In our opinion:

- the original financial statements failed to comply with the requirements of the companies Act 2006 in the respects identified by the directors in the statement in note 1 to the revised financial statements;
- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the Group's and of the Company's affairs as at 29 April 2017 and of the Group's profit for the year then ended;
- the revised Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, seen as at the date the original financial statements were approved;
- the revised Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, seen as at the date of the original financial statements were approved, and as applied in accordance with the requirements of the Companies Act 2006;
- the revised financial statements have been prepared in accordance with the requirement of the Companies Act 2006 as they have effect under the Companies Act 2006 (Revision of Defective Accounts and Report) Regulations 2008 (As amended).

Emphasis of matter

In forming our opinion on the revised financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to these financial statements concerning the need to revise the classification of current and non-current liabilities. The original financial statements were approved on 11 July 2017 and our report thereon was signed on 17 July 2017. We have not performed a subsequent events review for the period from the date of our report on the original financial statements to the date of this report.

Opinion on other matters prescribed by the Companies Act 2006 and the Companies (Revision of Defective Accounts and Report) Regulations 2008 (As amended);

In our opinion:

- based on the work undertaken in the course of the audit
    - the information given in the Strategic Report and the revised Directors' Report for the financial year for which the financial statements are prepared is consistent with the revised financial statements;
    - the Strategic Report and the revised Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or revised Directors' Report.

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

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

Ernst & Young LLP

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

12 December 2017

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016

	Notes	Before exceptional items 2017 £000	Exceptional items 2017 £000	Total 2017 £000
Revenue	3	403,788	-	403,788
Cost of sales		(362,060)	-	(362,060)
Gross profit		41,728	-	41,728
Administrative expenses		(15,119)	-	(15,119)
Other operating income	7	2	-	2
Operating profit	4	26,611	-	26,611
Finance income	10	1,404	-	1,404
Finance costs	11	(10,021)	-	(10,021)
Profit before taxation		17,994	-	17,994
Taxation	12	(1,908)	-	(1,908)
Profit for the period		16,086	-	16,086

	Notes	Before exceptional items 2016 £000	Exceptional items 2016 £000	Total 2016 £000
Revenue	3	409,099	-	409,099
Cost of sales	6	(365,165)	(2,029)	(367,194)
Gross profit		43,934	(2,029)	41,905
Administrative expenses		(23,113)	-	(23,113)
Other operating income	7	-	-	-
Operating profit	4	20,821	(2,029)	18,792
Finance income	10	1,285	-	1,285
Finance costs	11	(10,183)	-	(10,183)
Profit before taxation		11,923	(2,029)	9,894
Taxation	12	7,729	-	7,729
Profit for the period		19,652	(2,029)	17,623

The 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 29 April 2017 whilst the comparative period covered the 53 weeks ended 30 April 2016.

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016

	Notes	Group 2017 £000	Group 2016 £000
Profit for the period attributable to the shareholders of the Company		**16,086**	17,623
Items that will not be reclassified subsequently to profit or loss:			
Return on defined benefit pension scheme plan assets, excluding amounts included in interest	**31**	**338**	(371)
Actuarial (loss) gain on defined benefit pension scheme	**31**	**(13)**	1,485
Tax on items recognised directly in equity	**12**	**(26)**	(131)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange difference on retranslation of foreign operations		**480**	473
Other comprehensive gain for the period		**779**	1,456
Total comprehensive income for the period attributable to the shareholders of the Company		**16,865**	19,079

BALANCE SHEETS

	Notes	Group as at 29 April 2017 £000	Group as at 30 April 2016 £000	Company as at 29 April 2017 £000	Company as at 30 April 2016 £000
Assets					
Non-current assets					
Plant and equipment	13	**49,685**	53,081	**-**	-
Intangible assets	14	**1,618**	1,912	**-**	-
Investment in subsidiaries	15	**-**	-	**1,200**	-
Amounts due from group undertakings	17	**-**	6,631	**72,734**	79,425
Other financial assets	18	**-**	16,000	**-**	16,000
Deferred tax asset	12	**6,725**	8,274	**-**	-
		58,028	85,898	**73,934**	95,425
Current assets					
Inventories	19	**59,627**	57,853	**-**	-
Trade and other receivables	16	**35,296**	34,898	**-**	-
Amounts due from group undertakings	17	**7,520**	-	**-**	-
Other financial assets	18	**707**	299	**707**	299
Current income tax receivable		**120**	18	**18**	18
Cash and short-term deposits	20	**57,827**	33,132	**29,165**	12,140
		161,097	126,200	**29,890**	12,457
Total assets		**219,125**	212,098	**103,824**	107,882
Liabilities					
Non-current liabilities					
Amounts due to group undertakings	22	**(87,844)**	(133,886)	**(87,844)**	(127,255)
Retirement benefit liabilities	31	**(1,254)**	(1,513)	**-**	-
Interest bearing loans and borrowings	23	**-**	(528)	**-**	-
Provisions	24	**(1,181)**	(1,323)	**-**	-
		(90,279)	(137,250)	**(87,844)**	(127,255)
Current liabilities					
Current income tax payable		**(129)**	(169)	**-**	-
Trade and other payables	21	**(87,712)**	(97,482)	**(19)**	(1,139)
Amounts due to group undertakings	22	**(51,333)**	(4,795)	**(43,813)**	(4,795)
Interest bearing loans and borrowings	23	**(528)**	(528)	**-**	-
Provisions	24	**(1,301)**	(2,096)	**-**	-
		(141,003)	(105,070)	**(43,832)**	(5,934)
Total liabilities		**(231,282)**	(242,320)	**(131,676)**	(133,189)
Net liabilities		**(12,157)**	(30,222)	**(27,852)**	(25,307)
Equity					
Share capital	28	**12,676**	12,676	**12,676**	12,676
Other reserves	29	**1,200**	-	**1,200**	-
Foreign currency translation reserve		**(5)**	(485)	**-**	-
Accumulated losses		**(26,028)**	(42,413)	**(41,728)**	(37,983)
Total equity		**(12,157)**	(30,222)	**(27,852)**	(25,307)

BALANCE SHEETS (CONTINUED)

These balance sheets have been revised following reallocation of amounts owed to group undertakings to current liabilities from non-current liabilities following the identification of an error as detailed in Note 22. These balance sheets now show a true and fair view of the state of the Group's and of the Company's affairs as at 29 April 2017.

The Directors have taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company individual income statement and related notes. The Company's loss for the year ended 29 April 2017 was £3,745,000 (2016: loss £2,735,000).

