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Company Number: 11284041

Book Retail Bidco Limited

Consolidated Annual Report and Financial Statements

52 weeks ended 24 April 2021

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INFORMATION

DIRECTORS

P Best
A Razmuss
E J Larnaudie De Ferrand
A J Daunt
C D Mucha
G Singer (appointed 23 July 2021)

SECRETARY

E Sullivan (appointed 31 December 2021)

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

11284041

AUDITORS

Ernst & Young LLP
One Colmore Square
Birmingham
B4 6HQ

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STRATEGIC REPORT

Introduction

The Directors present the Strategic Report of Book Retail Bidco Limited (the "Company") for the 52 week period ended 24 April 2021.

The Company, a private limited company incorporated and registered in England and Wales, was established as a vehicle to purchase Waterstones Booksellers Limited, a private limited company incorporated and registered in England and Wales (registered company number: 00610095), and its associated group companies ("Waterstones"), in June 2018.

The Company also acquired the entire issued share capital of W. & G. Foyle Limited ("Foyles") in October 2018. Following the acquisitions of Waterstones and Foyles, the Company became the parent company and material source of funding for the Waterstones and Foyles businesses (which, together with the Company, are referred to as the "Group").

Principal activities

Waterstones is a leading retailer of books, stationery and other related products through a chain of bookshops in the United Kingdom, the Republic of Ireland, Isle of Man, Jersey, Holland and Belgium and online through the Waterstones.com e-commerce website. Foyles similarly operates as a bookseller through a chain of bookshops in the United Kingdom and online through the Foyles.com e-commerce website. The Waterstones and Foyles businesses also sell coffee and food from cafés and restaurants within some of its shops, host public and private events and support a large number of literary festivals.

Review of the business

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

The outbreak of Covid-19 has had, and continues to have, a significant adverse impact on the Group. Under Government direction, the entire estate of shops was closed in mid-March 2020. The shop in Holland re-opened in April 2020 followed by the Belgium shop in May 2020 and the majority of the remaining shops in mid-June 2020. Subsequent mandated closures were implemented, resulting in the majority of the estate being closed over the key Christmas trading period with the majority reopening in April 2021 and Ireland in May 2021. During the shop closure periods, the online business performed strongly. The Group successfully repurposed the distribution centre as an online fulfilment operation. Margins were lower due to shipping costs and the additional costs associated with social distancing measures within the distribution centre.

Footfall and sales continue to recover but remain depressed in some locations, notably in London and other metropolitan city centres. The online business continues to deliver a strong performance.

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

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STRATEGIC REPORT (CONTINUED)

Review of the business (continued)

In line with other retail companies, the Group has utilised government support available in the UK including Job Retention Scheme, Business rates relief and Government business grants and other local support in Ireland, Holland and Belgium. As from October 21, Waterstones Booksellers Limited ("WBL") will not be eligible to receive any further government support with the exception of business rates relief.

Against this back drop, sales for the 52 week period ended 24 April 2021 were £247.7m (2020: £413.1m) resulting in an operating profit before exceptional items of £8.6m (2020: £30.8m). Exceptional operating charges totalled £1.6m (2020 restated: £9.3m) comprising restructuring costs, impairment of right-of-use assets and tangible fixed assets and system implementation costs incurred in a cloud computing arrangement. This resulted in an operating profit after exceptional items of £7.0m (2020 restated: £21.5m).

The loss after taxation amounted to £11.2m (2020 restated: £5.6m). No dividend was paid or declared during the period (2020: £32,279,784).

Section 172(1) Statement

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018 amendments to the Companies Act 2006, the Directors are required to set out how they have had regard to the matters in section 172 (1):

a) the likely consequences of any decision in the long term;

b) the interests of the Group's employees;

c) the need to foster the Group's business relationships with suppliers, customers and others;

d) the impact of the Group's operations on the community and the environment;

e) the desirability of the Group maintaining a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Group.

We have adopted the Wates Corporate Governance Principles for Large Private Companies which provides a framework for the Group to demonstrate how the Group satisfies the requirements of s172(1) duty to promote the success of the Group as well as setting out how the Group engages with key stakeholders and employees. This is set out on the following pages.

STRATEGIC REPORT (CONTINUED)

Wates corporate governance statement

The Company's corporate governance arrangements are consistent with the Wates Principles and the Company is not aware of any departures.

Purpose and leadership

During a time of unprecedented challenge, the Board remains committed to improving corporate governance. Our vision is to continue to champion good books through our interesting bookshops and good bookselling through the excellence of our booksellers.

We continue also to build our online presence so that the very essence of Waterstones (and its group companies) is available online and through our app.

We have implemented policies and tools to support the execution of our vision. Bookselling proficiency and career progression is a central focus, supported by such initiatives as our Bookseller Development Programme. We work to improve employee engagement including support for mental well-being and refinement of our Code of Conduct.

Board composition

The size and composition of our Board is appropriate for the scale of the business. We are committed to being an inclusive business and recognise this is an area of continual improvement. Diversity of thought is encouraged through open debate and challenge.

The Board is supported by senior management who govern the day-to-day aspects of the business and ensure information is accurate and is conveyed in a timely manner to the board.

The directors undertake training, as required, to ensure they are kept abreast of legal and regulatory changes.

Director responsibilities

The Directors appointed have all appropriate skill set and relevant experience to discharge their responsibilities. The Board delegates certain responsibility to senior executives in the Company and regular management meetings are held; following these, information is collated and cascaded up to the Board, including sales and financial information, operational and employee matters.

The Chairman, with support from the Company Secretary, assumes responsibility for the accuracy and timely submission of information to the Board. Key information is verified by external independent groups where appropriate, with our financial statements audited by Ernst & Young.

Opportunity and risk

The Board meets regularly to take decisions intended to promote the ongoing success of the Company. Key decisions were communicated as necessary following such board meetings to all relevant stakeholders including for example in relation to the health and safety of employees and customers, the receipt of government grants and the listing of the Company's debt.

Strategic opportunities are highlighted at management level and discussed at the board level. Risk management is delegated to management and considered at board level. A summary of our principle risks is included on page 6. The Board actively seeks to mitigate and manage the risks identified.

The Board manages risk through internal systems and controls, with rigorous approval processes in place for contracts and expenditure. Focus is given to the data security and I.T. integrity of the Company.

Remuneration

In determining remuneration policies, the Group's primary objective is to attract and retain talent as this is recognised to be the foundation of the Group's success. Authority for remuneration is delegated to the senior management, with oversight by the Board where appropriate.

The Group continues to invest in the career rewards available at all levels. In setting our remuneration policy we ensure we operate in accordance with the law and that our approach adheres to principles of equality and fairness. The Board is committed to the continued improvement in reducing the gender pay gap within the Group. Our functions keep abreast of market trends and benchmark as appropriate.

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STRATEGIC REPORT (CONTINUED)

Wates corporate governance statement (continued)

Stakeholder relationships and engagement

The Chairman of the Bidco board acts as the primary interface between the Company and the Shareholders.

Meaningful engagement with its customer base is core to the purpose of the Group, from the service given by booksellers in shops to the central customer service functions and media presence. The Board ensures that the Group has the requisite policies in place to continually improve this relationship.

Employee engagement and consultations are conducted regularly through delegated authority, with email communications sent daily and by means of the Company intranet. The Group continually seeks to improve this engagement, notably through training and improving employee benefits.

The Group seeks to preserve excellent and collaborative relationships with its suppliers. It abides by agreed commercial terms and works proactively to drive efficiencies to the mutual benefit of all parties.

The Group is committed to social responsibility and community engagement, as part of community investment we partner with local and national charities and actively encourage our employees to promote these partnerships.

There has been increasing interest from stakeholders as to how climate change will impact companies. As a retail business, the Group's activities have a relatively small impact on the environment when compared to companies that operate in more resource intensive industries. The Group has determined that the most significant future impacts from climate change on its operations will be from energy prices as the Group and global economy transition to greener sources. The Group is committed to improving its impact on climate change by adopting energy efficiency measures and has made considerable investment to improve energy consumption please see SECR reporting on page 8 for further information. We consider that given the nature of the group's activities and locations that physical climate change presents a relatively low risk to the Group's future business operations. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Key performance indicators ("KPIs")

The Directors consider the key indications of the performance of the Group, both financial and non-financial, to be turnover, operating profit and EBITDA and EBITDA % (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting.

The KPI's are set out below:

	2021	2020 Restated
	£000	£000
Turnover	**247,680**	413,074
Operating profit	**7,006**	21,499
EBITDA (Pre IFRS 16 lease accounting and exceptional items)	**14,968**	39,936
	%	%
EBITDA % (Pre IFRS 16 lease accounting)	**6.0**	9.7

A reconciliation of EBITDA to EBITDA (pre IFRS 16 lease accounting and exceptional items) detail is set out below:

	2021	2020 Restated
	£000	£000
EBITDA	**56,864**	77,675
IFRS 16 adjustments	**(43,502)**	(47,050)
Exceptional items	**1,606**	9,311
EBITDA (Pre IFRS 16 lease accounting and exceptional items)	**14,968**	39,936

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STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

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

(i) the impact of the Covid-19 pandemic on customer shopping behaviours, including any government actions to limit retail trading;

(ii) the longer term impact of Covid-19 on customers behaviour, particularly in relation to city centres;

(iii) the competitive nature of its markets, with particular emphasis on the e-commerce strength of Amazon and developing methods of digital delivery of products and content;

(iv) the general sensitivity of customer confidence and spending in an economic downturn;

(v) the notable risk that Brexit causes disruption and cost within the supply chain, and further damages consumer confidence;

(vi) the seasonality of the business, with the reliance on Christmas performance for a high percentage of annual profitability;

(vii) maintaining appropriate commercial agreements with key suppliers;

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

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

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

(xi) attracting, motivating and retaining key staff, with the impact of Brexit on retention of European staff in the UK a particular consideration.

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

On behalf of the Board

A J Daunt
Director
Date: 1 April 2022

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DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 24 April 2021, which were approved on behalf of the Board on 1 April 2022.

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

The Company's loss after taxation amounted to £12,843,000 (2020: loss of £15,187,000).

During the prior period the Company converted all share premium reserves totaling £65,613,327 into distributable reserves and declared a dividend payment of £32,279,784 to its sole shareholder, Book Retail Midco Limited.

Foreign branches

The Group continues to operate a number of overseas shops.

Future developments

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

Subsequent events

On 2 July 2021, £190,000,000 of the Company's debt, detailed in Note 21, was listed on the Official List of The International Stock Exchange.

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 28. Further information about liquidity risk is also included under going concern on pages 10 and 11.

Employee policies

The Waterstones and Foyles businesses operate 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 and Foyles trade in. Decentralised employee policies support a flexible local service, improving response times and maximising the use of available resources, whilst minimising costs.

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

Waterstones and Foyles are 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. They also aspire to be employers of choice and aim to provide opportunities for individuals to develop and contribute through employee forums and focus groups.

DIRECTORS' REPORT (CONTINUED)

Employee policies (continued)

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.

Streamlined energy and carbon reporting ("SECR")

Summary

The greenhouse gas emissions for the Group are 3,627 (2020: 6,622) tCO_2e for the period 1 May 2020 to 30 April 2021 (period from 1 May 2019 to 30 April 2020). This figure includes all material Scope 1 and 2 emissions, plus Scope 3 emissions for employees' own vehicles used for business, as required to be disclosed by the legislation.

In accordance with the legislation an intensity ratio has been calculated, this expresses the business' annual emissions in relation to a quantifiable factor or normaliser. The intensity ratio calculated for the Group is 2.5 (2020: 4.45) tonnes CO_2e per 1,000 square feet of retail floorspace, this ratio enables the impact of changes in the estate to be reflected in the reporting.

Greenhouse gas emissions

Figure 1 Greenhouse gas emissions by year (as defined above) (tonnes CO_2e)

	2020/2021	**% Share**	2019/2020	% Share
Fuel combustion: Natural gas[1]	**49**	**1%**	146	2%
Fuel combustion: Transport	**79**	**2%**	179	3%
Purchased electricity[1]	**3,499**	**97%**	6,297	95%
Total emissions (tCO_2e)	**3,627**	**100%**	6,622	100%
Square feet of retail floorspace (ft^2)	**1,449,551**		1,486,514	
Intensity: (tCO_2e per 1,000 ft^2)	**2.50**		4.45	

It is a standard protocol to define greenhouse gas emissions by scope. The scope items included in the calculation of the carbon footprint for the Group are listed by scope item:

- Scope 1: direct emissions arising from activities on site - combustion of fuels to heat buildings and the use of fuel in company owned vehicles.
- Scope 2: indirect energy emissions - purchased electricity
- Scope 3: indirect emissions - private vehicles used for business travel.

