Company Number: 00610095

Waterstones Booksellers Limited

Report and Accounts

52 weeks ended 26 April 2014

COMPANY INFORMATION

DIRECTORS

A J Daunt
M T Miles

SECRETARY

M T Miles

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

00610095

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

STRATEGIC REPORT

Principal activities

The Company operates as a bookseller through a chain of general bookshops in the United Kingdom and through the Waterstones.com e-commerce website.

Business review

The Company is part of the Waterstones Group which operates as a bookseller through a chain of bookshops in the United Kingdom, Ireland, Holland and Belgium and through the Waterstones.com e-commerce website. Following its acquisition from HMV Group in June 2011, the Waterstones Group has embarked on a programme of investment and change to secure its future as a quality bookselling business. Significant progress was made in the financial year, supported by a further £20.9m of capital investment (2013: £29.5m) in the shop environment and support infrastructure. This investment, combined with better standards of bookselling within the shops to improve service and the range of books stocked, is once again making Waterstones, for those who love books, a place to visit and spend time in. Our shops are also benefitting from an expanding complementary non-book offer and in many shops, a café, with 19 stores now including Waterstones' own 'Café W'.

With total sales of £374.5m, down 6.0% on the prior year (2013: £398.5m), the key performance indicators of the business are focused on margin management and delivering operational efficiency, to reduce both the cost base and the working capital investment, with progress made in all areas in the financial year. As a result of this, the operating loss before exceptional items was £5.4m, an improvement from a loss of £12.2m in the prior period. Operating exceptional costs totalled £6.8m (2013: £5.4m), including £3.7m of organisational restructuring, £1.8m of store closure costs and £1.3m impairment of property, plant and equipment.

The loss after taxation amounted to £18.5m (2013: loss of £23.0m). No dividend was paid during the period and the Directors recommend that no final dividend be declared with the loss being transferred to reserves.

During the period under review, nine shops were closed, three shops were resited and two new shops were opened, resulting in a total estate of 271 shops at 26 April 2014 (2013: 278).

Principal risks and uncertainties

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

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

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

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

(iv) maintaining appropriate commercial agreements with key suppliers;

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

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

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

(viii) attracting, motivating and retaining key staff.

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

On behalf of the Board

M T Miles
Director
23 October 2014

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 26 April 2014, which were approved on behalf of the Board on 23 October 2014.

Directors

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

Directors' liabilities

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

Dividends

No dividend was paid during the period and the Directors recommend that no final dividend be declared (2013: £nil).

Future developments

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

Financial instruments

The Company's exposure to and management of liquidity risk, interest rate risk, credit risk and foreign exchange risk is set out in note 22.

Policy on payment of creditors

During the period under review the Company did not impose standard payment terms on its suppliers but agreed specific terms with each and ensured that each supplier was made aware of such terms. It was the Company's policy to pay its suppliers in accordance with the terms that they had agreed. The Company had 54 (2013: 66) days' purchases outstanding as payable at 26 April 2014.

Employee policies

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

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

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

Disabled employees

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

DIRECTORS' REPORT (CONTINUED)

Donations

The Company made charitable donations of £61,000 (2013: £69,000) in the period under review.

During the period under review it was Company 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 5, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report.

Elective resolutions to dispense with holding annual general meetings and the laying of accounts before the Company in a general meeting are currently in force. Ernst & Young LLP are therefore deemed to continue as auditors of the Company.