The consolidated financial statements of the Group for the period ended 29 April 2017 were originally authorised for issue by the Board on 11 July 2017. Following the identification of an error in those accounts, as disclosed in Note 22, these revised accounts were approved by the Board on 5 December 2017 and were signed on its behalf by:

A J Daunt
Director

M Groenberg
Director

STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016

Group

	Share capital	Other reserves	Foreign currency translation reserve	Accum-ulated losses	Total
	£000	£000	£000	£000	£000
At 25 April 2015	12,676	-	(958)	(61,019)	(49,301)
Profit for the period	-	-	-	17,623	17,623
Other comprehensive gain	-	-	473	983	1,456
Total comprehensive gain	-	-	473	18,606	19,079
At 30 April 2016	**12,676**	-	**(485)**	**(42,413)**	**(30,222)**
Profit for the period	-	-	-	**16,086**	**16,086**
Other comprehensive gain	-	-	**480**	**299**	**779**
Total comprehensive income	-	-	**480**	**16,385**	**16,865**
Share based awards	-	**1,200**	-	-	**1,200**
At 29 April 2017	**12,676**	**1,200**	**(5)**	**(26,028)**	**(12,157)**

Company

	Share capital	Other reserves	Foreign currency translation reserve	Accum-ulated losses	Total
	£000	£000	£000	£000	£000
At 25 April 2015	12,676	-	-	(35,248)	(22,572)
Loss for the period	-	-	-	(2,735)	(2,735)
Total comprehensive loss	-	-	-	(2,735)	(2,735)
At 30 April 2016	**12,676**	-	-	**(37,983)**	**(25,307)**
Loss for the period	-	-	-	**(3,745)**	**(3,745)**
Total comprehensive loss	-	-	-	**(3,745)**	**(3,745)**
Share based awards	-	**1,200**	-	-	**1,200**
At 29 April 2017	**12,676**	**1,200**	-	**(41,728)**	**(27,852)**

CASH FLOW STATEMENTS

For the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016

	Notes	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash flows from operating activities					
Profit (loss) before tax		**17,994**	9,894	**(3,745)**	(2,735)
Net finance costs		**8,617**	8,898	**3,662**	3,054
Operating profit (loss)		**26,611**	18,792	**(83)**	319
Depreciation and amortisation	13,14	**12,556**	13,959	**-**	-
Impairment charges	13,14	**-**	2,029	**-**	-
Loss on disposal of plant and equipment	4	**525**	1,075	**-**	-
Net foreign exchange losses	4	**484**	478	**-**	54
Share based awards	8	**1,200**	-	**-**	-
Pension contributions less income statement charge		**(85)**	(95)	**-**	-
		41,291	36,238	**(83)**	373
Movement in inventories		**(1,668)**	(99)	**-**	-
Movement in trade and other receivables		**(344)**	24,416	**-**	24,055
Movement in amounts owed by group undertakings		**-**	-	**(12,378)**	21,156
Movement in trade and other payables		**(9,467)**	(1,289)	**(1,120)**	279
Movement in amounts owed to group undertakings		**(4,660)**	(20,095)	**(4,660)**	(20,095)
Movement in provisions		**(651)**	(601)	**-**	-
Cash generated from operations		**24,501**	38,570	**(18,241)**	25,768
Income tax paid		**(527)**	(77)	**-**	(18)
Net cash flows from operating activities		**23,974**	38,493	**(18,241)**	25,750
Cash flows from investing activities					
Purchase of other financial assets		**(412)**	(16,290)	**(412)**	(16,290)
Proceeds from disposal of other financial assets		**16,478**	-	**16,478**	-
Purchase of tangible and intangible fixed assets		**(10,227)**	(9,342)	**-**	-
Interest received		**53**	867	**24,012**	794
Net cash flows from investing activities		**5,892**	(24,765)	**40,078**	(15,496)
Cash flows from financing activities					
Interest paid		**(4,849)**	(111)	**(4,812)**	(72)
Repayment of capital element of finance leases		**(528)**	(528)	**-**	-
Net cash flows from financing activities		**(5,377)**	(639)	**(4,812)**	(72)
Net increase in cash and cash equivalents	27	**24,489**	13,089	**17,025**	10,182
Opening cash and cash equivalents	20	**33,132**	20,011	**12,140**	2,021
Effect of exchange rate changes		**206**	32	**-**	(63)
Closing cash and cash equivalents	20	**57,827**	33,132	**29,165**	12,140

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements of the Group for the period ended 29 April 2017 were originally authorised for issue by the Board on 11 July 2017. Following the identification of an error in those accounts, as disclosed in Note 22, these revised accounts were approved by the Board on 5 December 2017. The Company is a limited company incorporated and domiciled in England and Wales.

2. Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the Group for the 52 weeks ended 29 April 2017 and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for other financial assets and the Group's defined benefit pension obligations. The consolidated financial statements are prepared in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources and access to funding, through the continuing support of the immediate parent undertaking and A L Mamut, a director, to continue in operational existence for the foreseeable future and meet the repayments on the loan from the immediate parent undertaking which are payable within in the next 12 months (see Note 22). On this basis, they continue to adopt the going concern basis in preparing the financial statements.

Revised consolidated financial statements

These revised consolidated financial statements replace the original consolidated financial statements for the Group for the year ended 29 April 2017 and are now the statutory accounts of the Group for that year. They have been prepared as at the date of approval of the original consolidated financial statements and not as at the date of approval of the revisions and accordingly do not deal with events between those dates.

The changes made to these financial statements relate to a reallocation of amounts owed to group undertakings to current liabilities from non-current liabilities following the identification of an error as detailed in Note 22. These financial statements now show a true and fair view of the state of the Group's and of the Company's affairs as at 29 April 2017.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 29 April 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The financial statements for companies in the Group 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 29 April 2017 whilst the comparative period covered the 53 weeks ended 30 April 2016. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiary undertakings are carried at cost net of impairment losses, if any, in the Company's own Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Foreign currency translation

Transactions and balances

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

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

All differences arising on settlement or retranslation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of a hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange rate differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss, are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated to pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates prevailing for the period. Differences on translation are recognised in other comprehensive income in a separate equity reserve. On disposal of an overseas company or business, the cumulative exchange differences for that entity are recognised in the income statement as part of the profit or loss on disposal.

Revenue

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

The Group operates a customer loyalty scheme which allows customers to accumulate points when they purchase goods from the Group. Consideration received is allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed based on the number of points redeemed relative to the number of points expected to be redeemed.

Dividend and interest income

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

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

Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside of the income statement is recognised outside of the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Plant and equipment

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

Plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any.