The split of emissions by scope is shown in the table below:

Figure 2 Greenhouse gas emissions by scope (tonnes CO_2e)

	2020/2021	**% Share**	2019/2020	% Share
Emissions source:				
Scope 1	**127**	**4%**	216	3%
Scope 2	**3,499**	**96%**	6,297	95%
Scope 3	**-**	**-**	109	2%
Total emissions (tCO_2e)	**3,626**	**100%**	6,622	100%

[1] In the comparatives, due to the impact of Covid-19, it was necessary to estimate 3% of energy consumption, these estimations have been completed in accordance with the reporting guidelines.

DIRECTORS' REPORT (CONTINUED)

Streamlined energy and carbon reporting ("SECR") (continued)

Energy consumption

Figure 3 Energy consumption (kWh)

	2020/2021	% Share	2019/2020	% Share
Emissions source:				
Natural gas for heating	**265,878**	**2%**	796,779	3%
Purchased electricity	**15,010,200**	**96%**	24,637,469	94%
Transport fuel	**312,416**	**2%**	755,939	3%
Total	**15,588,494**	**100%**	26,190,187	100%

The data and information contained in this document is calculated and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, March 2019.

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary[2]. For the Group, this captures emissions associated with the operation of offices, retail stores, warehouses and distribution sites, plus transport; company-owned, leased and private vehicles used for business travel. There are no material omissions from the mandatory scope 1, 2 and 3 emissions.

The period covered by this report is May 2020 to April 2021 (prior year: May 2019 to April 2020), to ensure a full year of carbon emission data.

In the prior year, appproximately 3% of energy consumption data was based on estimated data due to the impact of Covid-19.

The regulatory requirement for SECR is to report United Kingdom energy consumption for companies which qualify as large only. However, the guidance provides for voluntary reporting of any carbon emission that are associated with the operation of the Group. Accordingly this report comprises data from the British Isles for Waterstones Booksellers Limited.

Energy efficiency initiatives

In the period covered by the SECR Report, the Group has implemented the following efficiency measures:

- we have installed smart meters at 284 shops;
- we have alarms in place for shops that have high usage, when an alarm is received, the cause is investigated and rectified;
- we have instructed TM44 surveys at a cost of approximately £80,000 which will investigate efficiency of our heating, ventilation and air conditioning ("HVAC") systems;
- we have invested £500,000 in the replacement of older, less efficient HVAC with increased efficiency;
- our internal electricians carry out 6 monthly checks which include investigative and rectify phase imbalance, ensure water heaters are on time clocks and check HVAC settings are correct;
- we're spending £700,000 on upgrading our lighting to LED this year;
- our internal technicians are advised to collate their jobs to avoid any unnecessary journeys;
- our shop allocation for internal technicians is based on geographical location to keep travel to a minimum; and
- we have invested £225,000 in the refurbishment and replacement of inefficient lift gear.

[2]An operational control approach to GHG emissions boundary is defined as: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

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DIRECTORS' REPORT (CONTINUED)

Donations

The Group made charitable donations of £162,000 (2020: £209,000) 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 12, 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.

Going concern

In 2020 the rapid, worldwide spread of Covid-19 required extensive interventions by governments to contain the pandemic. This had a significant impact on the Group, with shops subject to periods of full closure and, even when allowed to open, a significant decline in revenue. This was partly mitigated by the improvement in internet sales, cost reductions and receipt of government support.

In the year ending April 2021, cash was sufficient to meet liabilities as they fell due and the Group did not require any additional funding. However, the profitability decline as a result of Covid-19 lead to a breach of the April 2021 covenant associated with the Company's debt facility with Elliott Funds. The covenant test is based on EBITDA (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting / net debt for the 12 months to the test date. Whilst Elliott Funds agreed in principle to waive this breach prior to the year-end, it was not formally waived until 19 May 2021 and therefore the loan has been shown as repayable on demand at the balance sheet date.

Elliott Funds have confirmed they will, if requested by management as result of an identified covenant breach, waive any financial covenant without limitation, save for the payment of covenant waiver fee up to and including the test date at the end of April 2023.

Since April 2021, the majority of shops have been open, with shops in the Republic of Ireland opening in May 2021. Prior to the Omicron variant, although shop sales were down on pre-Covid levels (actual 19/20 performance to February and forecast for March and April), performance was encouraging. The sales performance of shops varied by location, with the metropolitan and city centre locations seeing a larger decline as people continue to work from home.

There was a significant improvement in internet sales during the lockdown periods. Since shops have reopened, sales levels have declined but remain substantially improved on pre-Covid levels.

At the end of November 2021, with the rapid spread of the Omicron variant, increased Covid measures were implemented by governments. The increased restrictions and concern over the transmissibility of the new variant impacted footfall negatively in all markets, with Amsterdam subject to a lockdown. Since January 2022, trading improved as infection levels dropped and government guidance relaxed.

DIRECTORS' REPORT (CONTINUED)

Going concern (continued)

The Directors have reviewed cashflow forecasts to the period ending 1 April 2023, along with cashflow sensitivities at each of the operating companies. At 19 February 2022, net debt (excluding IFRS 16 balances) was £84.7m (£106.8m cash, £165.0m term facility and £25.0m working capital facility with £1.5m accrued interest). The base forecast assumes there will be no further lockdowns, with shops across the Group open and trading with limited Covid restrictions. The expectation is that shop sales will be down on pre-Covid levels in the year ending April 2022, with a sales improvement on pre-Covid levels in the following year, along with a continued growth in on-line sales throughout the going concern period. For the 12-month going concern period, under the base forecast, the Group would have sufficient cash to meet their liabilities as they fall due and will not breach the covenant associated with the debt.

Severe and plausible downside scenarios have been modelled to understand the impact on the liquidity of the Group. A full lockdown scenario has not been considered, evidenced by the fact that none was required in response to the Omicron variant. However, whilst Omicron did not lead to a full lockdown it did impact consumer confidence resulting in reduced footfall and sales, which has been modelled. The scenarios reviewed include a severe scenario where shop sales (excluding coffee) are down 20% in shops, partly offset by increased sales on-line where liquidity remained adequate.

In addition, a reverse stress test has been modelled. Due to the size of Waterstones Bookseller Limited relative to the other operating companies within the group, the reverse stress test considers the sales decline required for Waterstones Booksellers Limited to run out of cash. Waterstones Bookseller Limited sales would need to decline by over 20% on the most recent pre-Covid equivalent month to require additional financing, which is significantly below current performance and considered implausible.

Although Covid continues to impact sales and provides a degree of uncertainty, the level of uncertainty has reduced from last year, with future lockdowns judged to be improbable. In addition, since the start of the pandemic, the Group and Company has demonstrated the ability to effectively manage cashflows during periods of closure and to maintain an encouraging level of sales outside the periods of enforced lockdown. Directors believe from their analysis of current performance, forecasts, cashflows and scenarios tests that the Group and Company will continue to trade at levels which mean that they are able to meet their liabilities as they fall due throughout the going concern period. The accounts are prepared therefore on a going concern basis.

By order of the Board

A J Daunt
Director
Date: 1 April 2022

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Parent Company and 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 have elected to prepare the Group and Parent Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 Group and Company and the financial performance and the cash flows of the Group and Company 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 accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 Group and the Company has complied with International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;

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

(vi) prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

A J Daunt
Director
Date: 1 April 2022

P Best
Director
Date: 1 April 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED

Opinion

In our opinion:

- Book Retail Bidco Limited group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as 24 April 2021 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;

- the parent company financial statements been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Book Retail Bidco Limited (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 24 April 2021 which comprise:

Group	Parent company
Consolidated income statement for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020	Company Balance sheet as at 24 April 2021 and 25 April 2020
Consolidated statement of comprehensive income for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020	Company statement of changes in equity for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020
Group Balance Sheet as at 24 April 2021 and 25 April 2020	Company cash flow statement for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020
Group statement of changes in equity for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020	
Group statement of cash flows for the 52 week period ended 24 April 2021 and the 52 weeks ended 25 April 2020	
Related notes 1 to 35 to the Group and Parent Company financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Assessment of going concern

Going concern has been determined to be a key audit matter

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We draw attention to note 2 in the financial statements, which describes the ongoing impact of Covid-19 on the Group and the Company.

Book Retail Bidco Limited ('Bidco') has £165,000,000 of 6% plus SONIA secured facility B loan notes and £25,000,000 of 5% plus SONIA secured original revolving facility loan notes listed on The International Stock Exchange as of July 2021. These loans are not due for repayment until August 2024.

The ultimate holders of the loan notes listed on The International Stock Exchange is Bidco's ultimate controlling party, Elliott Funds. The listed debt maintains the same terms and conditions, including covenants, as the debt previously held with Elliott Funds as at the year-end date, 24 April 2021.

As of the year end date, there was a breach of the April 2021 covenant associated with the Company's debt facility with Elliott Funds. Whilst Elliott Funds agreed in principle to waive this breach prior to the year-end, it was not formally waived until 19 May 2021 and therefore the loan has been shown as repayable on demand at the balance sheet date.

In March 2022, Elliott confirmed in writing, that they will, if requested by management as result of an identified financial covenant breach, waive this covenant without limitation, save for the payment of covenant waiver fee up to and including the test date at the end of April 2023. Given this agreement, the going concern assessment is focused on the liquidity of the Group.

The Group and Company prepares its financial statements on a going concern basis as the directors consider there to be no plausible scenario that could result in the Group having insufficient liquidity to continue as a going concern for a period through to 1 April 2023 ("the going concern period").

The Group has prepared a range of scenarios through the going concern period, including a base case, severe but plausible downside cases and a reverse stress test to understand the level of revenue decline necessary to cause the Group to exhaust its cash reserves.

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Considered the directors' documented going concern assessment for the Group covering the going concern period, including their assessment of the risks and ongoing impact of Covid-19, as well as the Ukraine conflict, to understand the key assumptions upon which it was based.
- Obtaining the signed agreements for the Group's credit facilities, including the waiver letter from Elliott Funds for the period ending 24 April 2021, and read these to ensure the terms, including the level of facilities, were consistent with those considered in management's assessment.
- Obtained and read the letter confirming that Elliot Funds would, if requested by management as result of an identified covenant breach, waive any financial covenant without limitation, save for the payment of covenant waiver fee up to and including the test date at the end of April 2023. We also assessed whether Elliot Funds were in a position to offer such a waiver.

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- Assessed the liquidity of the Group, including both its current cash resources and forecast cash flows, in order to meet their liabilities as they fall due over a period through 1 April 2023.
- Obtained management's cash flow forecasts for the going concern period. We verified these forecasts were consistent with approved forecasts and reperformed our own sensitivity analysis to test the integrity of the model for clerical accuracy. The Group modelled a base case and downside scenarios including: (a) lower than forecast sales at shops for particular months in the year, resulting from a new variant of Covid-19; (b) lower than forecast sales at shops for the entire year; (c) scenario (a) plus lower sales for the month of December 2022; and (d) a reverse stress test to understand the level to which sales would need to fall for the group to run out of cash.
- Challenged the forecasts and assumptions made, such as comparing the expected sales growth rates against pre-Covid-19 levels and the expected market related growth rates for the industry, assessing consumer confidence and the UK Government's behaviour in light of new variants of Covid-19, and reviewing for any contra-indicators which could supress future sales, such as supply chain issues and decreases in disposable income.
- We assessed the achievability of the revenue projections in management's base case and downside scenarios in relation to the Group's actual performance since the onset of the Covid-19 pandemic and also considering other macro economic factors, including but not limited to the conflict in Ukraine, climate change and the potential impact on supply chains, notably rising energy prices. In addition, we assessed the actual performance since the re-opening of non-essential retail stores in the UK and how it compares against the pre-Covid-19 levels.
- We assessed the adequacy of management's sensitivity analysis to key assumptions to consider the extent that sales need to decline to result in an absence of liquidity. Through this assessment we considered the likelihood of the scenarios arising and whether these are plausible.
- Evaluated the results of management's reverse stress test scenario and assessing whether the changes to key assumptions which resulted in the Group exhausting all of its liquidity were plausible.
- Used our professional scepticism to determine whether management have incorporated any bias within their models to show improved cash flows over the going concern period against pre-Covid-19 levels and sensitising future cash flow forecasts against variances to actual results, where appropriate.
- Inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to forecast market conditions and other information acquired through our audit that could impact liquidity, such as the profiling of debt repayments.
- Read the going concern disclosures in the financial statements in order to assess they are appropriate and in conformity with the relevant standards.

Based on the work we performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for the foreseeable future, through to 1 April 2023.