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Company has adequate resources and access to funding, through the continuing support of its ultimate parent undertaking and its ultimate shareholder, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

M T Miles
Director
23 October 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the financial performance and the cash flows of the 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 IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

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

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

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

We confirm that, to the best of our knowledge:

(i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and loss of the Company; and

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

On behalf of the Board

A J Daunt
Director
23 October 2014

M T Miles
Director
23 October 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATERSTONES BOOKSELLERS LIMITED

We have audited the financial statements of Waterstones Booksellers Limited for the 52 weeks ended 26 April 2014, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and Auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 April 2014 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Helen McLeod Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date: 23 October 2014

INCOME STATEMENT

For the 52 weeks ended 26 April 2014 and 52 weeks ended 27 April 2013

	Notes	Before exceptional items 2014 £000	Exceptional items 2014 £000	Total 2014 £000
Revenue	3	374,546	-	374,546
Cost of sales		(359,312)	(6,351)	(365,663)
Gross profit		15,234	(6,351)	8,883
Administrative expenses		(20,628)	(498)	(21,126)
Operating loss	4	(5,394)	(6,849)	(12,243)
Finance income	9	102	-	102
Finance costs	10	(6,658)	-	(6,658)
Loss before taxation		(11,950)	(6,849)	(18,799)
Taxation	11	321	-	321
Loss for the period		(11,629)	(6,849)	(18,478)

	Notes	Before exceptional items 2013 £000	Exceptional items 2013 £000	Total 2013 £000
Revenue	3	398,464	-	398,464
Cost of sales		(386,109)	(4,063)	(390,172)
Gross profit		12,355	(4,063)	8,292
Administrative expenses		(24,557)	(1,384)	(25,941)
Operating loss	4	(12,202)	(5,447)	(17,649)
Finance income	9	119	-	119
Finance costs	10	(5,516)	-	(5,516)
Loss before taxation		(17,599)	(5,447)	(23,046)
Taxation	11	3	-	3
Loss for the period		(17,596)	(5,447)	(23,043)

See Accounting Policies on pages 12 to 17 for the description of the 2014 and 2013 reporting periods.

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 26 April 2014 and 27 April 2013

	2014 £000	2013 £000
Loss for the period attributable to the shareholders of the Company	**(18,478)**	(23,043)
Total comprehensive loss for the period attributable to the shareholders of the Company	**(18,478)**	(23,043)

BALANCE SHEET

	Notes	As at 26 April 2014 £000	As at 27 April 2013 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**68,891**	64,050
Intangible assets	13	**-**	-
Investments in subsidiaries	14	**27,261**	27,261
		96,152	91,311
Current assets			
Inventories	16	**59,830**	65,988
Trade and other receivables	15	**36,297**	40,758
Cash and short-term deposits	17	**19,494**	25,024
		115,621	131,770
Total assets		**211,773**	223,081
Liabilities			
Non-current liabilities			
Deferred income tax liability	11	**-**	(321)
Interest bearing loans and borrowings	19	**(1,584)**	(2,112)
Provisions	20	**(963)**	(1,642)
		(2,547)	(4,075)
Current liabilities			
Trade and other payables	18	**(239,228)**	(230,054)
Interest bearing loans and borrowings	19	**(528)**	(607)
Provisions	20	**(2,127)**	(2,524)
		(241,883)	(233,185)
Total liabilities		**(244,430)**	(237,260)
Net liabilities		**(32,657)**	(14,179)
Equity			
Share capital	24	**71,014**	71,014
Accumulated losses		**(103,671)**	(85,193)
Total equity		**(32,657)**	(14,179)

The financial statements were approved by the Board of Directors on 23 October 2014 and were signed on its behalf by:

A J Daunt
Director

M T Miles
Director

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	£000	£000	£000
At 28 April 2012	71,014	(62,150)	8,864
Loss for the period	-	(23,043)	(23,043)
Total comprehensive loss	-	(23,043)	(23,043)
At 27 April 2013	**71,014**	**(85,193)**	**(14,179)**
Loss for the period	-	**(18,478)**	**(18,478)**
Total comprehensive loss	-	**(18,478)**	**(18,478)**
At 26 April 2014	**71,014**	**(103,671)**	**(32,657)**