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

The annual rates used are:

Plant and equipment	10 to $33^1/_3$%

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Intangible assets

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software. An internally generated intangible asset arising from the Group's development of computers systems (including websites) is recognised only if the costs are directly associated with the production of identifiable and unique software products which are controlled by the Group and it is probable that future economic benefits will flow to the Group.

Costs recognised as assets will be amortised over their estimated useful lives of 5 years using the straight line method.

Impairment of non-financial assets

The Group 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 Group 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 to the carrying value it would have been if the impairment had not been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement. An impairment loss in respect of goodwill is not reversed.

Leases

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

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

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

Inventories

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

Cash and short-term deposits

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Provisions

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

Share-based payments

The Group has made an equity-settled non-market share-based award to a director. The performance award would be the entitlement to a proportion of the fully diluted issued share capital of the Company, or in certain circumstances to a cash payment. The share based award has been valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business.

The value is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the Income Statement. A corresponding entry is made to equity.

Pension costs

The Group operates a number of pension schemes, the funds of which are held in separate, trustee administered funds.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net retirement benefit obligation recognised in the balance sheet represents the present value of the liabilities of the defined benefit scheme as reduced by the market value of the defined benefit scheme assets.

Remeasurements, which comprise actuarial gains and losses but exclude amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the balance sheet with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Other income and expenses associated with the defined benefit scheme are recognised in the income statement.

For the defined contribution scheme, contributions are charged in the income statement as they become payable in accordance with the rules of the scheme.

Interest bearing loans and borrowings

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

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

Exceptional items

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' investments, 'available for sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is classified on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at their fair value, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest received on the financial asset.

Held to maturity investments

Investments are non-derivative financial assets, bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and the ability to hold until maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at their fair value. AFS are non-derivative financial assets that are designated as such on initial recognition or that are not classified in any other category. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in an investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Financial assets (continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Judgements and key sources of estimation uncertainty

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

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

Revenue recognition in respect of customer loyalty schemes - revenue recognition is based on the number of points redeemed relative to the number of points expected to be redeemed. This calculation requires judgements to be made regarding future points redemption which are based on historical redemption patterns.

Impairment of plant and equipment and investments - plant and equipment and investments 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 Group'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 actual costs and timing of future cash flows are those regarding revenue, margin, operating costs, dilapidations, rental income and the discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

New accounting standards

The Group has adopted the following amended accounting standards which were mandatory for the first time for the financial period ending 29 April 2017. They have no material impact on the Group.

- IFRS 7 Financial instruments: Amendments resulting from September 2014 Annual Improvements to IFRSs;
- IFRS 10 Consolidated financial statements: Amendments regarding the application of the consolidation exception;
- IAS 1 Presentation of financial statements: Amendments resulting from the disclosure initiative;
- IAS 16 Property, plant and equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation and Amendments bringing bearer plants into the scope of IAS 16;
- IAS 19 Employee benefits: Amendments resulting from September 2014 Annual Improvements to IFRSs;
- IAS 27 Separate financial statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements; and
- IAS 38 Intangible fixed assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation.

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

- IFRS 2 Share based payment: Classification and measurement of share-based payment transactions, effective for annual periods beginning on or after 1 January 2018;
- IFRS 9 Financial instruments: Original issue, effective for annual periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from contracts with customers: Original issue, following amendment effective for annual periods beginning on or after 1 January 2018; and Clarifications to IFRS 15, effective for annual periods beginning on or after 1 January 2018;
- IFRS 16 Leases: Original issue, effective for annual periods beginning on or after 1 January 2019;
- IAS 7 Statement of Cash Flows: Amendments as a result of the disclosure initiative, effective for annual periods beginning on or after 1 January 2017;
- IAS 12 Income Taxes: Amendments regarding the recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration, effective for annual periods beginning on or after 1 January 2018; and
- IFRIC 23 — Uncertainty over Income Tax Treatments, effective for annual periods beginning on or after 1 January 2019.

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

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

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements with the exception of IFRS 15 Revenue from contracts with customers and IFRS 16 Leases. The Group is yet to complete its assessment of the impact of IFRS 15. IFRS 16 is expected to have a material impact on the Group's Consolidated Balance Sheet and Consolidated Income Statement for the year ended 25 April 2020, however, the Group is yet to complete its assessment of the impact of this new standard.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Revenue

Revenue disclosed in the consolidated income statement is analysed as follows:

	2017 £000	2016 £000
Sale of goods – UK	**387,973**	394,732
Sale of goods – rest of Europe	**15,815**	14,367
	403,788	409,099

4. Operating profit

Operating profit is stated after charging (crediting):

	2017 £000	2016 £000
Depreciation and amortisation (see Notes 13 and 14)	**12,556**	13,959
Impairment charges (see Note 13)	**-**	2,029
Loss on disposal of plant and equipment	**525**	1,075
Cost of inventories recognised as an expense	**191,583**	194,711
Movement in inventory provision	**(83)**	1,230
Net foreign exchange losses	**484**	478
Operating lease rentals:		
Minimum rentals	**48,063**	51,115
Percentage rentals	**87**	96
Sublease rental income	**(547)**	(605)

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

5. Fees to auditors

	2017 £000	2016 £000
Audit of the Group financial statements	**46**	17
Audit of the subsidiary financial statements	**133**	110
Tax advisory	**-**	13
Tax compliance	**-**	3
Non audit services	**14**	12

The audit fees disclosed above represent the statutory audit fees for all Group companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Exceptional items

Charged in arriving at operating profit:

	2017 £000	2016 £000
Impairment of plant and equipment	-	(2,029)
	-	(2,029)

Included within Cost of sales:

Impairment charges for plant and equipment of £nil (2016: £2,029,000) following a review of the carrying value based on prevailing market conditions.

7. Other operating income

Credited in at operating profit:

	2017 £000	2016 £000
Net gain on financial instrument at fair value through profit or loss	2	-
	2	-

8. Directors' emoluments

	2017 £000	2016 £000
Salaries and fees	**264**	7,374
Other benefits	**1,200**	247
Pension contributions	-	1
	1,464	7,622

Certain Directors of the Company are remunerated by other companies controlled by A L Mamut, a director, or his family trusts. The relevant Directors consider that the limited proportion of their time spent on the Group's business does not warrant a recharge of director's remuneration, and therefore no remuneration is included above.

In the prior year, other benefits comprised an entitlement to the future award of ordinary shares in, and loan notes from, the Company. All prior year entitlements were cash settled during the year.

In the current year, the Group has made an equity-settled non-market share-based award to a director. The performance award would be the entitlement to a proportion of fully diluted issued share capital of the Company, or in certain circumstances to a cash payment. The share based award has been valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business.

One (2016: one) of the Directors is accruing benefits under the Group's defined contribution pension arrangements.