We agreed that management's disclosures in the financial statements appropriately describe the risks related to the Group's and the Company's ability to continue to operate as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further two components. • The components where we performed full or specific audit procedures accounted for 102% of EBITDA pre-exceptional items (before considering loss making component and consolidation adjustments), 99% of Revenue and 84% of Total Assets.
Key audit matters	**Group** • Assessment of going concern • Revenue recognition – the risk of management override through inappropriate manual journals to revenue • Risk of inappropriate valuation of inventory related provisions • Impairment of right-of-use assets and plant and equipment held at a store level **Parent** • Carrying value of the investments held by the parent company in the underlying trading group
Materiality	• Overall group materiality of £1.3m which represents 2.2% of EBITDA pre-exceptional items.

An overview of the scope of the parent and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls and changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the six reporting components of the Group, we selected three components covering entities within UK and Ireland, which represent the principal business units within the Group.

Of the three components selected, we performed an audit of the complete financial information of one component ("full scope component") which was selected based on its size and risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Consolidation adjustments, over which we have performed work at Group level, mainly include entries to eliminate inter-Group activities and to record goodwill arising from acquisitions.

The remaining 3 components that, individually and in aggregate, represent less than 1% (2020 less than 1%) of the Group's EBITDA pre-exceptional items and before considering consolidation adjustments. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

The following table illustrates the coverage obtained from the audit work performed for the period ended 24 April 2021:

	Components	EBITDA pre-exceptional items*	Revenue	Total assets
Full scope	1 (2020: 1)	97% (2020: 92%)	93% (2020: 91%)	73% (2020: 71%)
Specific scope	2 (2020: 2)	5% (2020: 11%)	6% (2020: 8%)	12% (2020: 11%)
Overall coverage		**102% (2020: 103%)**	**99% (2020: 99%)**	**85% (2020: 82%)**

*Before considering loss making components and consolidation adjustments. 2021 is based on EBITDA pre-exceptional items and 2020 coverage considers EBITDA pre-exceptional items and pre IFRS 16 adjustments.

The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

All procedures were completed by the UK based group audit team.

Changes from the prior year

This is the first time an extended audit report including has been required for the Company. This arises because post year end, on 2 July 2021, Book Retail Bidco Limited listed £190m of the Company's debt, on the Official List of The International Stock Exchange.

Impact of the COVID-19 pandemic on the execution of the audit

- The COVID-19 pandemic and lockdown restrictions initially impacted the group's prior financial period ending 25 April 2020. Therefore, the prior year financial statements included impairment provisions made as a result of the impact of COVID-19 on the group. Therefore, for the current period audit of the financial statements, we evaluated our audit risk assessment, giving particular attention to the ongoing effects of COVID-19 on the Group and significant areas of judgment and estimation arising as a result. We identified the areas of increased risk and complexity included accounting for furlough grants, rent concessions, potential further impairment of right-of-use assets and fixed assets held at a store level.

- Inventory was in scope for three trading components, we undertook a mixture of physical and virtual inventory counts both through the financial period and also post period end.

- Our approach to the audit was adapted to allow for fully remote working and procedures implemented to ensure Partner in Charge oversight during the Audit. We fully utilised technology (video calls, screensharing etc) to interact with management throughout the audit.

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our audit work.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. As a retail business, the Group's activities have a relatively small impact on the environment when compared to companies that operate in more resource intensive industries. The Group has determined that the most significant future impacts from climate change on its operations will be from energy prices as the Group and global economy transition to greener sources. These are explained on pages 5-9, which form part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. As disclosed in note 2 to the financial statements, in the Group's view climate change does not impact the carrying values of indefinite or long-lived assets or have any other impact on the financial statements. Our audit effort in considering climate change was focused on considering whether the effects of climate risks have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being the impairment tests of the Group's cash generating units. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. All audit work performed for the purposes of the audit was undertaken by the Group audit team. In addition to going concern described in the section above, we determined the matters described below to be the key audit matters to be communicated in our report .

Risk	Our response to the risk	Key observations communicated to those charged with governance
Revenue recognition – the risk of management override through inappropriate manual journals to revenue (Revenue 2021: £247.7 million, 2020: £413.0 million) Refer to the Accounting policies, note 2 and note 4 of the Consolidated Financial Statements Our assessment is that the majority of the Group's revenue transactions are non-complex with limited judgement applied over the amount recorded.	We performed the following audit procedures for one full and two specific scope locations covering 99% of the Group's revenue: We understood the group's revenue recognition policies and how they are applied, including the relevant controls, and performed a walkthrough to validate our understanding; We performed data analytics procedures over the correlation of sales and cash receipts to test the existence and occurrence of revenue being recorded in the correct period;	Our procedures performed did not identify any unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics. We did not identify any inappropriate management override through the use of manual journal entries. Our procedures in respect of gift card and loyalty card provisions and associated redemption rates did not identify any material misstatements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Risk	Our response to the risk	Key observations communicated to those charged with governance
Revenue is a key performance indicator for both external communication and a key input to management incentives. Therefore, there is a risk that management may override controls to intentionally misstate transactions through inappropriate manual topside journal entries to revenue. This risk of override also applies to judgements related to gift card and loyalty card provisions and associated redemption rates.	To prove the completeness and accuracy of the information used as part of our data analytics procedures, we selected a random sample of transactions and traced these through the various IT systems to bank statements to corroborate the interfaces between systems work. - For all stores we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and publicly available retail sector analysis. **Management override** We tested journal entries posted to revenue accounts, applying parameters designed to identify entries that were not in accordance with our expectations. This included analysing and selecting journals for testing which appeared unusual in nature either due to size, preparer or being manually posted. To assess their validity, we verified the journals to originating documentation; and We assessed for evidence of management bias by testing all material manual journals either side of the year end and agreeing journal entries to appropriate supporting evidence. We assessed the provisions for gift card and loyalty scheme related transactions through: - Agreeing the provision input data to source information and checking for clerical accuracy - Assessing historical redemption rates and overlaying the impact of COVID-19 based on experience through the period of the pandemic from March 2020 to the period post 24 April 2021 - Comparing the provision calculation with the prior year; and - Assessing actual gift card and loyalty point redemption since the period end.	

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Risk	Our response to the risk	Key observations communicated to those charged with governance
Risk of inappropriate valuation of inventory related provisions (Gross inventory £76.5m; 2020 £73.6m, Inventory provisions £6.9m; 2020 £5.9m). Refer to the Accounting policies (Note 2); and Note 16 of the Consolidated Financial Statements. The value of inventory across the group is material. It is held in stores and at the central warehouse in the UK. Goods for resale are carried at the lower of cost and net realisable value. A provision for the difference is established for the difference "NRV provision". In addition to the overall valuation risk, we focused our audit work on obsolete stock and shrinkage provision due to the fact: • The provision for obsolete stock items is made up of different categories of product, all of which contain an element of estimation or judgement and are therefore predisposed to manipulation by management.	We performed the following audit procedures at the full scope trading component where inventory is in scope. Inventory at this component represents 94% of the total inventory balance. We performed a walkthrough of the inventory valuation method to confirm the Group's accounting policy. During the year, we observed stock counts through a mix of virtual and in person attendance to confirm management's approach to identifying items which are potentially unsaleable. We obtained evidence to support that inventory is held at the lower of cost and net realisable value by assessing the adequacy of excess and obsolete provisions held against inventory. This included the following procedures: - We performed clerical procedures on the formulaic calculations to evaluate the accuracy of applying the inventory provision policy - We recalculated the shrinkage provision based on the latest stock movement dates and ensured the ageing had been calculated correctly - We challenged the provisioning rates applied by management to historic and forecast data. This included testing key assumptions included in management's provisioning model including specific product categories, post financial period end sales prices and management's strategy for seasonal items In order to establish the accuracy of the underlying listing, we tested a sample of items to confirm the 'last received date' recorded agreed with supplier purchase statements. As the shrinkage provision is based on actual shrinkage realised in the 52 week period, we agreed the shrinkage results from the stock counts performed to the underlying provisioning schedule and further agreed sales made since the last count date. We also analysed and challenged the impact of COVID 19 and store closures on the provision provided for seasonal items, face masks and arrangements with suppliers for stock return at the yearend.	Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of inventory. The basis for the year-end inventory valuation and the assumptions used in assessing the adequacy of obsolete and shrinkage inventory provisions across the Group is considered appropriate.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Risk	Our response to the risk	Key observations communicated to those charged with governance
• The provision for shrinkage covers the anticipated stock loss that has occurred since the most recent stock count for each store. This is calculated based on historic stock losses identified at counts across the portfolio of stores owned by the Group. Given the stores were closed for parts of the year, judgement is required to calculate the period end shrinkage provision Based on above, we consider the risk to impact upon the completeness and measurement/valuation of these provisions as management could either incorrectly apply their methodology or inappropriately adjust their provisioning rates to improve results.		
Impairment of intangible assets, right-of-use assets and plant and equipment held at a store level (Intangible assets, right-of-use assets and plant and equipment £346.0m, 2020 £388.8m) Refer to the Accounting policies, note 2, note 13, note 14 and note 27 of the Consolidated Financial Statements The group has a material value of goodwill, other intangible assets, including trademarks, plant and equipment and right-of-use assets recognised on the balance sheet.	We examined management's methodology together with their models for assessing the valuation of goodwill, other intangible assets and plant and equipment and right of use assets to understand the composition of management's future cash flow forecasts and the process undertaken to prepare them. This included confirming the underlying cash flows were derived from the board approved budgets and assessing the identified CGUs for completeness. We also re-performed the calculations in the model to test the mathematical integrity. In comparison to the requirements of IAS 36 on impairment and giving due consideration to management's business model, we understood the methodology applied by management in performing its impairment tests of goodwill, trademarks, right-of-use assets and plant and equipment.	Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of intangible assets, right of use assets and plant and equipment held at a store level. We consider the level of impairment of £0.3m recorded in respect of right of use assets and fixed assets to be appropriate. We consider the disclosures in relation to this matter to be in line with the requirements of IAS 36.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Risk	**Our response to the risk**	**Key observations communicated to those charged with governance**
Individual stores and their associated right of use assets and plant and equipment are considered to be cash generating units ("CGU") as the stores are assessed by management to be the lowest level of identifiable independent cash flows. Goodwill and other intangible assets including trademarks belong to either the Waterstones or Foyles CGUs. These assets should be reviewed for indicators of impairment at each reporting period end. The store closures arising as a result of the impact of COVID-19 and the subsequent impact on trading are considered to be indicators of impairment. Judgement is required in forecasting the future cash flows of each CGU, the determination of the long-term growth rates applied to these cash flows, together with the rate at which they are discounted. This results in a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	We tested the key inputs to management's impairment model by: - analysing the historical accuracy of budgets (pre and post COVID-19 lockdowns) to actual results to determine whether forecast cash flows are reliable based on past experience; - assessing the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against an EY range derived from comparable organisations and market data, involving EY internal specialists to assist us with this assessment; - reconciling the forecast used in the CGU impairment models for future financial periods to the scenario analysis prepared for use elsewhere in the group, e.g, the going concern review; and - challenging whether the forecast growth rates have been appropriately adjusted to reflect the group's strategy and the changes experienced in the retail market, together with comparing them to observable market data; - Analysed available information to identify any contrary evidence, including consideration of competitor performance and available external market data. We performed a sensitivity analysis on the group's forecasts by incorporating possible changes in key assumptions including EBITDA growth rates and the discount rate and assessed the decline in headroom and the impact on meeting covenants and ability to make interest payments. Where CGUs were not impaired, we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring; and we audited the disclosures in the relevant notes to the consolidated financial statements against the requirements of IAS 36 Impairment of Assets.	