CASH FLOW STATEMENT

For the 52 weeks ended 26 April 2014 and 52 weeks ended 27 April 2013

	Notes	2014 £000	2013 £000
Cash flows from (used in) operating activities			
Loss before tax		(18,799)	(23,046)
Net finance costs		6,556	5,397
Operating loss		(12,243)	(17,649)
Depreciation	4	13,697	14,299
Impairment charges	4	1,308	1,998
Loss on disposal of property, plant and equipment	4	779	590
Foreign exchange gains	4	(106)	-
		3,435	(762)
Movement in inventories		4,118	12,449
Movement in trade and other receivables		4,461	5,634
Movement in trade and other payables		2,670	18,187
Movement in provisions		964	(315)
Net cash flows from operating activities		15,648	35,193
Cash flows (used in) from investing activities			
Purchase of property, plant and equipment		(20,903)	(29,517)
Proceeds from disposal of property, plant and equipment		278	164
Interest received		102	119
Net cash flows used in investing activities		(20,523)	(29,234)
Cash flows used in financing activities			
Interest paid		(48)	(51)
Repayment of capital element of finance leases		(607)	(703)
Net cash flows used in financing activities		(655)	(754)
Net (decrease) increase in cash and cash equivalents	23	(5,530)	5,205
Opening cash and cash equivalents	17	25,024	19,819
Closing cash and cash equivalents	17	19,494	25,024

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Waterstones Booksellers Limited for the period ended 26 April 2014 were authorised for issue by the Board on 23 October 2014 and the Balance Sheet was signed on the Board's behalf by A J Daunt and M T Miles. Waterstones Booksellers Limited is incorporated and domiciled in England and Wales.

The financial statements have been prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006.

2. Accounting policies

Basis of preparation

These financial statements are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 52 weeks ended 26 April 2014, whilst the comparative period covered the 52 weeks ended 27 April 2013. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

The financial statements have been prepared on a historical cost basis, except for fixed assets, inventories, derivative financial instruments and interest bearing loans and borrowings. The consolidated financial statements are prepared in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Company is exempt from preparing group financial statements as it is itself a subsidiary undertaking under Section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

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

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Company has adequate resources and access to funding, through the continuing support of the ultimate parent undertaking and its ultimate shareholder, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Revenue represents the value of goods supplied, less discounts given, and is recognised when goods are delivered and title has passed. It also includes commission earned on ticket sales and similar activities. Revenue excludes value added tax ("VAT") and similar sales-related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Dividend income is recognised when the right to receive payment is established. Rental income from sub-let properties is recognised on a straight line basis over the period of the sublease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Exceptional items

The Company 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 to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items recognised in arriving at operating result 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.

Investments in subsidiaries

Investments in subsidiaries are recognised at cost less impairments booked. Income is recognised from these investments when the right to receive the distribution is established.

Foreign currency translation

Transactions and balances

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

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

All differences arising on settlement or retranslation of monetary items are taken to the income statement.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and is not amortised. Goodwill is calculated as the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. All capitalised goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Property, plant and equipment

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

Depreciation of property, 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:

Property, plant and equipment	10 to 33 $^1/_3$%

The carrying values of property, plant and equipment are reviewed for material impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Leased assets

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

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

Impairment of assets

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

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated. To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed. An impairment loss in respect of goodwill is not reversed.

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted by the balance sheet date.

Taxation is charged or credited to other comprehensive income if it relates to items that are themselves charged or credited to other comprehensive income, otherwise it is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

Provisions

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

Pension costs

The Company operates a defined contribution Pension Saver scheme. Contributions to the scheme are charged in the income statement as they become payable in accordance with the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Derivative financial instruments

The Company may from time to time use derivative financial instruments for hedging purposes, including forward foreign exchange contracts. The Company does not enter into derivative financial instruments for speculative purposes. Derivative financial instruments are stated at their fair value. The fair value of forward foreign exchange contracts is their quoted market value at the balance sheet date, being the present value of the quoted forward price.

Hedge accounting

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and any ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when hedged transactions affect profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is then transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Customer loyalty schemes

The fair value of loyalty points awarded is deferred until the awards are redeemed, after adjustment for the number of points expected never to be redeemed. Fair value is determined by reference to the value for which the points can be redeemed.