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

	2017 £000	2016 £000
Salaries and fees	**233**	7,249
Other benefits	**1,200**	-
Pension contributions	-	1
	1,433	7,250

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Employee costs

	2017 £000	2016 £000
Employee costs, including Directors' emoluments:		
Wages and salaries	**51,126**	53,618
Social security costs	**3,853**	4,583
Other pension costs	**1,581**	1,569
	56,560	59,770

Included in wages and salaries is a total expense of £1,200,000 (2016: £nil) which arises from transactions accounted for as equity settled share based awards. The performance award would be the entitlement to a proportion of fully diluted issued share capital of the Company, or in certain circumstances to a cash payment. The share based award has been valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business.

The monthly average number of people employed by the Group during the period was 3,313 (2016: 3,042).

10. Finance income

	2017 £000	2016 £000
Defined benefit pension scheme interest income*	**-**	85
Interest receivable from parent company	**386**	346
Interest receivable from other related parties	**-**	636
Bank interest receivable	**542**	218
Other interest receivable	**476**	-
	1,404	1,285

*presented net for the 52 weeks ended 29 April 2017

11. Finance costs

	2017 £000	2016 £000
Defined benefit pension scheme interest expense*	**33**	123
Lease interest payable	**37**	39
Interest payable to parent company	**9,465**	10,021
Other interest payable	**486**	-
	10,021	10,183

*presented net for the 52 weeks ended 29 April 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Taxation

Taxation recognised in the income statement:

	2017 £000	2016 £000
Overseas tax, current year	**464**	312
Overseas tax, prior period	**(68)**	13
Total current tax	**396**	325
Deferred tax, current year	**(448)**	(8,065)
Deferred tax, prior period	**1,960**	11
Total taxation charge (credit) in the income statement	**1,908**	(7,729)

Tax relating to items credited directly to equity is as follows:

	2017 £000	2016 £000
Current tax relating to defined benefit pension scheme	**(26)**	(23)
Deferred tax relating to defined benefit pension scheme	**52**	154
Total taxation charge in the statement of comprehensive income	**26**	131

The standard rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017. Further, the Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. Current tax has therefore been provided at 19.92% (2016: 20%) and deferred tax at 17% or 19% (2016: 19%), the rates expected to be effective when the deferred tax assets are anticipated to be utilised.

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

	2017 £000	2016 £000
Profit before taxation	**17,994**	9,894
Corporation tax at UK average statutory rate of 19.92% (2016: 20.0%)	**3,584**	1,979
Effects of:		
Expenses not deductible for tax purposes	**1,380**	1,143
Short term timing differences	**3**	(495)
Adjustments in relation to prior periods	**1,892**	24
Losses utilised	**(4,001)**	(2,271)
Recognition of deferred tax	**(1,473)**	(8,072)
Tax rate differences	**523**	(37)
Total tax charge (credit)	**1,908**	(7,729)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Taxation (continued)

Deferred tax

Group

Provided deferred tax

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

	2017 £000	2016 £000
Accelerated depreciation for tax purposes	**5,160**	8,072
Temporary differences relating to defined benefit pension scheme	**162**	202
Other temporary differences	**228**	-
Tax losses	**1,175**	-
	6,725	8,274

There are no provided deferred tax liabilities in the current or the prior year.

Unprovided deferred tax

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

	2017 £000	2016 £000
Tax losses	-	2,393
Other temporary differences	-	12
	-	2,405

The deferred tax assets were not recognised in the prior year since there was no persuasive evidence that there would be suitable taxable profits against which the timing differences would reverse. The assets would be recoverable when the realisation of the related tax benefit through future taxable profits is probable.

There are no unprovided deferred tax liabilities in the current or the prior year.

Company

Provided deferred tax

There are no provided deferred tax assets or liabilities.

Unprovided deferred tax

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

	2017 £000	2016 £000
Tax losses	-	1,185
	-	1,185

The deferred tax assets were not recognised in the prior year since there was no persuasive evidence that there would be suitable taxable profits against which the timing differences would reverse. The assets would be recoverable when suitable taxable profits are generated.

There are no unprovided deferred tax liabilities in the current or the prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2016 reduced the main rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020.

13. Plant and equipment

Group

	Plant and equipment
	£000
Cost at 25 April 2015	113,826
Disposals	(9,854)
Additions	8,615
Exchange differences	221
Cost at 30 April 2016	112,808
Disposals	(2,319)
Additions	9,436
Exchange differences	142
Cost at 29 April 2017	**120,067**
Depreciation at 25 April 2015	52,843
Charge for period	13,464
Disposals	(8,771)
Impairment loss	2,029
Exchange differences	162
Depreciation at 30 April 2016	59,727
Charge for period	12,076
Disposals	(1,506)
Exchange differences	85
Depreciation at 29 April 2017	**70,382**
Net book value at 29 April 2017	**49,685**
Net book value at 30 April 2016	53,081

During the year certain assets were re-classified from plant and equipment to intangible fixed assets (see Note 14).

In the prior year plant and equipment was written down by £2,029,000 following an impairment review based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated five-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10%. Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The cash flows reflected management's best estimates of revenue, margin, operating costs and discount rate over the forecast period and no reasonable possible change in assumptions would have resulted in further impairment. The total recoverable amount of the assets impaired was £nil.

Company

The Company holds no plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

Group

	Website costs £000	Software costs £000	Total £000
Cost at 25 April 2015	875	2,140	3,015
Additions	90	324	414
Cost at 30 April 2016	965	2,464	3,429
Additions	-	186	186
Cost at 29 April 2017	**965**	**2,650**	**3,615**
Depreciation at 25 April 2015	42	980	1,022
Charge for period	192	303	495
Depreciation at 30 April 2016	234	1,283	1,517
Charge for period	193	287	480
Depreciation at 29 April 2017	**427**	**1,570**	**1,997**
Net book value at 29 April 2017	**538**	**1,080**	**1,618**
Net book value at 30 April 2016	731	1,181	1,912

During the year certain assets were re-classified from plant and equipment to intangible fixed assets (see Note 13).

Company

The Company holds no intangible assets.