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Risk	Our response to the risk	Key observations communicated to those charged with governance
Carrying amount of Parent Company investment in the underlying trading subsidiaries (£185.1m, 2020 £185.1m) Refer to the Accounting policies, note 2 and note 15 of the Financial Statements The carrying amount of the Parent Company investment in the underlying trading subsidiaries represents 87% (2020: 86%) of the Parent Company's total assets. The net assets of the subsidiaries are less than the carrying amount of the Parent Company's investment. Therefore, recoverable value is considered with reference to discounted forecast future cash flows. These forecast cash flows are subjective due to the inherent uncertainty involved in forecasting future growth and profitability of the subsidiaries and the rate at which cash flows generated should be discounted. This results in a high degree of estimation uncertainty with a potential range of reasonable outcomes which are greater than our materiality for the financial statements as a whole.	We examined management's methodology together with their models for assessing the value in use for each investment. We assessed the assumptions made in management forecast for the investments. Using the guidance set out IAS 36 to review forecasting models by management and budgeting cash flows. We have performed procedures to address the risk to ensure that investment is not materially overstated in the current year. These procedures in the following as set out below. Our procedures in relation to the Group's value-in-use included: - analysing the historical accuracy of budgets (pre and post COVID-19 lockdowns) to actual results to determine whether forecast cash flows are reliable based on past experience; - assessing the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against an EY range derived from comparable organisations and market data, involving EY internal specialists to assist us with this assessment; - reconciling the forecast used in the Group's investment impairment models for future financial periods to the scenario analysis prepared for use elsewhere in the group, e.g. the going concern review; and - challenging whether the forecast growth rates have been appropriately adjusted to reflect the group's strategy and the changes experienced in the retail market, together with comparing them to observable market data; Analysed available information to identify any contrary evidence, including consideration of competitor performance and available external market data. We performed sensitivities on the forecasts for each subsidiary by incorporating reasonable possible changes in key assumptions including EBITDA growth rates and the discount rate and assessed the decline in headroom/change in impairment.	We examined management's methodology together with their models for assessing the value in use for each investment and concluded the carrying value was not materially misstated. We consider the disclosures in relation to this matter to be in line with the requirements of IAS 36.

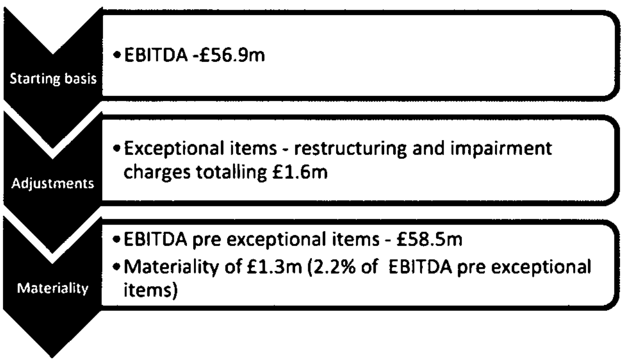
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.30 million (2020: £1.76 million). For the current year, this represents 2.2% of EBITDA pre-exceptional items. We originally set materiality based on 2.5% of forecast EBITDA pre-exceptional items. If 2.5% had been applied to the final reported EBITDA pre-exceptional items, materiality would have been £1.46 million. As this was higher than the materiality we initially determined, we did not revise the materiality used to undertake audit procedures. We believe that EBITDA pre-exceptional items provides us with most relevant performance measure to the stakeholders of the entity as this is the closest measure reported in the financial statements on which the financial covenants associated with the listed debt is based and hence a key measure for stakeholders. Therefore, we have determined materiality based on this EBITDA pre-exceptional items as set out in the table below.. In the prior year, the measure used was EBITDA pre-exceptional items and pre IFRS 16 adjustments.



We determined materiality for the Parent Company to be £1.8 million (2020: £2.8 million), which was based on 1% (2020: 1.5%%) of forecast Total Assets. Total assets exceeded initial forecast but we did not revise materiality upwards.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £0.97m (2020: £1.3m). We have set performance materiality at this percentage as we do not expect a higher likelihood of errors given our experience from prior year audits.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.13m to £0.930m (2020: £0.26m to £1.25m).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £65k (2020: £88k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 12, including the Strategic Report, Section 172 Report and Director's Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and The Wates Corporate Governance Principles for Large Private Companies) and compliance with the relevant direct and indirect tax regulation in the countries which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to its operations including health and safety, employee matters and data protection regulations.

- We understood how Book Retail Bidco Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and focused testing, as referred to in the key audit matters section above. We also involved EY internal specialists to ensure our audit procedures considered laws and regulations in relation to certain tax matters.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOK RETAIL BIDCO LIMITED (CONTINUED)

Use of our report

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

DocuSigned by:
Ernst & Young LLP
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Helen McLeod-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date: April 1, 2022

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020

	Notes	Before exceptional items 2021 £000	Exceptional items 2021 £000	Total 2021 £000
Revenue	**4**	**247,680**	**-**	**247,680**
Cost of sales		**(218,520)**	**(934)**	**(219,454)**
Gross profit		**29,160**	**(934)**	**28,226**
Administrative expenses		**(20,548)**	**(672)**	**(21,220)**
Operating profit	**5**	**8,612**	**(1,606)**	**7,006**
Finance costs	**10**	**(21,706)**	**-**	**(21,706)**
Finance income	**11**	**22**	**-**	**22**
Loss before taxation		**(13,072)**	**(1,606)**	**(14,678)**
Income tax credit	**12**	**3,142**	**305**	**3,447**
Loss for the period attributable to equity holders of the parent company		**(9,930)**	**(1,301)**	**(11,231)**

	Notes	Before exceptional items 2020 £000	Exceptional items 2020 Restated £000	Total 2020 Restated £000
Revenue	4	413,074	-	413,074
Cost of sales		(359,752)	(9,091)	(368,843)
Gross profit		53,322	(9,091)	44,231
Administrative expenses		(22,512)	(220)	(22,732)
Operating profit	5	30,810	(9,311)	21,499
Finance costs	10	(24,620)	-	(24,620)
Finance income	11	177	-	177
Profit/(loss) before taxation		6,367	(9,311)	(2,944)
Income tax (expense)/credit	12	(3,658)	1,006	(2,652)
Profit/(loss) for the period attributable to equity holders of the parent company		2,709	(8,305)	(5,596)

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 24 April 2021 and the comparative period covered the 52 weeks ended 25 April 2020.

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

Further details of the restatement are given in Note 3.

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020

	Notes	**2021** **£000**	2020 Restated £000
Loss for the period		**(11,231)**	(5,596)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(197)**	260
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods		**(197)**	260
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/(loss) on defined benefit plans	**23**	**965**	(324)
Income tax effects of other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods	**12**	**(121)**	43
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods		**844**	(281)
Other comprehensive income/(expense) for the period		**647**	(21)
Total comprehensive expense for the period		**(10,584)**	(5,617)

Further details of the restatement are given in Note 3.

BALANCE SHEETS

	Notes	**Group as at 24 April 2021 £000**	Group as at 25 April 2020 Restated £000	**Company as at 24 April 2021 £000**	Company as at 25 April 2020 £000
Assets					
Non-current assets					
Plant and equipment	13	**36,491**	44,462	-	-
Intangible assets	14	**163,090**	168,360	-	-
Right-of-use assets	27	**146,378**	175,972	-	-
Deferred tax asset	12	**74**	139	-	-
Investments in subsidiaries	15	-	-	**185,137**	185,137
		346,033	388,933	**185,137**	185,137
Current assets					
Inventories	16	**69,755**	67,764	-	-
Right of return assets	17	**301**	149	-	-
Income tax receivable		**300**	631	-	-
Trade and other receivables	18	**20,175**	16,665	**3,521**	4,042
Amounts due from group undertakings	19	-	-	**25,099**	25,103
Cash at bank and on hand	20	**45,981**	45,149	**1**	25
		136,512	130,358	**28,621**	29,170
Total assets		**482,545**	519,291	**213,758**	214,307
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	21	**(149,363)**	(365,229)	-	(190,000)
Provisions	22	-	(10)	-	-
Net employee defined benefit liabilities	23	**(93)**	(933)	-	-
Deferred tax liabilities	12	**(7,770)**	(11,835)	-	-
		(157,226)	(378,007)	-	(190,000)
Current liabilities					
Trade and other payables	24	**(37,751)**	(44,587)	**(536)**	(68)
Amounts due to group undertakings	25	-	-	**(35,434)**	(26,060)
Contract liabilities	26	**(19,660)**	(18,860)	-	-
Income tax payable		**(63)**	(182)	-	-
Interest-bearing loans and borrowings	21	**(245,307)**	(44,416)	**(194,631)**	(2,179)
Provisions	22	**(763)**	(880)	-	-
		(303,544)	(108,925)	**(230,601)**	(28,307)
Total liabilities		**(460,770)**	(486,932)	**(230,601)**	(218,307)
Net assets/(liabilities)		**21,775**	32,359	**(16,843)**	(4,000)
Equity					
Issued share capital	30	**207**	207	**207**	207
Foreign currency translation reserve		**(239)**	(42)	-	-
Retained earnings/(accumulated losses)		**21,807**	32,194	**(17,050)**	(4,207)
Total equity		**21,775**	32,359	**(16,843)**	(4,000)

Further details of the restatement are given in Note 3.

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BALANCE SHEETS (CONTINUED)

The Directors have taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company's individual income statement and related notes. The Company's loss for the 52 week period ended 24 April 2021 was £12,843,000 (2020: loss of £15,187,000).

The financial statements were approved by the Board of Directors on 1 April 2022 and were signed on its behalf by:

A J Daunt
Director

P Best
Director

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STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020

Group

	Notes	Issued share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings Restated £000	Total Restated £000
At 27 April 2019		207	65,613	(302)	4,738	70,256
Loss for the period		-	-	-	(5,596)	(5,596)
Other comprehensive income/ (expense)		-	-	260	(281)	(21)
Total comprehensive income/(expense)		-	-	260	(5,877)	(5,617)
Conversion of share premium	30	-	(65,613)	-	65,613	-
Cash dividend	31	-	-	-	(32,280)	(32,280)
At 25 April 2020		**207**	**-**	**(42)**	**32,194**	**32,359**
Loss for the period		-	-	-	**(11,231)**	**(11,231)**
Other comprehensive (expense)/ income		-	-	**(197)**	**844**	**647**
Total comprehensive expense		-	-	**(197)**	**(10,387)**	**(10,584)**
At 24 April 2021		**207**	**-**	**(239)**	**21,807**	**21,775**

Company

	Notes	Issued capital £000	Share premium £000	Foreign currency translation reserve £000	Accumulated losses £000	Total £000
At 27 April 2019		207	65,613	-	(22,353)	43,467
Loss for the period		-	-	-	(15,187)	(15,187)
Total comprehensive expense		-	-	-	(15,187)	(15,187)
Conversion of share premium	30	-	(65,613)	-	65,613	-
Cash dividend	31	-	-	-	(32,280)	(32,280)
At 25 April 2020		**207**	**-**	**-**	**(4,207)**	**(4,000)**
Loss for the period		-	-	-	**(12,843)**	**(12,843)**
Total comprehensive expense		-	-	-	**(12,843)**	**(12,843)**
At 24 April 2021		**207**	**-**	**-**	**(17,050)**	**(16,843)**

Further details of the restatement are given in Note 3.

CASH FLOW STATEMENTS

For the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020

	Notes	**Group 2021** £000	Group 2020 Restated £000	**Company 2021** £000	Company 2020 £000
Cash flows from operating activities					
Loss before tax		**(14,678)**	(2,944)	**(13,275)**	(15,187)
Adjustments to reconcile loss before tax to net cash flows:					
Depreciation and impairment of plant and equipment	13	**9,935**	11,691	-	-
Depreciation and impairment of right-of-use assets	27	**34,526**	46,294	-	-
Amortisation of intangible assets	14	**5,714**	5,805	-	-
Loss on disposal of plant and equipment, intangible assets and right-of-use assets	5	**19**	16	-	-
Net foreign exchange differences		**7**	(67)	-	-
Finance income	11	**(22)**	(177)	**(1,496)**	(595)
Finance costs	10	**21,706**	24,620	**13,019**	14,626
Movement in provisions and pensions		**(25)**	528	-	-
Non-cash reduction in lease liabilities recognised in the income statement	3	**(6,125)**	-	-	-
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and right of return assets		**(3,662)**	10,325	**953**	(4,042)
Increase in amounts due from group undertakings		-	-	-	(14,362)
Increase in inventories		**(2,005)**	(7,123)	-	-
(Decrease)/increase in trade and other payables and contract liabilities		**(5,747)**	(22,106)	**468**	(765)
Increase/(decrease) in amount due to group undertakings		-	(492)	**7,544**	10,199
		39,643	66,370	**7,213**	(10,126)
Income tax paid		**(461)**	(4,677)	-	-
Net cash flows from/(used in) operating activities		**39,182**	61,693	**7,213**	(10,126)
Investing activities					
Purchase of plant and equipment		**(2,346)**	(12,452)	-	-
Purchase of intangible assets		**(490)**	(816)	-	-
Cash flows arising from the inception of new lease contracts included in right-of-use assets		**(232)**	348	-	-
Interest received		**22**	177	**1,500**	547
Net cash flows (used in)/from investing activities		**(3,046)**	(12,743)	**1,500**	547
Financing activities					
Payment of principal portion of lease liabilities		**(15,996)**	(25,437)	-	-
Proceeds from borrowings		-	190,000	-	190,000
Repayment of borrowings		-	(132,935)	-	(132,935)
Dividends paid to equity holders of parent		-	(32,280)	-	(32,280)
Interest paid		**(19,253)**	(25,256)	**(8,737)**	(15,211)
Net cash flows (used in)/from financing activities		**(35,249)**	(25,908)	**(8,737)**	9,574

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CASH FLOW STATEMENTS (CONTINUED)

For the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020

	Notes	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Net increase/(decrease) in cash and cash equivalents		**887**	23,042	**(24)**	(5)
Opening cash and cash equivalents		**45,149**	22,036	**25**	30
Net foreign exchange difference		**(55)**	71	**-**	-
Closing cash and cash equivalents	**20**	**45,981**	45,149	**1**	25

Further details of the restatement are given in Note 3.