Judgements and key sources of estimation uncertainty

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

Impairment of goodwill and other assets – goodwill is tested for impairment on at least an annual basis. As part of this testing, the value in use of the cash-generating units to which the goodwill is allocated is assessed, which requires the estimation of future cash flows and choosing a suitable discount rate. Property, plant and equipment and investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

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, the competitive environment and inventory loss trends.

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

Provisions – provisions for store closures, onerous leases and restructuring costs are estimates and the actual costs and timing of future cash flows are dependent on future events. Expectations are revised in each period, with any difference accounted for in the period in which the revision is made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

New accounting standards

The Company has adopted the following accounting standards which were mandatory for the first time for the financial period ending 26 April 2014. They have no material impact on the Company.

- IAS 1 Presentation of Financial Statements: Amendments resulting from Annual Improvements 2009-11 Cycle (comparative information)
- IAS 16 Property, Plant and Equipment: Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)
- IAS 27 Separate Financial Statements: Original issue
- IFRS 12 Disclosure of Interests in Other Entities: Original issue, Amendments to transitional guidance
- IFRS 13 Fair Value Measurement: Original issue

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

- IAS 16 Property, Plant and Equipment: Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
- IAS 24 Related Party Disclosures: Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
- IAS 32 Financial Statements: Presentation: Amendments relating to the offsetting of assets and liabilities
- IAS 36 Impairment of Assets: Amendments resulting from Recoverable amount disclosures for Non-Financial Assets
- IAS 38 Intangible Assets: Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation

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

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	2014 £000	2013 £000
Sale of goods	374,546	398,464
	374,546	398,464

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Operating loss

	2014 £000	2013 £000
Operating loss is stated after charging (crediting):		
Depreciation of property, plant and equipment	**13,697**	14,299
Impairment charges	**1,308**	1,998
Loss on disposal of property, plant and equipment	**779**	590
Cost of inventories recognised as an expense	**189,790**	208,220
Write down of inventories	**3,161**	2,688
Net foreign exchange gains	**(106)**	-
Operating lease rentals		
Minimum rentals	**50,040**	53,540
Percentage rentals	**66**	35
Sublease rentals	**(795)**	(863)
	49,311	52,712

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

5. Fees to auditors

	2014 £000	2013 £000
Audit of the financial statements	**84**	78

The audit fee disclosed above represents the statutory audit fee for the Company.

Fees to auditors for non-audit assurance services in the financial year were £3,000 (2013: non-audit assurance and tax services £5,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Exceptional items (before taxation)

	2014 £000	2013 £000
Charged in arriving at operating loss:		
Impairment of property, plant and equipment	**(1,308)**	(1,998)
Restructuring and redundancy costs	**(3,743)**	(1,384)
Store closure costs	**(1,798)**	(2,065)
	(6,849)	(5,447)

Included within Cost of sales:-
Impairment charges for property, plant and equipment of £1,308,000 (2013: £1,998,000) following a review of the carrying value based on prevailing market conditions.

Exceptional costs of £3,245,000 (2013: £nil) relating to store organisational restructuring and related redundancy costs.

Exceptional store closure costs of £1,798,000 (2013: £2,065,000) including fixed asset write-offs, redundancy costs incurred, strip-out costs, stock obsolescence and provisions for future property costs.

Included within Administrative expenses:-

Exceptional costs of £498,000 (2013: £1,384,000) relating to organisational restructuring and related redundancy costs.

7. Directors' emoluments

	2014 £000	2013 £000
Emoluments	**583**	251
Pension contributions	**38**	30
	621	281

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

	2014 £000	2013 £000
Emoluments		
Salaries	**388**	147
Other benefits	**22**	1
Pension contributions	**-**	30
	410	178

The emoluments of the highest paid director in the current year include £158,000 which related to prior years' service following finalisation of contractual terms.