15. Investment in subsidiaries

Company

	£000
Cost at 30 April 2016	24,131
Additions	1,200
Cost at 29 April 2017	**25,331**
Provision at 29 April 2017 and 30 April 2016	(24,131)
Net book value at 29 April 2017	**1,200**
Net book value at 30 April 2016	-

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

Name of undertaking	**Country of incorporation**	**Status**
Waterstones Booksellers Limited	England & Wales*	Trading
Waterstones Booksellers Ireland Limited	Ireland#	Trading
Waterstone's Booksellers Belgium SA	Belgium@	Trading
Waterstone's Booksellers Amsterdam B.V.	Holland~	Trading
Waterstones Overseas Limited	England & Wales*	Non-trading
Hatchards UK Limited	England & Wales*	Dormant
Ottakar's Limited	England & Wales*	Dormant
Ottakar's Town Limited	England & Wales*	Dormant
Waterstones Academic Bookstores Limited	England & Wales*	Dormant

* registered address: 203-206 Piccadilly, London, W1J 9HD

registered address: 6th Floor, 2 Grand Canal Square, Dublin 2

@ registered address: Boulevard Adolphe Max 71-75, 1000 Brussels

~ registered address: Kalverstraat 152, 1012 XE Amsterdam

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Trade and other receivables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Current:				
Trade receivables	**1,125**	886	-	-
Other receivables	**3,899**	2,950	-	-
Prepayments and accrued income	**30,272**	31,062	-	-
	35,296	34,898	-	-

Group

The carrying value of trade and other receivables approximates to fair value.

Trade receivables are stated net of a provision for impairment of £26,000 (2016: £40,000). Trade receivables are non-interest bearing and are generally settled on 30 day terms. Other receivables are also non-interest bearing.

Credit risk is limited as the Group has minimal levels of trade receivables due to the nature of its retailing business. See Note 26 for a discussion of credit risk.

17. Amounts due from group undertakings

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current:				
Amounts owed by subsidiary undertaking	-	-	**72,734**	79,425
Amounts owed by immediate parent undertaking	-	6,631	-	-
	-	6,631	**72,734**	79,425
Current:				
Amounts owed by immediate parent undertaking	**7,520**	-	-	-
	7,520	-	-	-

Group

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

Company

The amounts owed by the subsidiary undertaking are repayable by 22 June 2021. Interest is chargeable on £38,118,000 (2016: £44,335,000) of this balance at 7.28% and on £34,616,000 (2016: £35,090,000) of this balance at 7%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Other financial assets

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Other non-current financial assets:				
Held to maturity	-	16,000	-	16,000
	-	16,000	-	16,000
Other current financial assets:				
Held at fair value through profit and loss account	**707**	299	**707**	299
	707	299	**707**	299

In the prior year, held to maturity investments comprised bank deposits with a duration of 385 days.

Held at fair value through profit and loss comprises a structured leverage note which incorporates a fixed advance of $586,000 (2016: $521,000) and the financial instrument itself with a fair value of $1,501,000 (2016: $958,000). This is included in the balance sheet on a net basis because leverage is embedded in the instrument (when the structured product is sold the proceeds will first cover the fixed advance).

19. 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.

20. Cash and short-term deposits

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	**57,827**	33,132	**29,165**	12,140
	57,827	33,132	**29,165**	12,140

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

21. Trade and other payables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Current:				
Trade payables	**29,472**	28,854	-	-
Other payables	**38,295**	48,302	-	-
Accruals and deferred income	**19,945**	20,326	**19**	1,139
	87,712	97,482	**19**	1,139

Group and Company

The carrying value of trade and other payables approximates to fair value. Trade payables are non-interest bearing and are generally settled on 30-60 day terms. Other payables and accruals are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Amounts due to group undertakings

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current:				
Amounts owed to immediate parent undertaking*	**87,844**	133,886	**87,844**	127,255
	87,844	133,886	**87,844**	127,255
Current:				
Amounts owed to immediate parent undertaking*	**51,333**	4,795	**43,813**	4,795
	51,333	4,795	**43,813**	4,795

*This note has been amended due to a re-ageing of amounts owed to group undertakings following the identification of an error. This has resulted in the following changes to the table above:

- Current liabilities: Amounts owed to immediate parent undertaking: increase of £7,722,000
- Non-current liabilities: Amounts owed to immediate parent undertaking: decrease of £7,722,000

This note now shows a true and fair view of the state of the Group's and of the Company's affairs as at 29 April 2017.

Group

Loans from the immediate parent undertaking are repayable on the following basis; £23,167,000 (2016: £nil) on 30 October 2017, £7,520,000 (2016: £6,631,000) on or before 1 January 2018, £5,406,000 (2016: £5,479,000) on 15 January 2018, £15,445,000 (revised) (2016: £nil) on 30 January 2018, £4,633,000 (2016: £3,425,000) on 30 October 2018 with the balance of £83,320,000 (revised) (2016: £118,351,000) repayable on or before 23 June 2021. Interest is chargeable on £78,985,000 (2016: £73,840,000) of this balance at 7.0%, on £52,986,000 (2016: £58,210,000) of this balance at 7.28% and on £7,520,000 (2016: £6,631,000) of this balance at the higher of 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%.

Amounts owed to immediate parent undertaking are stated net of charges arising from loan amendments and extensions which are being amortised over the term of the amendments.

Company

Loans from the immediate parent undertaking are repayable on the following basis; £23,167,000 (2016: £nil) on 30 October 2017, £5,406,000 (2016: £5,479,000) on 15 January 2018, £15,445,000 (revised) (2016: £nil) on 30 January 2018, £4,633,000 (2016: £3,425,000) on 30 October 2018 with the balance of £83,320,000 (revised) (2016: £118,351,000) repayable on or before 23 June 2021. Interest is chargeable on £78,985,000 (2016: £73,840,000) of this balance at 7.0% and on £52,986,000 (2016: £58,210,000) of this balance at 7.28%.

Amounts owed to immediate parent undertaking are stated net of charges arising from loan amendments and extensions which are being amortised over the term of the amendments.

23. Interest bearing loans and borrowings

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current:				
Obligations under finance leases (see Note 32)	-	528	-	-
	-	528	-	-
Current:				
Obligations under finance leases (see Note 32)	**528**	528	-	-
	528	528	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Provisions

	Group 2017 £000
At 30 April 2016	3,419
Provisions created in the period	415
Provisions utilised	(1,125)
Provisions released	(227)
At 29 April 2017	**2,482**
Analysed as:	
Current	**1,301**
Non-current	**1,181**
	2,482

Provisions almost entirely consist of amounts in respect of onerous leases, store closures and restructuring. Of the total provisions, £320,000 (2016: £63,000) is expected to be utilised after 5 years from the balance sheet date.

Company

The company has no provisions.

25. Derivative financial instruments

Currency derivatives

The Group can use derivative instruments as part of a policy of managing foreign currency exchange risk arising on expected future purchases of internationally sourced products. The implementation of these derivative instruments is negotiated to match expected purchases and they therefore qualify for hedge accounting. The fair value of cash flow hedges in place at 29 April 2017 was £nil (2016: £nil).