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NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements of Book Retail Bidco Limited (the "Company") and its subsidiaries (collectively the "Group") for the 52 week period ended 24 April 2021 were authorised for issue by the Board on 1 April 2022. The Company is a limited company, incorporated and resident in England and Wales. Its registered office is at 203-206 Piccadilly, London, W1J 9HD.

2. Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the 52 week period ended 24 April 2021.

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 24 April 2021, whilst the comparative period covered the 52 weeks ended 25 April 2020. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

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

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic Report on pages 2 and 3 and the financial risk section of the Directors' Report on page 7.

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the Section 172 Statement on page 5. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address global warming. The Group considers physical climate change presents a relatively low risk to the Group's future business operations. As outlined in the Section 172 Statement, the Group has determined the most significant future impacts from climate change on its operations will be from energy prices, the Streamlined energy and carbon reporting on pages 8 and 9 provides details of the Group's energy efficiency initiatives taken to counteract this risk. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Going concern

In 2020 the rapid, worldwide spread of Covid-19 required extensive interventions by governments to contain the pandemic. This had a significant impact on the Group, with shops subject to periods of full closure and, even when allowed to open, a significant decline in revenue. This was partly mitigated by the improvement in internet sales, cost reductions and receipt of government support.

In the year ending April 2021, cash was sufficient to meet liabilities as they fell due and the Group did not require any additional funding. However, the profitability decline as a result of Covid-19 lead to a breach of the April 2021 covenant associated with the Company's debt facility with Elliott Funds. The covenant test is based on EBITDA (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting / net debt for the 12 months to the test date. Whilst Elliott Funds agreed in principle to waive this breach prior to the year-end, it was not formally waived until 19 May 2021 and therefore the loan has been shown as repayable on demand at the balance sheet date.

Elliott Funds have confirmed they will, if requested by management as result of an identified covenant breach, waive any financial covenant without limitation, save for the payment of covenant waiver fee up to and including the test date at the end of April 2023.

Since April 2021, the majority of shops have been open, with shops in the Republic of Ireland opening in May 2021. Prior to the Omicron variant, although shop sales were down on pre-Covid levels (actual 19/20 performance to February and forecast for March and April), performance was encouraging. The sales performance of shops varied by location, with the metropolitan and city centre locations seeing a larger decline as people continue to work from home.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Basis of preparation (continued)

Going concern (continued)

There was a significant improvement in internet sales during the lockdown periods. Since shops have reopened, sales levels have declined but remain substantially improved on pre-Covid levels.

At the end of November 2021, with the rapid spread of the Omicron variant, increased Covid measures were implemented by governments. The increased restrictions and concern over the transmissibility of the new variant impacted footfall negatively in all markets, with Amsterdam subject to a lockdown. Since January 2022, trading improved as infection levels dropped and government guidance relaxed.

The Directors have reviewed cashflow forecasts to the period ending 1 April 2023, along with cashflow sensitivities at each of the operating companies. At 19 February 2022, net debt (excluding IFRS 16 balances) was £84.7m (£106.8m cash, £165.0m term facility and £25.0m working capital facility with £1.5m accrued interest). The base forecast assumes there will be no further lockdowns, with shops across the Group open and trading with limited Covid restrictions. The expectation is that shop sales will be down on pre-Covid levels in the year ending April 2022, with a sales improvement on pre-Covid levels in the following year, along with a continued growth in on-line sales throughout the going concern period. For the 12-month going concern period, under the base forecast, the Group would have sufficient cash to meet their liabilities as they fall due and will not breach the covenant associated with the debt.

Severe and plausible downside scenarios have been modelled to understand the impact on the liquidity of the Group. A full lockdown scenario has not been considered, evidenced by the fact that none was required in response to the Omicron variant. However, whilst Omicron did not lead to a full lockdown it did impact consumer confidence resulting in reduced footfall and sales, which has been modelled. The scenarios reviewed include a severe scenario where shop sales (excluding coffee) are down 20% in shops, partly offset by increased sales on-line where liquidity remained adequate.

In addition, a reverse stress test has been modelled. Due to the size of Waterstones Bookseller Limited relative to the other operating companies within the group, the reverse stress test considers the sales decline required for Waterstones Booksellers Limited to run out of cash. Waterstones Bookseller Limited sales would need to decline by over 20% on the most recent pre-Covid equivalent month to require additional financing, which is significantly below current performance and considered implausible.

Although Covid continues to impact sales and provides a degree of uncertainty, the level of uncertainty has reduced from last year, with future lockdowns judged to be improbable. In addition, since the start of the pandemic, the Group and Company has demonstrated the ability to effectively manage cashflows during periods of closure and to maintain an encouraging level of sales outside the periods of enforced lockdown. Directors believe from their analysis of current performance, forecasts, cashflows and scenarios tests that the Group and Company will continue to trade at levels which mean that they are able to meet their liabilities as they fall due throughout the going concern period. The accounts are prepared therefore on a going concern basis.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 24 April 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Investments in subsidiaries

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Revenue

Revenue represents the value of the consideration received or receivable for goods sold to customers, net of discounts given and returns expected, excluding value added tax ("VAT") and similar sales-related taxes. It includes book, related product, coffee shop and event ticket sales income.

Sales of goods

The sale of goods to customers in store represents the majority of the Group's revenue. For goods sold in store, revenue is recognised at the point of sale. For goods sold on the internet, revenue is recognised on delivery to/ collection by the customer when the customer is deemed to have control of the goods. Deferred revenue relating to goods in transit at the period end is recognised as a contract liability.

A refund liability is recognised for expected refunds due to customers arising from returns and a right of return asset recognised for the Group's right to recover the goods from the customer. Returns are estimated based on expected value.

Gift cards

Sales of gift cards are treated as contract liabilities with the revenue recognised when the gift cards are redeemed.

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

Loyalty schemes

The Group issues loyalty rewards to customers when they purchase goods which entitles them to a future discount. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on their relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of loyalty points by the customer.

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

During the current and prior periods, government grants have been received to support certain expenses during the Covid-19 pandemic. All conditions attached to the government grants were complied with before recognition in the consolidated income statement. The UK Coronavirus Job Retention Scheme ("furlough") and the Irish Temporary Wage Subsidy Scheme ("TWSS") operate on a claims basis, where cash is received after the expense has been incurred. The amount received under these schemes has been netted off the relevant wages and salaries expense within the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxes

Current income 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 other comprehensive income and equity is recognised in other comprehensive income or 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.

The Group offsets current income tax assets and current income tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the current income tax assets and current income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of income tax liabilities or assets are expected to be settled or recovered.

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 profit 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 period 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxes (continued)

Deferred tax (continued)

Deferred tax relating to items recognised directly in other comprehensive income and equity is recognised in other comprehensive income or equity and not in the income statement.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item; or
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Foreign currency translation

The Group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's 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 translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the 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 into 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. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

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 accumulated 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 $33^1/_3$%

An item of plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Leases

The Group assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right-of-use assets</u>

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the most reasonably certain lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

For rent concessions arising as a direct result of the pandemic, the Group has elected not to assess whether eligible rent concessions are lease modifications. Instead, the concessions have been accounted for as variable lease payments in the period in which the concession is agreed provided that all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group's lease liabilities are included in interest-bearing loans and borrowings (see Notes 21 and 27).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Contingent rents are recognised in the income statement in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

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 computer 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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Website costs, software costs and trademarks are determined to have a finite useful life and are amortised over their estimated useful lives.

The annual rates used are:

Website and software costs	20%
Trademarks	5% to 10%

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. Historical sales performance statistics are used in the formulation of these judgements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions - Note 2
- Plant and equipment - Note 13
- Intangible assets - Note 14
- Goodwill and intangible assets with indefinite lives - Note 14
- Right-of-use assets – Note 27

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value, less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the income statement.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pension costs

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

Defined benefit pension plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss 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.

Defined contribution plan

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

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 understand the elements of underlying financial performance in the period, so as to facilitate comparison with prior periods and to assess trends in underlying 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.

Insurance

During the pandemic, and in line with other retailers, the Group claimed for compensation related to business interruption under its insurance policies. This compensation has been recognised as a credit within Cost of sales only where there is an unconditional contractual right to receive such amounts.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

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

Significant judgements made in the preparation of the consolidated financial statements are set out below:

- Covid-19 - the outbreak of Covid-19 has had, and continues to have, a significant adverse impact on the Group. The impact is further discussed in the Review of the business on pages 2 and 3 and Going concern on pages 10 and 11.
- Revenue recognition in respect of customer loyalty schemes - revenue recognition is based on the fair value of loyalty rewards, the calculation of which is based on expected redemption rates. This calculation requires judgements to be made regarding future redemption rates, however, the Group launched a new loyalty scheme on 20 August 2018 and therefore there is limited historical information available. As a result, expected redemption rates are based on current run rates and are regularly monitored.
- Lease accounting – expected lease terms are estimated and reviewed each year. This estimation requires judgements to be made about the expected lease length taking into account the likelihood of exercising termination and extension options.
- Impairment of plant and equipment, intangible assets, right-of-use assets and investments - plant and equipment, intangible assets, right-of-use assets 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 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 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 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 provisions are those regarding future costs, the timing of those costs and discount rates.

The only key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period is the expected redemption rate for customer loyalty schemes. A 5% change in expected redemption rates would have an impact of approximately £1,456,000 on the revenue recognised for the year ended 24 April 2021.

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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 24 April 2021. They have no material impact on the Group.

- IFRS 3 Business Combinations: Amendments to clarify the definition of a business;
- IFRS 7 Financial Instruments: Disclosures: Amendments regarding pre-replacement issues in the context of IBOR reform;
- IFRS 9 Financial Instruments: Amendments regarding pre-replacement issues in the context of IBOR reform;
- IAS1 Presentation of financial statements: Amendments regarding the definition of material;
- IAS 8 Accounting policies, changes in accounting estimates and errors: Amendments regarding the definition of material; and
- IAS 39 Financial Instruments: Recognition and Measurement: Amendments regarding pre-replacement issues in the context of IBOR reform.

The Group has 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 16 Leases: Amendment to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification, effective for annual periods beginning on or after 1 June 2020;
- IFRS 16 Leases: Amendments to extend the exemption from assessing whether a Covid-19 related rent concession is a lease modification, effective for annual periods beginning on or after 1 April 2021; and
- The IFRS Interpretations March 2021 agenda decision regarding Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38).

The impact of adopting these amendments is set out in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

New accounting standards (continued)

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 7 Financial Instruments: Disclosures: Amendments regarding replacement issues in the context of the IBOR reform, effective for annual periods beginning on or after 1 January 2021;
- IFRS 9 Financial Instruments: Disclosures: Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 percent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- IFRS 16 Leases: Amendments regarding replacement issues in the context of the IBOR reform, effective for annual periods beginning on or after 1 January 2021;
- IAS 1 Presentation of financial statements: Amendments regarding the classification of liabilities, effective for annual periods beginning on or after 1 January 2023;
- IAS 1 Presentation of financial statements: Amendments regarding the disclosure of accounting policies, effective for annual periods beginning on or after 1 January 2023;
- IAS 8 Accounting policies, changes in accounting estimates and errors: Amendments regarding the definition of accounting estimates, effective for annual periods beginning on or after 1 January 2023;
- IAS 12 Income Taxes: Amendments regarding deferred tax on leases and decommissioning obligations, effective for annual periods beginning on or after 1 January 2023;
- IAS 16 Property, plant and equipment: Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Amendments regarding the costs to include when assessing whether a contract is onerous; and
- IAS 39 Financial Instruments: Recognition and Measurement: Amendments regarding replacement issues in the context of the IBOR reform, effective for annual periods beginning on or after 1 January 2021.

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

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements, with the exception of changes arising from IBOR reform. As a result of the changes a new benchmark will need to be agreed for the Group's loan agreements that reference LIBOR. This has not yet been finalised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Change in accounting policy

The Group has adopted early the requirements of the following accounting standards amendments, which have an effective date after the start date of these financial statements.