8. Employee costs

	2014 £000	2013 £000
Employee costs, including Directors' emoluments:		
Wages and salaries	**50,967**	54,436
Social security costs	**3,285**	4,076
Other pension costs	**1,662**	1,474
	55,914	59,986

The average number of people employed by the Company during the period was 3,457 (2013: 3,968).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance income

	2014 £000	2013 £000
Bank interest receivable	102	111
Other interest receivable	-	8
Total finance income	102	119

10. Finance costs

	2014 £000	2013 £000
External loans and overdrafts	48	61
Interest payable to group undertakings	6,610	5,455
Total finance costs	6,658	5,516

11. Taxation

	2014 £000	2013 £000
Taxation recognised in the income statement:		
United Kingdom, current year:		
Corporation tax	-	-
Deferred income tax	(321)	(3)
Total taxation credit in the income statement	(321)	(3)

The standard rate of UK Corporation tax was reduced to 23% from 1 April 2013, to 21% from 1 April 2014 and will be further reduced to 20% from 1 April 2015. Current tax has therefore been provided at 22.8%. The Company considers that the timing differences included in the deferred income tax calculation will, for the most part, reverse after 1 April 2015 and therefore the deferred income tax liability has been calculated using the 20% rate.

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

	2014 £000	2013 £000
Loss before taxation	(18,799)	(23,046)
Corporation tax at UK average statutory rate of 22.8% (2013: 23.9%)	(4,286)	(5,508)
Effects of:		
Permanent disallowables	876	1,864
Short term timing differences	(270)	-
Unrecognised temporary differences in current period	3,289	3,563
Unrecognised unutilised tax losses	121	81
Deferred income tax rate change	(51)	(3)
Total tax credit	(321)	(3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

Deferred tax

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

	2014 £000	2013 £000
Deferred income tax liability		
Holdover of capital gains	-	(321)
	-	(321)

Unprovided deferred income tax
There are no unprovided deferred income tax liabilities.

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

	2014 £000	2013 £000
Accelerated capital allowances	**12,594**	12,069
Other temporary differences	**12**	14
Tax losses	**6,016**	4,784
	18,622	16,867

The deferred income tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which the timing differences will reverse. It is likely that the assets will be recoverable once suitable taxable profits are generated.

Factors that may affect future tax charges

The Finance Act 2013 was enacted on 17 July 2013 including a provision to reduce the corporation tax rate to 21% from 1 April 2014. The UK Government has also announced an intention to further reduce the UK corporation tax rate to 20% by the financial year commencing 1 April 2015. The Company considers that the timing differences included in the deferred income tax calculation will, for the most part, reverse after 1 April 2015 and therefore the deferred income tax liability has been calculated using the 20% rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant and equipment

	Property, plant and equipment
	£000
Cost at 28 April 2012	197,248
Disposals	(6,567)
Additions	29,517
Cost at 27 April 2013	**220,198**
Disposals	(29,452)
Additions	20,903
Cost at 26 April 2014	**211,649**
Depreciation at 28 April 2012	145,664
Charge for period	14,299
Impairment loss	1,998
Disposals	(5,813)
Depreciation at 27 April 2013	**156,148**
Charge for period	13,697
Impairment loss	1,308
Disposals	(28,395)
Depreciation at 26 April 2014	**142,758**
Net book value at 26 April 2014	**68,891**
Net book value at 27 April 2013	64,050
Net book value at 28 April 2012	51,584

Property, plant and equipment has been written down by £1,308,000 (2013: £1,998,000), following an impairment review of the carrying value of certain retail assets based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated eight-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10% (2013: 10%). The cash flows reflected management's best estimates of revenue, margin and operating costs over the forecast period and no reasonably possible change in assumptions would result in further impairment.