26. Financial risk factors

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

Liquidity risk

During the period under review the Group had sufficient funds and facilities, through the continuing support of the immediate parent undertaking and A L Mamut, a Director, available to satisfy its current requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Financial risk factors (continued)

Liquidity risk (continued)

The Group has access to funding facilities from its immediate parent undertaking which have a final repayment date of 23 June 2021. Analysis of the maturity profile of financial liabilities at 29 April 2017 and 30 April 2016 is shown below:

Group

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Finance leases	-	**140**	**420**	-	-	**560**
Trade and other payables	**13,853**	**73,859**	-	-	-	**87,712**
Amounts due to group undertakings*	-	-	**51,538**	**87,953**	-	**139,491**
At 29 April 2017	**13,853**	**73,999**	**51,958**	**87,953**	-	**227,763**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Finance leases	-	140	420	560	-	1,120
Trade and other payables	13,379	84,103	-	-	-	97,482
Amounts due to group undertakings	-	-	4,795	15,535	118,351	138,681
At 30 April 2016	13,379	84,243	5,215	16,095	118,351	237,283

*This note has been amended due to a re-ageing of amounts owed to group undertakings following the identification of an error. This has resulted in the following changes to the table above:

- Current liabilities: Amounts owed to group undertakings: increase of £7,722,000
- Non-current liabilities: Amounts owed to group undertakings: decrease of £7,722,000

This note now shows a true and fair view of the state of the Group's affairs as at 29 April 2017.

Company

	On demand	**Less than 3 months**	**3 to 12 Months**	**1 to 5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Trade and other payables	**19**	-	-	-	-	**19**
Amounts due to group undertakings*	-	-	**44,018**	**87,953**	-	**131,971**
At 29 April 2017	**19**	-	**44,018**	**87,953**	-	**131,990**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Financial risk factors (continued)

Liquidity risk (continued)

Company (continued)

	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Trade and other payables	894	245	-	-	-	1,139
Amounts due to group undertakings	-	-	4,795	8,904	118,351	132,050
At 30 April 2016	894	245	4,795	8,904	118,351	133,189

*This note has been amended due to a re-ageing of amounts owed to group undertakings following the identification of an error. This has resulted in the following changes to the table above:

- Current liabilities: Amounts owed to group undertakings: increase of £7,722,000
- Non-current liabilities: Amounts owed to group undertakings: decrease of £7,722,000

This note now shows a true and fair view of the state of the Company's affairs as at 29 April 2017.

Interest rate risk

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

Credit risk

The Group's credit risk arises from its cash and outstanding receivables.

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

Foreign exchange risk

The Group is exposed to foreign exchange risk from its investing, financing and operating activities.

Forward foreign exchange contracts are used to hedge the foreign exchange risk of imports where volumes are significant. No speculative positions are entered into. There were no currency contracts outstanding at the current or prior balance sheet date (see Note 25).

The Group is also exposed to foreign currency translation risk through its borrowings in foreign currency and investment in overseas subsidiaries. Generally, the Group does not hedge any net translation exposure although it may in certain circumstances implement hedges to secure short term financial objectives.

Sensitivity analysis

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

Interest rate sensitivity

Based on the Group's net interest bearing assets and liabilities position at the year end, a 100 basis points movement in interest rates would affect the Group's result before tax and shareholders' equity by approximately £0.1m (2016: £0.8m).

Foreign exchange rate sensitivity

A 10% change in the value of Euro against sterling would affect the Group's result before tax by approximately £0.7m (2016: £0.5m) and the Group's comprehensive income by £1.3m (2016: £0.9m).

A 10% change in the value of Dollar against sterling would affect the Group's result before tax by approximately £0.2m (2016: £nil) and the Group's comprehensive income by £0.2m (2016: £nil).

The Group has no cash flow hedges in place, as detailed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Financial risk factors (continued)

Capital management

During the year under review, the core objective of the Group was to ensure that it would be able to continue to operate as a going concern, as well as having sufficient funds available to grow the business for the benefit of its parent undertaking and other stakeholders. The capital structure of the Group comprises cash and short-term deposits (see Note 20), loans payable and receivable through its intra-group facilities (see Notes 17 and 22) and from external sources (see Note 23) and equity attributable to the parent undertaking (see Note 28).

27. Additional cash flow information

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

Group

	At 30 April 2016 £000	Cash flow £000	Other non-cash changes £000	At 29 April 2017 £000
Cash at bank and in hand	**33,132**	**24,489**	**206**	**57,827**
Loans and borrowings – non-current	**(528)**	**-**	**528**	**-**
Loans and borrowings – current	**(528)**	**528**	**(528)**	**(528)**
Total loans and borrowings	**(1,056)**	**528**	**-**	**(528)**
Net funds	**32,076**	**25,017**	**206**	**57,299**

	At 25 April 2015 £000	Cash flow £000	Other non-cash changes £000	At 30 April 2016 £000
Cash at bank and in hand	20,011	13,089	32	33,132
Loans and borrowings – non-current	(1,056)	-	528	(528)
Loans and borrowings – current	(528)	528	(528)	(528)
Total loans and borrowings	(1,584)	528	-	(1,056)
Net funds	18,427	13,617	32	32,076

Other non-cash changes represent movements in finance lease funding and foreign exchange movements.

Net funds are shown exclusive of interest bearing amounts owed from and to the parent undertaking included in Notes 17 and 22.

Company

	At 30 April 2016 £000	Cash flow £000	Other non-cash changes £000	At 29 April 2017 £000
Cash at bank and in hand	**12,140**	**17,025**	**-**	**29,165**
Net funds	**12,140**	**17,025**	**-**	**29,165**

	At 25 April 2015 £000	Cash flow £000	Other non-cash changes £000	At 30 April 2016 £000
Cash at bank and in hand	2,021	10,182	(63)	12,140
Net funds	2,021	10,182	(63)	12,140

Other non-cash changes represent foreign exchange movements.

Net funds are shown exclusive of interest bearing amounts owed by subsidiary undertakings and owed to the parent undertaking included in Notes 17 and 22.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Share capital

	2017 Number	2017 £000	2016 Number	2016 £000
Authorised	**Unlimited**	**Unlimited**	Unlimited	Unlimited
Allotted, called up and fully paid				
Ordinary shares of £1 each	**12,675,501**	**12,676**	12,675,501	12,676

The Company has one class of share capital, namely £1 ordinary shares, of which there are 12,675,501 allotted, all fully paid. There are no special rights or preferences attaching to the shares, and there are no restrictions on the distribution of dividends and the repayment of capital.

29. Other reserves

The reserve has arisen as a result of the anticipated equity settled share based award, see Note 8.