- IFRS 16 Leases: Amendment to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification, effective for annual periods beginning on or after 1 June 2020;
- IFRS 16 Leases: Amendments to extend the exemption from assessing whether a Covid-19 related rent concession is a lease modification, effective for annual periods beginning on or after 1 April 2021; and
- The IFRS Interpretations March 2021 agenda decision regarding Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38).

IFRS 16 Leases

As a result of the amendments, for rent concessions arising as a direct result of the pandemic, the Group is not required to assess whether eligible rent concessions are lease modifications. Instead, the concessions have been accounted for as variable lease payments in the period in which the concession is agreed provided that all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the conditions of the amendment.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the Group has applied the practical expedient is £6,125,000. This has been recognised as a non-cash change in lease liabilities in the cash flow statement.

IAS 38 Intangible assets

The IFRS Interpretations March 2021 agenda decision regarding Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38) clarified how to account for implementation costs incurred in a cloud service contract – i.e. when the customer does not control a software intangible asset.

The Group previously capitalised configuration and customisation costs incurred in implementing Software-as-a Service arrangements, however, following the agenda decision, where the Group does not have control over the software and the costs are distinct from the access to the software, the costs are now expensed as the services are received.

The Group has applied this agenda decision retrospectively, however, there is no impact on periods prior to the 52 weeks ended 25 April 2020.

The impact on the 52 weeks ended 25 April 2020 is summarised below:

Impact on the income statement

	At 25 April 2020 As previously reported £000	Impact of of restatement £000	At 25 April 2020 Restated £000
Cost of sales	(367,428)	(1,415)	(368,843)
Operating profit	22,914	(1,415)	21,499
Income tax expense	(2,921)	269	(2,652)
Loss for the period	**(4,450)**	**(1,146)**	**(5,596)**

The restatement has been presented as an exceptional item.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Change in accounting policy (continued)

IAS 38 Intangible assets (continued)

Impact on the balance sheet

	At 25 April 2020 As previously reported	Impact of of restatement	At 25 April 2020 Restated
	£000	£000	£000
Intangible assets	169,775	(1,415)	168,360
Deferred tax liabilities	(12,104)	269	(11,835)
Net assets	**33,505**	**(1,146)**	**32,359**
Retained earnings	33,340	(1,146)	32,194
Total equity	**33,505**	**(1,146)**	**32,359**

Impact on the cash flow statement

	At 25 April 2020 As previously reported	Impact of of restatement	At 25 April 2020 Restated
	£000	£000	£000
Net cash flows from operating activities	62,867	(1,174)	61,693
Net cash flows used in investing activities	(13,917)	1,174	(12,743)
Net increase in cash and cash equivalents	**23,042**	-	**23,042**

Impact on the 52 weeks ended 24 April 2021

£602,000 of system implementation costs incurred in a cloud computing costs have arisen in the 52 weeks ended 24 April 2021. These costs have been expensed as exceptional items as the services were received, see Note 6.

4. Revenue

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

	2021	2020
	£000	£000
Sale of goods – UK	**235,799**	397,165
Sale of goods – rest of world	**11,881**	15,909
	247,680	413,074

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation and amortisation (see Notes 13, 14 and 27)	**49,861**	56,176
Impairment charges (see Notes 13 and 27)	**314**	7,614
Loss on disposal of plant and equipment, intangible assets and right-of-use assets	**19**	16
Cost of inventories recognised as an expense	**113,466**	188,360
Movement in inventory provision	**1,194**	137
Net foreign exchange differences	**7**	(67)

In line with other retail companies, the Group has utilised the government support available in the UK including Job Retention Scheme, Business rates relief and Government business grants and other local support in Ireland, Holland and Belgium. This support totals £49,973,000 (2020: £6,586,000).

6. Exceptional items

Charged in arriving at operating profit:

	2021 £000	2020 Restated £000
Included in Cost of sales:		
Restructuring costs	**18**	62
Impairment of right-of-use assets and tangible fixed assets	**314**	7,614
System implementation costs incurred in a cloud computing arrangement	**602**	1,415
	934	9,091
Included in Administrative expenses:		
Refinancing costs	**-**	117
Restructuring costs	**672**	103
	672	220
	1,606	9,311

The exceptional restructuring costs in the current period and prior period comprise payroll costs. The exceptional refinancing costs in the prior year comprised consultancy fees. Further details of the exceptional impairment charges are provided in Note 13 and 27. The exceptional system implementation costs have arisen as a result of the change in accounting policy detailed in Note 3.

A tax credit of £305,000 (2020 restated: £1,006,000) arose in respect of the exceptional charges.

The cash flow impact of these exceptional costs is a cash outflow of £1,470,000 (2020 restated: £1,456,000) from operating activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Fees to auditors

	2021 £000	2020 £000
Audit of the Group financial statements	**75**	34
Audit of the subsidiary financial statements	**452**	281
Non audit services:		
Audit related assurance services	**-**	10
All services related to corporate finance transactions	**-**	414

8. Directors' emoluments

Aggregate amounts paid to all Directors during the period were as follows:

	2021 £000	2020 £000
Directors' emoluments	**210**	313
Company contributions to defined contribution pension schemes	**-**	-
	210	313

P Best, E Larnaudie de Ferrand, A Razmuss and G Singer consider the time spent on qualifying services to the Group is not material and hence no apportionment of their remuneration is disclosed in these accounts.

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

	2021 £000	2020 £000
Directors' emoluments	**175**	278
Company contributions to defined contribution pension schemes	**-**	-
	175	278

9. Employee costs

	2021 £000	2020 £000
Employee costs, including Directors' emoluments:		
Wages and salaries	**54,160**	61,552
Social security costs	**4,053**	5,101
Other pension costs	**2,521**	2,699
	60,734	69,352

	2021 No.	2020 No.
Monthly average number of people employed by the Group:		
Stores	**2,920**	3,305
Head office	**211**	227
	3,131	3,532

Company

The Company does not operate a payroll.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Finance costs

	2021 £000	2020 £000
Bank interest payable	**7,433**	7,935
Interest on lease liabilities (see Note 27)	**10,511**	11,224
Defined benefit pension scheme interest expense (see Note 23)	**1**	10
Interest payable to group and related parties	**3,756**	5,451
Other interest payable	**5**	-
	21,706	24,620

11. Finance income

	2021 £000	2020 £000
Bank interest receivable	**22**	137
Interest receivable from related parties	**-**	40
	22	177

12. Income tax

The major components of income tax expense for the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020 are:

Income statement

	2021 £000	2020 Restated £000
UK current income tax, current period	**-**	1,940
UK current income tax, prior period	**320**	(2)
Overseas current income tax, current period	**351**	610
Overseas current income tax, prior period	**2**	(130)
Total current income tax	**673**	2,418
Deferred tax, current period	**(4,076)**	(1,224)
Deferred tax, effect of change in rates	**-**	1,359
Deferred tax, prior period	**(44)**	99
Total income tax (credit)/expense reported in the income statement	**(3,447)**	2,652

The tax charge includes a credit of £305,000 (2020 restated: £1,006,000) in relation to the exceptional charge of £1,606,000 (2020 restated: £9,311,000), details of which can be found in Note 6.

Statement of other comprehensive income

	2021 £000	2020 £000
Deferred tax related to items recognised in other comprehensive income:		
Remeasurement gain/(loss) on defined benefit plans	**121**	(43)
Deferred tax charged/(credited) to other comprehensive income	**121**	(43)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax (continued)

The reconciliation of tax expense and the accounting profit multiplied by the Company's tax rate for the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020 is as follows:

	2021	2020 Restated
	£000	£000
Accounting loss before income tax	**(14,678)**	(2,944)
At the Company's statutory income tax rate of 19% (2020: 19%)	**(2,789)**	(559)
Effects of:		
Expenses not deductible for tax purposes	**133**	997
Capital allowances (no deferred tax recognised)	**-**	65
Losses brought forward (no deferred tax recognised)	**-**	707
Other timing differences (no deferred tax recognised)	**50**	-
Effect of changes in tax rates	**-**	1,359
Difference between UK and overseas tax rate	**35**	(36)
Derecognition of deferred tax asset	**-**	150
Deferred tax not previously recognised	**(1,154)**	-
Adjustments in respect of prior periods	**278**	(31)
	(3,447)	2,652

Group

Provided deferred tax

Deferred tax relates to the following:

	Balance sheet		Income statement	
	2021	2020 Restated	2021	2020 Restated
	£000	£000	£000	£000
Temporary differences relating to defined benefit pension scheme	**12**	118	**(15)**	-
Short term timing differences	**279**	271	**(8)**	(426)
Fixed assets	**5,112**	4,626	**(485)**	227
Tax losses	**354**	-	**(354)**	
Fair value adjustments at acquisition	**(18,023)**	(19,156)	**(1,133)**	2,878
Corporate Interest Restriction interest disallowance carried forward	**2,549**	-	**(2,549)**	-
IFRS Leases	**2,021**	2,176	**155**	(2,176)
IAS 38 adjustment	**-**	269	**269**	(269)
Deferred tax expense/(credit)			**(4,120)**	234
Net deferred tax liability	**(7,696)**	(11,696)		

	2021	2020
Deferred tax asset	**74**	139
Deferred tax liability	**(7,770)**	(11,835)
Deferred tax liability, net	**(7,696)**	(11,696)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax (continued)

Deferred tax (continued)

Group (continued)

Provided deferred tax (continued)

The movement in the deferred tax balance is set out below:

	2021	2020 Restated
	£000	£000
Balance at 25 April 2020/ 27 April 2019	(11,696)	(11,504)
Tax credit/ (expense) for the period recognised in the income statement	4,120	(234)
Tax (expense)/ credit recognised in the statement of other comprehensive income	(121)	43
Exchange differences	1	(1)
Balance at 24 April 2021/ 25 April 2020	(7,696)	(11,696)

Unprovided deferred tax

A deferred tax asset has not been provided on the following balances:

	2021	2020
	£000	£000
Tax losses	5,176	6,632
Capital losses	566	742
	5,742	7,374

A deferred tax asset has not been provided on these balances due to uncertainty over the timing of their recoverability.

Company

Provided and unprovided deferred tax

There are no provided or unprovided deferred tax assets or liabilities at the current or prior period end.

Factors that may affect future tax charges

During 2020, the Government announced a change in the enacted corporation tax rate for the financial years ending 31 March 2021 and 2022 to maintain the existing 19% rate (previously this rate had been legislated to reduce to 17% from 1 April 2020). Deferred tax has been calculated using this revised rate and the impact reflected in the income statement tax charge. In the budget on 3 March 2021 by HM Government, legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023 was announced. This rate change was substantively enacted in May 2021 and represents a non-adjusting post balance sheet event.

The Group has estimated that if the deferred tax balances provided as at 24 April 2021 that are expected to unwind after 1 April 2023 were remeasured at 25%, this would result in an increase in the net deferred tax liability of approximately £2.4m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Plant and equipment

Group

	Plant and equipment
	£000
Cost at 27 April 2019	54,039
Disposals	(514)
Additions	12,650
Exchange differences	50
Cost at 25 April 2020	**66,225**
Disposals	(334)
Additions	1,970
Exchange differences	(31)
Cost at 24 April 2021	**67,830**
Depreciation at 27 April 2019	10,540
Charge for period	11,116
Impairment	575
Disposals	(503)
Exchange differences	35
Depreciation at 25 April 2020	**21,763**
Charge for period	9,882
Impairment	53
Disposals	(334)
Exchange differences	(25)
Depreciation at 24 April 2021	**31,339**
Net book value at 24 April 2021	**36,491**
Net book value at 25 April 2020	44,462

Impairment

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

An impairment review of plant and equipment was carried out based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 1.9% thereafter, discounted at an appropriate pre-tax discount rate of 12.5% (2020: 12.3%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions, detailed in the going concern statement, reflect management's best estimates in the uncertain circumstances created by Covid-19 of revenue, margin, operating costs and discount rate over the forecast period and do not assume that there will be any further enforced lockdowns. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions. The assets impaired was £53,000 (2020: £575,000) and the total recoverable amount of the assets impaired was £nil (2020: £nil).