The carrying value of property, plant and equipment held under finance leases at 26 April 2014 was £3,731,000 (2013: £4,442,000), of which £nil (2013: £nil) is included within additions during the year. Leased assets are pledged as security for the related finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

	Cost	Provision	Net book value
	£000	£000	£000
At 28 April 2012	69,347	(69,347)	-
At 27 April 2013	69,347	(69,347)	-
At 26 April 2014	**69,347**	**(69,347)**	-

Goodwill of £69,347,000 which arose on the acquisition of the trade and assets of the subsidiary undertaking Waterstones Overseas Limited on 26 April 2008 was capitalised. This goodwill was subject to an annual impairment review so as to ensure that the carrying amount was not greater than the recoverable amount. On the basis of such a review, provision was made at 30 April 2011 against the full value of the goodwill. This reflected the valuation of the Company inherent in the sale of the business by HMV Group plc on 28 June 2011 for £53.5m on a cash-free, debt-free basis.

14. Investments in subsidiaries

	Cost	Provision	Net book value
	£000	£000	£000
At 28 April 2012	27,261	-	27,261
At 27 April 2013	27,261	-	27,261
At 26 April 2014	**27,261**	-	**27,261**

The Company's subsidiary undertakings, which are 100% directly owned, are as follows:

Name of undertaking	**Country of incorporation**	**Activity**
Waterstones Overseas Limited	England & Wales	Non-trading
Hatchards UK Limited	England & Wales	Dormant
Waterstones Academic Bookstores Limited	England & Wales	Dormant

15. Trade and other receivables

	2014	2013
	£000	£000
Current:		
Trade receivables	**1,331**	1,502
Amounts owed by fellow subsidiary undertakings	**826**	686
Other receivables	**3,354**	5,662
Prepayments and accrued income	**30,786**	32,908
	36,297	40,758

The carrying value of trade and other receivables approximates to fair value. Trade receivables are stated net of a provision for impairment of £8,000 (2013: £16,000). Trade receivables are non-interest bearing and are generally on 30 day terms. Other receivables are also non-interest bearing. See Note 29 for the terms and conditions relating to the amounts owed by fellow subsidiary undertakings.

Credit risk is limited as the Company has minimal levels of trade receivables due to the nature of its retailing business. See Note 22 for a discussion of credit risk.

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.

17. Cash and short-term deposits

	2014 £000	2013 £000
Cash at bank and in hand	**19,494**	25,024
	19,494	25,024

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

18. Trade and other payables

	2014 £000	2013 £000
Current:		
Trade payables	**27,619**	35,572
Amounts owed to UK parent, ultimate European parent and fellow subsidiary undertakings	**147,640**	130,300
Other payables	**41,996**	41,843
Accruals and deferred income	**21,973**	22,339
	239,228	230,054

The carrying value of trade and other payables approximates to fair value. Trade payables are not interest-bearing and are generally settled on 30-60 day terms. Other payables and accruals are not interest-bearing.

Of the amounts owed to UK parent, ultimate European parent and fellow subsidiary undertakings, £116,311,000 (2013: £98,990,000) is repayable on demand, (£110,067,000 of which is repayable within 30 days of demand and £6,244,000 of which is repayable on demand) and on which interest is charged at 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%, whichever is higher. No interest is charged on the remaining amounts. See Note 29 for further details of transactions and balances with related party undertakings.

19. Interest bearing loans and borrowings

	2014 £000	2013 £000
Non-current:		
Obligations under finance leases (see Note 27)	**1,584**	2,112
	1,584	2,112
Current:		
Obligations under finance leases (see Note 27)	**528**	607
	528	607

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Provisions

	Total £000
At 27 April 2013	4,166
Charged during the year	1,525
Provisions utilised	(2,601)
At 26 April 2014	**3,090**
Analysed as:	
Current	2,127
Non-current	963
	3,090

Provisions almost entirely consist of amounts in respect of store closures and restructuring. The utilisation of provisions in the year and the provisions created in the year largely reflects store closures. Of the total provisions, £103,000 is expected to be utilised after 5 years from the balance sheet date (2013: £475,000).

21. *Derivative financial instruments*

Currency derivatives
The Company can use derivative instruments as part of a policy of managing foreign currency exchange risk arising on expected future purchases of internationally sourced products. The implementation of these derivative instruments is negotiated to match expected purchases and they therefore qualify for hedge accounting. The fair value of cash flow hedges in place at 26 April 2014 is £nil (2013: £nil).