30. Contingent liabilities

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

The Company, together with Waterstones Booksellers Limited, a subsidiary, are guarantors of a $63m bank loan facility held by the immediate parent company. Part of the security for this loan facility is a debenture on certain assets of the Group, including the Waterstones brand.

31. Pension arrangements

The Group operates a number of pension schemes, the funds of which are held in separate, trustee administered funds. With the exception of a small defined benefit scheme in Ireland, all schemes are defined contribution schemes. Details of the main schemes are given below.

UK pension saver plan ("the Plan")

The Waterstones Group Personal Pension Plan, a defined contribution scheme, is established under a trust. The Plan provides members with individual pension saving accounts in their own name, with a range of investment options available. Under the auto-enrolment element of the Plan employees have to pay 1% of pensionable salary into the scheme which is matched by Waterstones. There is also a voluntary element to the Plan under which members can choose to pay a percentage of pensionable salary, with the members' contributions matched by Waterstones to a maximum of 6.5%. Employer contributions to the scheme during the year were £1,457,000 (2016: £1,434,000).

Ireland defined benefit scheme ("the Scheme")

The Scheme, which is operated by Waterstones Booksellers Ireland Limited and is of the defined benefit type, is closed to new members. The assets of the Scheme are held separately from those of the Group. An actuarial valuation took place as at 30 June 2016 and at that date the market value of the assets was sufficient to cover 94% of the value of the liabilities of the Scheme, representing a funding deficit of €475,000. It was agreed to fund this by three additional annual contributions of €170,000 commencing on 1 April 2017 and the first additional payment was made during the year. The future service contribution rate was increased to 29.6% of pensionable salaries made up of an employer rate of 22.1% and an employee rate of 7.5%. The next actuarial review will take place with an effective date no later than 30 June 2019.

Employer contributions to the Scheme for the period ended 29 April 2017 were £209,000 (2016: £230,000). The total employer contributions to the Scheme for the financial year commencing on 30 April 2017 are expected to be £228,000.

Amounts reflected in the financial statements in respect of the Scheme are determined with the advice of independent qualified actuaries, Towers Watson (Ireland) Limited, on the basis of annual valuations using the projected unit funding method. Scheme assets are stated at their market value at the respective balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Pension arrangements (continued)

Ireland defined benefit scheme ("the Scheme") (continued)

The major assumptions used in the calculations are as follows:

	As at 29 April 2017	As at 30 April 2016
	% per annum	% per annum
Rate of price inflation	**1.5**	1.5
Rate of salary increase	**2.0**	2.0
Rate of increase for pensions in payment	**1.5**	1.5
Rate of increase for deferred benefits	**1.5**	1.5
Rate used to discount scheme liabilities	**1.9**	2.1

The mortality assumption used at 29 April 2017 is 58% of the ILT15(M) table for males and 62% of the ILT15(F) table for females with allowance for improvements of 0.3% and 0.25% per annum respectively in annuity value from 2014.

On the basis of the above assumptions, the amounts charged or credited to the income statement and statement of comprehensive income for the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016 are set out below:

	2017	2016
	£000	£000
Recognised in the income statement		
Current service cost	**(124)**	(135)
Total recognised in arriving at operating profit	**(124)**	(135)
Interest on Scheme liabilities	**(160)**	(123)
Interest on Scheme assets	**127**	85
Total recognised in finance income and costs	**(33)**	(38)
Total income statement charge before deduction for taxation	**(157)**	(173)
Taken to the statement of comprehensive income		
Return on plan assets, excluding amounts included in interest	**338**	(371)
Actuarial (losses) gains arising from changes in:		
Financial assumptions	**(70)**	1,260
Experience adjustments	**57**	225
Total gain recognised in the statement of comprehensive income	**325**	1,114

The assets and liabilities of the Scheme at the end of the period were:

	As at 29 April 2017	As at 30 April 2016
	£000	£000
Quoted securities:		
Securities	**2,859**	2,425
Debt securities	**2,734**	2,542
Cash/alternatives	**764**	688
Unquoted securities:		
Real estate/property	**230**	175
Total market value of assets	**6,587**	5,830
Actuarial value of Scheme liabilities	**(7,841)**	(7,343)
Deficit in the Scheme	**(1,254)**	(1,513)
Deferred tax (see Note 12)	**162**	202
Net pension liability	**(1,092)**	(1,311)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Pension arrangements (continued)

Ireland defined benefit scheme ("the Scheme") (continued)

The pension plans have not invested in any financial instruments issued by the wider Lynwood Group, nor in properties or other assets used by the Group.

The average duration of the defined benefit plan obligation at the end of the reporting period is 24.0 years. This number can be subdivided into the duration related to:

Type of member	Average duration
Active members	23.0 years (2016: 22.5 years)
Pensioners	12.7 years (2016: Not applicable)
Deferred members	24.6 years (2016: 25.0 years)

Changes in the fair value of the Scheme assets for the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016 are analysed as follows:

	2017	2016
	£000	£000
Total market value of assets at the beginning of the period	**5,830**	5,500
Benefits paid	**(385)**	(108)
Employer contributions	**209**	230
Employee contributions	**30**	29
Interest on pension scheme assets	**127**	85
Return on plan assets, excluding amounts included in interest	**338**	(371)
Exchange differences	**438**	465
Total market value of assets at the end of the period	**6,587**	5,830

Changes in the present value of the Scheme liabilities for the 52 weeks ended 29 April 2017 and the 53 weeks ended 30 April 2016 are analysed as follows:

	2017	2016
	£000	£000
Defined benefit pension obligations at the beginning of the period	**(7,343)**	(8,040)
Benefits paid	**385**	108
Current service cost	**(124)**	(135)
Interest on pension scheme liabilities	**(160)**	(123)
Employee contributions	**(30)**	(29)
Actuarial (loss) gain	**(13)**	1,485
Exchange differences	**(556)**	(609)
Defined benefit pension obligations at the end of the period	**(7,841)**	(7,343)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Pension arrangements (continued)

Ireland defined benefit scheme ("the Scheme") (continued)

As the scheme is solely an Irish pension fund arrangement, the following disclosures have been provided in the originating currency, to aid comparability.

History of experience gains and losses

	2017	2016	2015	2014	2013
	€000	€000	€000	€000	€000
Fair value of Scheme assets	**7,839**	7,462	7,645	5,732	5,076
Present value of defined benefit obligation	**(9,331)**	(9,398)	(11,175)	(7,871)	(7,161)
Deficit in the Scheme	**(1,492)**	(1,936)	(3,530)	(2,139)	(2,085)
Experience adjustments arising on Scheme assets	**398**	(504)	1,391	107	293
Gain (loss) on assumptions	**(82)**	1,713	(3,145)	(490)	(2,221)
Experience adjustments arising on Scheme liabilities	**67**	307	242	238	(107)
Exchange rate at year end date £'s to €'s	**1.19**	1.28	1.39	1.21	1.19

The main risks that the Scheme is exposed to are as follows:

- the assets may grow more slowly than expected, or even fall in value, depending on the performance of underlying markets and the securities chosen; and
- the liabilities may grow faster than expected due to higher salary or pension increases, or due to unfavourable movements in interest rates, or due to mortality and other elements of the scheme's experience varying from the assumptions made.