Company

The Company holds no plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

Group

	Goodwill	Trademarks	Website costs	Software costs Restated	Total Restated
	£000	£000	£000	£000	£000
Cost at 27 April 2019	71,507	106,230	379	755	178,871
Additions (restated)	-	-	496	79	575
Disposals	-	-	(10)	-	(10)
Cost at 25 April 2020 (restated)	71,507	106,230	865	834	179,436
Additions	-	-	220	224	444
Disposals	-	-	-	(145)	(145)
Cost at 24 April 2021	**71,507**	**106,230**	**1,085**	**913**	**179,735**
Amortisation at 27 April 2019	-	4,829	193	254	5,276
Charge for period	-	5,386	238	181	5,805
Disposals	-	-	(5)	-	(5)
Amortisation at 25 April 2020	-	10,215	426	435	11,076
Charge for period	-	5,388	138	188	5,714
Disposals	-	-	-	(145)	(145)
Amortisation at 24 April 2021	**-**	**15,603**	**564**	**478**	**16,645**
Net book value at 24 April 2021	**71,507**	**90,627**	**521**	**435**	**163,090**
Net book value at 25 April 2020	71,507	96,015	439	399	168,360

Goodwill

For impairment testing, goodwill acquired through business combinations is allocated to the Waterstones CGU and the Foyles CGU. The amount allocated to the Waterstones CGU and the Foyles CGU is £67,374,000 (2020: £67,374,000) and £4,133,000 (2020: £4,133,000) respectively.

An impairment test was performed for each CGU during the current period.

The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 1.9% thereafter, discounted at an appropriate pre-tax discount rate of 12.5% (2020: 12.3%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions, detailed in the going concern statement, reflect management's best estimates in the uncertain circumstances created by Covid-19 of revenue, margin, operating costs and discount rate over the forecast period and do not assume that there will be any further enforced lockdowns. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions.

The headroom for the Foyles CGU impairment test under the current assumptions used is £14.5m. The discount rate would need to rise by 6.9% or forecast sales would need to fall by 17.5% for the impairment test to result in £nil headroom for this CGU.

On the basis of the above, the review indicated that no impairment arose in either CGU (2020: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (continued)

Group (continued)

Trademarks

Trademarks predominantly comprise the Waterstones and Foyles trademarks. Trademarks are being amortised over their useful economic lives of 10 to 20 years on a straight line basis.

Company

The Company holds no intangible assets.

15. Investment in subsidiaries

Company

	£000
Cost at 24 April 2021 and 25 April 2020	**185,137**
Net book value at 24 April 2021 and 25 April 2020	**185,137**

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
W. & G. Foyle Limited	England & Wales*	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
The Waterstones Pension Trustee (Ireland) Limited	Ireland#	Non-trading

* 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

The principal activity of all trading subsidiaries is to operate as a bookseller through a chain of bookshops and through their e-commerce website.

For all trading subsidiaries, the principal place of business is the country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. 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.

The inventory provision has been increased during the year, predominantly driven by the impact of Covid-19 which is further detailed in the Review of the business on pages 2 and 3.

17. Right of return assets

Right of return assets comprise the Group's right to recover goods from the customer under its returns policy.

The Group uses the expected value method to estimate the value of goods that will be returned. The revenue relating to expected returns is deferred and recorded in trade and other payables. The carrying value of the stock expected to be returned is recorded as a right of return asset.

18. Trade and other receivables

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Current:				
Trade receivables	**553**	793	**-**	-
Amounts due from group undertakings	**-**	-	**432**	-
Amounts due from other related parties	**200**	157	**-**	-
Other receivables	**12,976**	9,557	**-**	-
Prepayments	**6,446**	6,158	**3,089**	4,042
	20,175	16,665	**3,521**	4,042

Group

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

Trade receivables are stated net of a provision for impairment of £668,000 (2020: £130,000). Trade receivables are non-interest bearing and are generally settled on 30 day terms.

The amounts due from group undertakings and other related parties have no fixed repayment date and do not accrue interest.

Other receivables include VAT and a number of Covid related receivables. Other receivables are 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 28 for a discussion of credit risk.

19. Amounts due from group undertakings

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Current:				
Amounts due from subsidiary undertakings	**-**	-	**25,099**	25,103
	-	-	**25,099**	25,103

Company

The amounts due from subsidiary undertakings have no fixed repayment date and accrue interest at 6.0%.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Cash at bank and on hand

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Cash at bank and on hand	**45,981**	45,149	**1**	25
	45,981	45,149	**1**	25

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

21. Interest-bearing loans and borrowings

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Non-current:				
Lease liabilities	**149,363**	175,229	-	-
Loans	-	190,000	-	190,000
	149,363	365,229	-	190,000
Current:				
Lease liabilities	**50,676**	42,237	-	-
Loans	**194,631**	2,179	**194,631**	2,179
	245,307	44,416	**194,631**	2,179

The loans comprise: (i) a £165m loan, repayable in 2024, upon which interest is charged at LIBOR plus 6.0%, and (ii) a revolving credit facility of £25m, also repayable in 2024, upon which interest is charged at LIBOR plus 5%. A fixed annual fee of £0.1m plus a commitment fee charge is payable in addition in connection with the supply of the revolving credit facility. The commitment fee charge is calculated on the basis of 35% of the agreed margin, which equates to a 1.75% charge on any unutilised amount.

The financial covenant associated with the Company's debt facility is based on EBITDA (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting / Net debt for the 12 months to the test date. Prolonged shop closures due to Covid-19 have impacted this test as a result of the reduced profitability of the Group and the covenant was breached at April 2021. Whilst Elliott Funds agreed in principle to waive this breach prior to the year-end, it was not formally waived until 19 May 2021 and therefore the loan has been shown as repayable on demand at the balance sheet date.

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

Further information about the lease liabilities is provided in Note 27.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Provisions

Group

	Provisions
	£000
At 25 April 2020	890
Provisions created in the period	759
Provisions utilised	(634)
Provisions released	(252)
At 24 April 2021	**763**
Analysed as:	
Current	**763**
Non-current	-
	763

Provisions comprise amounts in respect of store closures.

Company

The Company has no provisions.

23. Pension arrangements

At the period end, the subsidiaries of the Group operated a number of pension schemes, the funds of which were held in separate, trustee administered funds. With the exception of a small defined benefit scheme in Ireland, all schemes were defined contribution schemes.

Details of the main schemes at the period end are given below.

UK pension saver plan (the Waterstones Group Personal Pension Plan ("the Plan"))

The Waterstones Group Personal Pension Plan, a defined contribution scheme offered by Waterstones to all employees in the UK, 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 4% of qualifying earnings 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 pay, with the members' contributions matched by Waterstones up to a maximum of 6.5% of pensionable pay. Employer contributions to the scheme during the period were £2,364,000 (2020: £2,421,000).

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 2019 and at that date the market value of the assets was sufficient to cover 103% of the value of the liabilities of the Scheme, representing a funding surplus of £234,000. The future service contribution rate was increased to 32.8% of pensionable salaries, made up of an employer rate of 25.3% and an employee rate of 7.5%. The next actuarial review will take place with an effective date no later than 30 June 2022.

Employer contributions to the Scheme for the period ended 24 April 2021 were £55,000 (2020: £79,000). The total employer contributions to the defined benefit plan for the financial period commencing on 25 April 2021 are expected to be £72,000.

Amounts reflected in the financial statements in respect of the Scheme are determined with the advice of independent qualified actuaries, Willis Towers Watson, 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)

23. Pension arrangements (continued)

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

The major assumptions used in the calculations are as follows:

	As at 24 April 2021	As at 25 April 2020
	% per annum	% per annum
Rate of price inflation	**1.60**	1.60
Rate of salary increase	**1.15**	1.15
Rate of increase for pensions in payment	**1.60**	1.60
Rate of increase for deferred benefits	**1.60**	1.60
Rate used to discount scheme liabilities	**1.20**	1.50

The mortality assumption used at 24 April 2021 and 25 April 2020 is 62% of PNML00 for males and 70% of PNFL00 for females, both with an increase in annuity value of 0.39% p.a. between 2008 and the member's normal retirement date.

On the basis of these assumptions, the amounts charged or credited to the income statement and statement of comprehensive income for the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020 are set out below:

	2021	2020
	£000	£000
Recognised in the income statement		
Current service cost	**(157)**	(145)
Total recognised in arriving at operating profit	**(157)**	(145)
Interest on Scheme liabilities	**(137)**	(145)
Interest on Scheme assets	**136**	135
Total recognised in finance costs	**(1)**	(10)
Total income statement charge before deduction for taxation	**(158)**	(155)
Taken to the statement of comprehensive income		
Return on plan assets, excluding amounts included in interest	**711**	(188)
Actuarial (losses)/gains arising from changes in:		
Financial assumptions	**(518)**	(149)
Experience adjustments	**772**	13
Total gain/(loss) recognised in the statement of comprehensive income	**965**	(324)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Pension arrangements (continued)

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

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

	As at 24 April 2021	As at 25 April 2020
	£000	£000
Quoted securities:		
Securities	4,304	2,596
Debt securities	4,015	5,106
Cash/alternatives	324	183
Unquoted securities:		
Real estate/property	122	111
Total market value of assets	8,765	7,996
Actuarial value of Scheme liabilities	(8,858)	(8,929)
Deficit in the Scheme	(93)	(933)
Deferred tax (Note 12)	12	118
Net pension liability	(81)	(815)

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

The following table shows the expected contributions to the defined benefit plan in future years:

	2021	2020
	£000	£000
Within the next 52 weeks	94	116
Between 2 and 5 years	378	427
Between 5 and 10 years	477	489
Beyond 10 years	135	232
Total expected payments	1,084	1,264

The average duration of the defined benefit plan obligation at the end of the reporting period is 22.5 years. This number can be subdivided into the duration related to:

Type of member	Average duration
Active members	22.1 years (2020: 22.3 years)
Pensioners	12.3 years (2020: 12.4 years)
Deferred members	23.9 years (2020: 24.1 years)

Changes in the fair value of the Scheme assets are analysed as follows:

	2021	2020
	£000	£000
Total market value of assets at the beginning of the period	7,996	7,827
Benefits paid	(47)	(22)
Employer contributions	55	79
Employee contributions	15	27
Interest on Scheme assets	136	135
Return on plan assets, excluding amounts included in interest	711	(188)
Exchange differences	(101)	138
Total market value of assets at the end of the period	8,765	7,996

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Pension arrangements (continued)

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

Changes in the present value of the Scheme liabilities are analysed as follows:

	2021 £000	2020 £000
Defined benefit pension obligation at the beginning of the period	**(8,929)**	(8,349)
Benefits paid	**47**	22
Current service cost	**(157)**	(145)
Interest on Scheme liabilities	**(137)**	(145)
Employee contributions	**(15)**	(27)
Actuarial loss	**254**	(136)
Exchange differences	**79**	(149)
Defined benefit pension obligation at the end of the period	**(8,858)**	(8,929)

History of experience gains and losses

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

	2021 €000	2020 €000	2019 €000
Fair value of Scheme assets	**10,081**	9,114	9,079
Present value of defined benefit obligation	**(10,188)**	(10,178)	(9,685)
Deficit in the Scheme	**(107)**	(1,064)	(606)
Experience adjustments arising on Scheme assets	**790**	(217)	566
Loss on assumptions	**(575)**	(170)	(546)
Experience adjustments arising on Scheme liabilities	**856**	15	101

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

(i) 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

(ii) 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 fund which the Trustee has selected on advice. Investment managers invest in a wide range of assets within set criteria which are unique to the 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 £496,000
Price inflation	Increase by 0.25%	Increase of £500,000
Salary increase	Increase by 0.25%	Increase of £104,000
Post-retirement mortality	Life expectancy increase by one year	Increase of £304,000

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)

24. Trade and other payables

	Group 2021	Group 2020	**Company 2021**	Company 2020
	£000	£000	**£000**	£000
Current:				
Trade payables	**16,459**	28,469	**-**	-
Other payables	**11,950**	7,083	**-**	-
Accruals and deferred income	**9,342**	9,035	**536**	68
	37,751	44,587	**536**	68

Group

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

Company

The carrying value of trade and other payables approximates to fair value. Other payables and accruals are non-interest bearing.

25. Amounts due to group undertakings

	Group 2021	Group 2020	**Company 2021**	Company 2020
	£000	£000	**£000**	£000
Current:				
Amounts due to subsidiary undertakings	**-**	-	**35,434**	26,060
	-	-	**35,434**	26,060

Company

£33,671,000 (2020: £24,297,000) of the amounts owed to subsidiary undertakings has no fixed repayment date and accrues interest at 6.0%.

The remaining amounts owed to subsidiary undertakings are non-interest bearing with no fixed repayment date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Contract liabilities

Group

Contract liabilities comprise consideration received for performance obligations that have not been satisfied by the Group at the period end arising from loyalty schemes, the sale of gift cards and internet sales.