The total notional amount of outstanding foreign currency contracts to which the Company was committed at 26 April 2014 was £nil (2013: £nil).

22. Financial risk factors

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

Liquidity risk
During the year under review the Company had sufficient funds and facilities available to satisfy its current requirements.

The Company has access to European parent funding facilities via its parent undertaking Waterstones Holdings Limited. These funding facilities comprise a revolving loan facility of £83.3m and a fixed loan of £60.7m, each balance exclusive of any accrued unpaid interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial risk factors (continued)

Analysis of the maturity profile of the Company's financial liabilities at 26 April 2014 is shown below:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Finance leases	-	140	420	1,680	-	2,240
Trade and other payables	116,311	122,917	-	-	-	239,228
At 26 April 2014	**116,311**	**123,057**	**420**	**1,680**	**-**	**241,468**
Finance leases	-	160	478	2,240	-	2,878
Trade and other payables	98,990	131,064	-	-	-	230,054
At 27 April 2013	98,990	131,224	478	2,240	-	232,932

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

Credit risk
The Company's credit risk arises from its cash and outstanding receivables. The Company manages cash balances by repaying drawings under the revolving credit facility.

Due to the nature of the Company'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 Company is exposed to foreign exchange risk from its financing and operating activities.

Forward foreign exchange contracts are used to hedge the foreign exchange risk of imports where volumes are significant. No speculative positions are entered into. There were no currency contracts outstanding at the current or prior balance sheet date (see Note 21).

The Company is also exposed to foreign currency translation risk through its borrowings in foreign currency. Generally the Company does not hedge this exposure.

Sensitivity analysis
The following sensitivity analysis illustrates the sensitivity to changes in market variable of the Company's financial instruments and shows the impact on result before tax and shareholders' funds.

Interest rate sensitivity
Based on the Company's net debt position at the year end, and including interest bearing intercompany loans, a 100 basis points movement in interest rates would affect the Company's result before tax and shareholders' equity by approximately £1.0m (2013: £0.7m).

Foreign exchange rate sensitivity
A 10% change in the value of Euro and US Dollar against Sterling would affect the Company's result before tax and the shareholders' equity by approximately £0.8m (2013: £0.8m).

Capital management
During the year under review, the core objective of the Company 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 company and other stakeholders. The capital structure of the Company comprises cash and cash equivalents (see Note 17), loans and borrowings through its intra-group facilities (see Note 18) and equity attributable to the parent company (see Note 24).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Additional cash flow information

Movements in the Company's net debt position are as follows:

	At 27 April 2013 £000	Cash flow £000	Other non-cash changes £000	At 28 April 2014 £000
Cash at bank and in hand	25,024	(5,530)	-	19,494
Cash and cash equivalents	25,024	(5,530)	-	19,494
Loans and borrowings – non-current	(2,112)	-	528	(1,584)
Loans and borrowings – current	(607)	607	(528)	(528)
Total loans and borrowings	(2,719)	607	-	(2,112)
Net debt	22,305	(4,923)	-	17,382

	At 28 April 2012 £000	Cash flow £000	Other non-cash changes £000	At 27 April 2013 £000
Cash at bank and in hand	19,819	5,205	-	25,024
Cash and cash equivalents	19,819	5,205	-	25,024
Loans and borrowings – non-current	(2,720)	-	608	(2,112)
Loans and borrowings – current	(702)	703	(608)	(607)
Total loans and borrowings	(3,422)	703	-	(2,719)
Net debt	16,397	5,908	-	22,305

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

24. Share capital

	2014 Number '000	2013 Number '000	2014 £000	2013 £000
Authorised				
Ordinary Shares of £1 each	**121,014**	121,014	**121,014**	121,014
Allotted, called up and fully paid				
Ordinary Shares of £1 each	**71,014**	71,014	**71,014**	71,014

25. Contingent liabilities

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

The Company is a guarantor to a $50m bank loan facility held by the European Parent company. Part of the security for this loan facility is a debenture on the Waterstones brand.