In order to mitigate against these risks, the Trustee has appointed independent professional investment managers to manage the funds which the Trustee has selected on advice. Investment managers invest in a wide range of assets within set criteria which are unique to each fund.

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumption	*Change in assumption*	*Impact on defined benefit obligation*
Discount rate	Increase by 0.25%	Decrease of €516,000
Price inflation	Increase by 0.25%	Increase of €538,000
Salary increase	Increase by 0.25%	Increase of €103,000
Post-retirement mortality	Life expectancy increase by one year	Increase of €282,000

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Obligations under leases

Group

Obligations under operating leases

The Group companies lease stores under non-cancellable operating lease agreements that are generally subject to periodic rent review. These agreements provide for either, or both, minimum rentals and percentage rentals based on sales performance. No operating lease commitments disclosures are required for percentage rental arrangements, as future lease payments represent contingent rental payments

These leases have an average remaining duration of five years.

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

	Land and buildings 2017	**Other 2017**	Land and buildings 2016	Other 2016
	£000	**£000**	£000	£000
Expiry:				
Not later than one year	**43,694**	**174**	44,299	108
Later than one year and not later than five years	**114,684**	**97**	113,943	126
Later than five years	**89,441**	**-**	80,853	-
	247,819	**271**	239,095	234

The Group has also sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 29 April 2017 was £725,000 (2016: £2,366,000).

Obligations under finance leases

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

	Group 2017	Group 2016
	£000	£000
Payable:		
Not later than one year	**560**	560
Between two and five years inclusive	**-**	560
	560	1,120
Less: finance charges allocated to future periods	**(32)**	(64)
Present value of minimum lease payments	**528**	1,056

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

	Group 2017	Group 2016
	£000	£000
Payable:		
Not later than one year	**528**	528
Between two and five years inclusive	**-**	528
	528	1,056

Company

The Company has no obligations under finance leases or operating leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions

During the period the Group and the Company entered into transactions in the ordinary course of business with related parties. Transactions entered into and balances outstanding at the end of the period are as follows:

Group

	Net interest accrued during the period	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000
With immediate parent undertaking:			
Lynwood Investments CY Limited			
2017	**(9,079)**	**7,520**	**(139,491)**
2016	(9,675)	6,631	(138,681)
With other related companies:			
Alpazo Limited			
2017	**-**	**-**	**-**
2016	636	-	-

Amounts owed by related party

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

In the prior year the amounts owed by other related parties comprised an interest bearing deposit of £nil (2016: £nil). This deposit was repayable on demand and interest was due at not less than 4% per annum.

Amounts owed to related party

This note has been amended due to a re-ageing of amounts owed to group undertakings following the identification of an error. This has resulted in the following changes:

- Current liabilities: Amounts owed to the immediate parent undertaking: increase of £7,722,000
- Non-current liabilities: Amounts owed to the immediate parent undertaking: decrease of £7,722,000

This note now shows a true and fair view of the state of the Group's affairs as at 29 April 2017.

Loans from the immediate parent undertaking are repayable on the following basis; £23,167,000 (2016: £nil) on 30 October 2017, £7,520,000 (2016: £6,631,000) on or before 1 January 2018, £5,406,000 (2016: £5,479,000) on 15 January 2018, £15,445,000 (revised) (2016: £nil) on 30 January 2018, £4,633,000 (2016: £3,425,000) on 30 October 2018 with the balance of £83,320,000 (revised) (2016: £118,351,000) repayable on or before 23 June 2021. Interest is chargeable on £78,985,000 (2016: £73,840,000) of this balance at 7.0%, on £52,986,000 (2016: £58,210,000) of this balance at 7.28% and on £7,520,000 (2016: £6,631,000) of this balance at the higher of 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions (continued)

Company

	Net interest accrued during the period	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000
With immediate parent undertaking:			
Lynwood Investments CY Limited			
2017	**(9,079)**	**-**	**(131,971)**
2016	(9,675)	-	(132,050)
With subsidiary undertakings:			
Waterstones Booksellers Limited			
2017	**4,943**	**72,734**	**-**
2016	5,840	79,425	-
With other related companies:			
Alpazo Limited			
2017	**-**	**-**	**-**
2016	636	-	-

Amounts owed by related party

The amounts owed by the subsidiary undertaking are repayable by 22 June 2021. Interest is chargeable on £38,118,000 (2016: £44,335,000) of this balance at 7.28% and on £34,616,000 (2016: £35,090,000) of this balance at 7%.

In the prior year the amounts owed by other related parties comprised an interest bearing deposit of £nil (2016: £nil). This deposit was repayable on demand and interest was due at not less than 4% per annum.

Amounts owed to related party

*This note has been amended due to a re-ageing of amounts owed to group undertakings following the identification of an error. This has resulted in the following changes:

- Current liabilities: Amounts owed to the immediate parent undertaking: increase of £7,722,000
- Non-current liabilities: Amounts owed to the immediate parent undertaking: decrease of £7,722,000

This note now shows a true and fair view of the state of the Company's affairs as at 29 April 2017.

Loans from the immediate parent undertaking are repayable on the following basis; £23,167,000 (2016: £nil) on 30 October 2017, £5,406,000 (2016: £5,479,000) on 15 January 2018, £15,445,000 (revised) (2016: £nil) on 30 January 2018, £4,633,000 (2016: £3,425,000) on 30 October 2018 with the balance of £83,320,000 (revised) (2016: £118,351,000) repayable on or before 23 June 2021. Interest is chargeable on £78,985,000 (2016: £73,840,000) of this balance at 7.0% and on £52,986,000 (2016: £58,210,000) of this balance at 7.28%.

Remuneration of key management personnel

The remuneration of the Directors of the Group is set out in Note 8. The Directors comprise the key personnel of the company.

34. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Lynwood Investments CY Limited, registered in Cyprus and the ultimate parent company is Alpha Global (PTC) Limited, registered in the British Virgin Islands, formerly known as Alpha Trustees Limited, formerly registered in Nevis. The ultimate beneficial owner of the Company is Nicolai Mamut who is currently the sole beneficiary of the trust held by Alpha Global (PTC) Limited.