Loyalty schemes

The Group issues loyalty rewards to customers when they purchase goods which entitles them to a future discount. The total transaction price is allocated between the fair value of the goods sold and the rewards issued based on their standalone fair values. The fair value of the loyalty rewards is adjusted for expected breakage, being the amount attributable to a customer's rights to future goods that is expected will never be exercised. The amount attributed to the loyalty rewards is deferred within the contract liabilities balance.

Gift cards

Sales of gift cards are treated as contract liabilities with the revenue recognised when the gift cards are redeemed.

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

Internet sales

For goods sold on the internet, the sale is recognised on delivery to/ collection by the customer when the customer is deemed to have control of the goods. Deferred revenue relating to goods in transit at the period end is recognised as a contract liability.

Balances and movement in the period

	2021	2020
	£000	£000
Contract liabilities	**19,660**	18,860
Revenue recognised in the period from:		
Amounts recognised in contract liabilities at the beginning of the period	**8,446**	8,115
	8,446	8,115

The Group expects to recognise the revenue arising from contract liabilities over a period of 16 (2020: 15) years.

Company

The Company has no contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Leases

Group as a lessee

The Group leases stores and motor vehicles for use in its operations.

Right-of-use assets

	Leasehold properties	Motor vehicles	Total
	£000	£000	£000
As at 27 April 2019	183,812	368	184,180
Additions	37,635	310	37,945
Charge for period	(39,067)	(188)	(39,255)
Impairment	(7,039)	-	(7,039)
Exchange differences	141	-	141
As at 25 April 2020	175,482	490	175,972
Additions	4,937	26	4,963
Disposal	(19)	-	(19)
Charge for period	(34,068)	(197)	(34,265)
Impairment	(261)	-	(261)
Exchange differences	(12)	-	(12)
As at 24 April 2021	**146,059**	**319**	**146,378**

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

An impairment review of leasehold property right-of-use assets was carried out based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 1.9% thereafter, discounted at an appropriate pre-tax discount rate of 12.5% (2020: 12.3%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions, detailed in the going concern statement, reflect management's best estimates in the uncertain circumstances created by Covid-19 of revenue, margin, operating costs and discount rate over the forecast period and does not assume that there will be any further enforced lockdowns. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions. The assets impaired was £261,000 (2020: £7,039,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Leases (continued)

Group as a lessee (continued)

Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2021	2020
	£000	£000
Balance at 25 April 2020/ 27 April 2019	**217,466**	204,440
Additions	**4,731**	38,293
Accretion of interest	**10,511**	11,224
Payments	**(26,507)**	(36,661)
Non cash reduction in lease liabilities arising from Covid-19 concessions	**(6,125)**	-
Exchange differences	**(37)**	170
As at 24 April 2021/ 25 April 2020	**200,039**	217,466
Current (Note 21)	**50,676**	42,237
Non-current (Note 21)	**149,363**	175,229

The maturity analysis of lease liabilities is disclosed in Note 28.

The following are the amounts recognised in profit or loss for the 52 weeks ended 24 April 2021 and the 52 weeks ended 25 April 2020:

	2021	2020
	£000	£000
Depreciation expense of right-of-use assets	**34,265**	39,255
Impairment expense of right-of-use assets	**261**	7,039
Interest expense on lease liabilities	**10,511**	11,224
Expense related to rent payments (included in cost of sales)	**1,052**	311
Variable lease payments (included in cost of sales)	**(5,880)**	161
Total amount recognised in profit or loss	**40,209**	57,990

The Group had total cash outflows for leases of £28,036,000 (2020: £37,133,000) in the period.

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term.

	Within 5 years	More than 5 years	Total
	£000	£000	£000
2021			
Termination options expected to be exercised	**11,603**	**5,982**	**17,585**
	11,603	**5,982**	**17,585**
2020			
Termination options expected to be exercised	11,938	9,697	21,635
	11,938	9,697	21,635

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Leases (continued)

Company as a lessee

The Company is not party to any lease arrangements.

28. Financial risk factors

The Group's business exposes it to certain financial risks, such as liquidity risk, interest rate risk, credit risk and foreign exchange risk. Further information about liquidity risk is also included under going concern on pages 10 and 11.

Liquidity risk

During the period under review the Group had sufficient funds and facilities available to satisfy its current requirements at that time, through the financial support of its owners, the Elliott funds, which are advised directly and indirectly by Elliott Management Corporation in the U.S.A.

Analysis of the maturity profile of financial liabilities at 24 April 2021 and 25 April 2020 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
Trade and other payables	**806**	**36,945**	**-**	**-**	**-**	**37,751**
Lease liabilities	**19,295**	**10,177**	**30,530**	**104,887**	**85,901**	**250,790**
Loans	**194,631**	**-**	**-**	**-**	**-**	**194,631**
At 24 April 2021	**214,732**	**47,122**	**30,530**	**104,887**	**85,901**	**483,172**
Trade and other payables	382	44,205	-	-	-	44,587
Lease liabilities	8,993	10,817	32,450	122,330	100,567	275,157
Loans	-	2,179	-	190,000	-	192,179
At 25 April 2020	9,375	57,201	32,450	312,330	100,567	511,923

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	**-**	**536**	**-**	**-**	**-**	**536**
Amounts due to group undertakings	**35,434**	**-**	**-**	**-**	**-**	**35,434**
Loans	**194,631**	**-**	**-**	**-**	**-**	**194,631**
At 24 April 2021	**230,065**	**536**	**-**	**-**	**-**	**230,601**
Trade and other payables	-	68	-	-	-	68
Amounts due to group undertakings	26,060	-	-	-	-	26,060
Loans	-	2,179	-	190,000	-	192,179
At 25 April 2020	26,060	2,247	-	190,000	-	218,307

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Financial risk factors (continued)

Interest rate risk

The Group is exposed to interest rate risk from its borrowings and cash deposits. 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 dates.

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

Sensitivity analysis

The following analysis illustrates the Group's sensitivity to changes in market variables 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 period end, excluding fixed interest rate borrowings, a 100 basis points movement in interest rates would affect the Group's result before tax and shareholders' equity by approximately £1.9m (2020: £1.9m).

Foreign exchange rate sensitivity

A 10% change in the value of Euro against sterling would affect the Group's result before tax by approximately £0.3m (2020: £0.4m) and the Group's comprehensive income by £1.9m (2020: £2.0m).

A 10% change in the value of Dollar against sterling would affect the Group's result before tax by approximately £0.1m (2020: £0.1m) and the Group's comprehensive income by £0.1m (2020: £0.1m).

Capital management

During the period 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 and related party facilities (see Notes 18, 21 and 25), interest bearing loans and borrowings (see Note 21) and equity attributable to the parent undertaking (see Note 30). Further details are also given under Going concern on pages 10 and 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Changes in liabilities arising from financing activities

Group

	At 25 April 2020	Cash flow	Foreign exchange movements	Other non-cash changes	At 24 April 2021
	£000	£000	£000	£000	£000
Current lease liabilities	**(42,237)**	**26,507**	**30**	**(34,976)**	**(50,676)**
Current loans	**(2,179)**	**8,736**	**-**	**(11,188)**	**(4,631)**
Non-current lease liabilities	**(175,229)**	**-**	**7**	**25,859**	**(149,363)**
Non-current loans	**(190,000)**	**-**	**-**	**-**	**(190,000)**
Total liabilities from financing activities	**(409,645)**	**35,243**	**37**	**(20,305)**	**(394,670)**

	Balance at 27 April 2019	Cash flow	Foreign exchange movements	Other non-cash changes	At 25 April 2020
	£000	£000	£000	£000	£000
Current lease liabilities	(30,002)	36,661	(31)	(48,865)	(42,237)
Current loans	-	-	-	(2,179)	(2,179)
Non-current lease liabilities	(174,438)	-	(139)	(652)	(175,229)
Non-current loans	-	(190,000)	-	-	(190,000)
Non-current amounts owed to related parties	(135,750)	141,088	-	(5,338)	-
Total liabilities from financing activities	(340,190)	(12,251)	(170)	(57,034)	(409,645)

The 'Other' column includes the effect of the reclassification of the non-current portion of lease liabilities to current lease liabilities due to the passage of time, the effect of accrued but not yet paid interest, the non-cash reduction in lease liabilities arising from Covid-19 concessions and the commencement and early termination of leases.

Company

	At 25 April 2020	Cash flow	Other non-cash changes	At 24 April 2021
	£000	£000	£000	£000
Current loans	**(2,179)**	**8,736**	**(11,188)**	**(4,631)**
Non-current loans	**(190,000)**	**-**	**-**	**(190,000)**
Total liabilities from financing activities	**(192,179)**	**8,736**	**(11,188)**	**(194,631)**

	Balance at At 27 April 2019	Cash flow	Other non-cash changes	At 25 April 2020
	£000	£000	£000	£000
Current loans	-	-	(2,179)	(2,179)
Non-current loans	-	(190,000)	-	(190,000)
Non-current amounts owed to related parties	(135,750)	141,088	(5,338)	-
Total liabilities from financing activities	(135,750)	(48,912)	(7,517)	(192,179)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Changes in liabilities arising from financing activities (continued)

Company (continued)

The 'Other' column includes the effect of accrued but not yet paid interest.

Amounts are shown exclusive of interest-bearing amounts owed from and to subsidiary undertakings included in Notes 19 and 25.

30. Issued share capital and reserves

Share capital

	2021	2020	**2021**	2020
	Number	Number	**£000**	£000
Authorised	**Unlimited**	Unlimited	**Unlimited**	Unlimited
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	**20,710,648**	20,710,648	**207**	207

On 24 April 2021, the Company had one class of share capital, namely £0.01 ordinary shares, all of which were allotted to, issued to and fully paid by Book Retail Midco Limited.

There were no special rights or preferences attaching to the shares, and there were no restrictions on the distribution of dividends and the repayment of capital.

Share premium

In the prior period, on 19 August 2019, the Company's share premium account totalling £65,613,000 was cancelled. The cancellation was credited to the Company's distributable reserves.

31. Distributions made and proposed

In the prior period, on 19 August 2019, following the share premium cancellation referred to in Note 30, the Company declared a dividend totalling £32,279,784 to Book Retail Midco Limited, its sole shareholder. No distributions have been made or proposed during the current period.

32. Contingent liabilities

The management of Book Retail Bidco 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.

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

	Goods and services rendered to/ (from) related party	Net interest receivable/ (payable) accrued during the period	Amounts due from related party	Amounts due to related party
	£000	£000	£000	£000
Book Retail Bondco Limited				
2021	**-**	**-**	**-**	**-**
2020	-	(5,405)	-	-
Elliott International, L.P.				
2021	**-**	**(3,756)**	**-**	**194,631**
2020	-	-	-	-
Barnes & Noble, Inc	-			
2021	**(59)**	**-**	**78**	**-**
2020		40	78	-
Waterstones Employee Benefit Trust				
2021	**-**	**-**	**79**	**-**
2020	-	-	79	-
A J Daunt				
2021	**-**	**-**	**-**	**-**
2020	-	(46)	-	-
Wordery.com Limited				
2021	**616**	**-**	**43**	**-**
2020	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions (continued)

Company

	Net interest receivable/ (payable) accrued during the period	Services rendered to/(from) related party	Amounts due from related party	Amounts due to related party
	£000	£000	£000	£000
Book Retail Bondco Limited				
2021	**-**	**-**	**-**	**-**
2020	(5,405)	-	-	-
Elliott International, L.P.				
2021	**(3,756)**	**-**	**-**	**(194,631)**
2020	-	-	-	-
Waterstones Booksellers Limited				
2021	**(334)**	**(39)**	**25,531**	**(33,671)**
2020	(694)	(39)	25,103	(24,297)
W. & G. Foyle Limited				
2021	**-**	**-**	**-**	**(1,763)**
2020	-	-	-	(1,763)
Barnes & Noble, Inc				
2021	**-**	**-**	**-**	**-**
2020	40	-	-	-
A J Daunt				
2021	**-**	**-**	**-**	**-**
2020	(46)	-	-	-

See Notes 18, 19, 21 and 25 for details of the terms and conditions relating to the related party balances.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below.

	2021	2020
	£000	£000
Short term employment benefits	**1,213**	1,234
Post employment benefits	**36**	40
Total compensation paid to key management personnel	**1,249**	1,274

34. Post balance sheet events

On 2 July 2021, £190,000,000 of the Company's debt, detailed in Note 21, was listed on the Official List of The International Stock Exchange by the counterparty, Elliott International L.P..

35. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Book Retail Midco Limited and the ultimate parent company is Book Retail Investco Limited (incorporated in Jersey). Book Retail Investco Limited is wholly owned and controlled by the Elliott funds. The Elliott funds receive investment advice from their investment manager Elliott Investment Management, L.P., incorporated in Delaware, U.S.A., and its affiliates.

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