26. Pension arrangements

The Waterstones Group Personal Pension Plan ("the Plan"), a defined contribution scheme, is established under a Trust. The Plan provides members with individual pension saving accounts in their own name, with a range of investment options available. Under the auto-enrolment element of the Plan employees have to pay 1% of pensionable salary into the scheme which is matched by Waterstones. There is also a voluntary element to the Plan under which members can choose to pay from 2% to 6.5% of pensionable salary, with the members' contributions matched by Waterstones to a maximum of 6.5%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Obligations under leases

Obligations under operating leases

The Company operates entirely from properties in respect of which commercial operating leases have been entered into. These leases have an average remaining duration of 5 years. The majority of the Company's operating leases provide for their renewal by mutual agreement at the expiry of the lease term. Contingent rentals are payable on certain store leases based on store revenues.

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

	Land and buildings		Other		Total	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Not later than one year	**45,435**	46,564	**113**	136	**45,548**	46,700
Between two and five years inclusive	**134,062**	143,040	**196**	108	**134,258**	143,148
After five years	**87,205**	93,841	**-**	-	**87,205**	93,841
	266,702	283,445	**309**	244	**267,011**	283,689

The Company has also sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 26 April 2014 is £2,925,000 (2013: £2,330,000).

Obligations under finance leases

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

	2014	2013
	£000	£000
Not later than one year	**560**	638
Between two and five years inclusive	**1,680**	2,240
	2,240	2,878
Less: finance charges allocated to future periods	**(128)**	(159)
Present value of minimum lease payments	**2,112**	2,719

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

	2014	2013
	£000	£000
Not later than one year	**528**	607
Between two and five years inclusive	**1,584**	2,112
	2,112	2,719

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related party transactions

Transactions entered into and balances outstanding with related parties at the end of the period are as follows:

	Net interest accrued during the period	Services rendered to related party	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000	£000
With ultimate European parent undertaking:				
A&NN Holdings Limited				
2014	**(390)**	**-**	**-**	**(6,244)**
2013	(388)	-	-	(5,960)
With ultimate UK parent undertaking:				
Waterstones Holdings Limited				
2014	**(6,220)**	**-**	**-**	**(110,067)**
2013	(5,077)	-	-	(93,030)
With fellow subsidiary undertakings:				
Waterstones Booksellers Ireland Limited				
2014	**-**	**211**	**541**	**-**
2013	-	156	471	-
Waterstone's Booksellers Amsterdam B.V.				
2014	**-**	**51**	**120**	**-**
2013	-	53	103	-
Waterstone's Booksellers Belgium				
2014	**-**	**54**	**165**	**-**
2013	-	52	112	-
Hatchards UK Limited				
2014	**-**	**-**	**-**	**(20,000)**
2013	-	-	-	(20,000)
Ottakar's Limited				
2014	**-**	**-**	**-**	**(196)**
2013	-	-	-	(196)
Waterstones Overseas Limited				
2014	**-**	**-**	**-**	**(11,133)**
2013	-	-	-	(11,114)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related party transactions (continued)

See Note 18 for details of the terms and conditions relating to the related party balances.

The Company is a guarantor to a $50m bank loan facility held by the European Parent company. Part of the security for this loan facility is a debenture on the Waterstones brand.

Remuneration of key management personnel
The remuneration of the Directors of the Company is set out in Note 7.

29. Ultimate parent undertaking

The immediate parent undertaking and ultimate UK parent undertaking of the Company is Waterstones Holdings Limited. The ultimate European parent undertaking of the Company is A&NN Holdings Limited, registered in Cyprus, which is itself a subsidiary of A&NN Capital Management Fund Limited.
The largest and smallest group, including the Company, for which consolidated accounts are prepared and are publically available is that headed by Waterstones Holdings Limited. Copies of these financial statements can be obtained from the Company Secretary, 203-206 Piccadilly, London, W1J 9HD.