

W & G Foyle Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
30 June 2005



Company Registration No. 00945131

W & G Foyle Limited

DIRECTORS AND OFFICERS

DIRECTORS

WRC Foyle
WEF Samuel
Dalmeny Investments Limited
MP McGinley

SECRETARY

J Browne

REGISTERED OFFICE

113-119 Charing Cross Road
London WC2H 0EB

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

W & G Foyle Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of W & G Foyle Limited for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was bookselling and related activities.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

W & G Foyle Ltd operates as a bookseller. With the exception of rental and investment income which is disclosed separately, the Company's revenue is derived from bookselling and related activities.

The Company has recorded a trading profit of £188,690 before the exceptional item and continues to outperform the general retail book market with sales for the year increasing by just under 12% over those for the previous year, compared to the retail book market's overall growth of just 2.2% in the same period. The Company's continuing sales growth is a result of the refit, enhanced layout, improved operational and merchandising standards and improved buying processes linked to upgrades that we have made to our I.T. systems.

The total refurbishment of the Charing Cross Road premises was completed in August 2004, at an overall cost of £4.6m. When the Company embarked on this ambitious scheme sales were running at a level of around £10m p.a. The subsequent 40% increase in turnover is ample and gratifying justification for this decision.

During the year we became aware that there was an opportunity to take over the bookselling at the Royal Festival Hall at the South Bank complex. This led to the opening of the first new Foyles shop for many decades, in a magnificent location on The Queens Walk, between Hungerford and Waterloo bridges. It was officially opened at the end of June 2005 and sales in the first few weeks of trading have comfortably exceeded our projections. Although the Festival Hall will be closed for the next 18 months other venues within the South Bank complex remain open and the Festival Hall organisation continues to hold literary events at which we are the official Bookseller. We are now looking for other locations for new shops, possibly with similar cultural connections.

Foyles continues to offer the best programme of literary events in London, with the list of authors at our evening events including Philip Pullman, Michael Palin, Euan McGregor, Terry Pratchett, Hanif Kureishi, Jacqueline Wilson, Kelly Holmes and Max Hastings. Most of these events are held in the early evening in The Gallery, introducing many potential new customers to the shop. Speakers at our Literary Luncheons, now in their 75th year, included Lauren Bacall, Joanna Lumley, Wilbur Smith and William Hague. Rays Jazz continues to host a great variety of musical events, with a programme that included George Melly, Martin Carthy and John Etheridge among many others.

Our Gallery re-opened in August 2004, and has put on a wide range of exhibitions ranging from the Literature of the War in Burma to photographs of the aftermath of the Tsunami in Northern Sri Lanka. The Gallery is available for hire for corporate and private events, giving the Company a modest but increasing new income stream but we continue to make it available free of charge for charitable and book trade events including the regular meetings for Poetry London magazine and the Society of Young Publishers, the shortlist party for the Mind Book Awards and a charity auction for the Free Tibet Campaign.

With the opening of our Gifts and Stationery department sales of non-book items now amount to approximately 1.2% of turnover. It is the Board's intention to increase this, but without detracting from the quality of our overall book offer. We have increased our offering of stationery and greeting cards and have successfully introduced a limited range of stethoscopes and other medical instruments. Skeletons continue to sell well.

In March 2005 we received the very considerable accolade of Academic Bookseller of the Year, awarded annually by the Academic Publishers, reflecting the professionalism and technical excellence of our staff and the strong relationships we enjoy with academic publishers. We were also shortlisted for Independent Bookseller of the Year at the newly instituted Annual Bookseller Awards.

W & G Foyle Limited

DIRECTORS' REPORT

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (*continued*)

Since the end of the financial year sales have suffered from the decreased footfall experienced by all Central London retailers following the terrorist incidents in Central London. The Company took immediate action to trim costs to reflect the projected downturn in sales but continues to promote itself very actively to the local and the tourist market. We are optimistic that the effects of these incidents will be comparatively short lived and do not expect sales for the current year to be significantly different to those of the year under review.

Also since the end of the financial year we have bought an internet bookselling company, Bookplace Limited, which trades as thebookplace.com and computerbooks.co.uk. This acquisition will boost our internet sales by over a million pounds and will enable us to develop our mail order business and reduce our dependence on Central London retail.

Once again the Board would like to note its appreciation of the dedication and hard work of the staff. Considerable changes have been made in the operational management structure, with a number of internal promotions as well as the recruitment of some very experienced middle-management staff from within the book trade. In recognition of the part played by all staff in the success of the Company we are instituting a profit-related bonus scheme in which all staff will participate. We are also setting up a stock option scheme which will allow members of senior management to acquire a shareholding in the Company. This will be the first time in our 102 year history that the company will have shareholders who are not members of the Foyle family and reflects the gradual change in management from family to professional.

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 July 2004 unless otherwise stated:

WRC Foyle
WEF Samuel
Dalmeny Investments Limited
MP McGinley (appointed 7 July 2004)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

	30/06/05	Ordinary shares of 5p each 01/07/04
WRC Foyle	1,893	1,893
WEF Samuel	252	252
Dalmeny Investments Limited	-	-
MP McGinley	-	-

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

J Browne
Secretary

31 October 2005



W & G Foyle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

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

We have audited the financial statements on pages 6 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Registered Auditor
2 Bloomsbury Street
London WC1B 3ST

31 October 2005

W & G Foyle Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2005

	Notes	2005 £	2004 £
TURNOVER	1	14,024,320	12,545,026
Cost of sales		(10,513,809)	(9,603,032)
Gross profit		<u>3,510,511</u>	<u>2,941,994</u>
Exceptional item	6	(342,559)	(1,394,954)
Other operating expenses (net)	2	(3,298,515)	(2,733,506)
OPERATING LOSS		<u>(130,563)</u>	<u>(1,186,466)</u>
Investment income	3	63,763	57,072
		<u>(66,800)</u>	<u>(1,129,394)</u>
Interest payable	4	(87,069)	(47,352)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(153,869)</u>	<u>(1,176,746)</u>
Taxation	8	492,546	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>338,677</u></u>	<u><u>(1,176,746)</u></u>

The operating loss for the year arises from the company's continuing operations.

No Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

W & G Foyle Limited

BALANCE SHEET

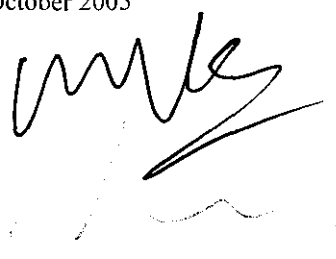
30 June 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Intangible fixed assets	9	16,586	19,086
Tangible assets	10	761,434	293,691
		<u>778,020</u>	<u>312,777</u>
CURRENT ASSETS			
Stocks	11	4,838,655	4,799,968
Debtors - due within one year	12	826,882	582,731
- due after more than one year	12	492,546	-
Cash at bank and in hand		17,079	15,693
		<u>6,175,162</u>	<u>5,398,392</u>
CREDITORS: Amounts falling due within one year	13	(3,998,194)	(3,094,858)
NET CURRENT ASSETS		<u>2,176,968</u>	<u>2,303,534</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,954,988</u>	<u>2,616,311</u>
CAPITAL AND RESERVES			
Called up share capital	14	600	600
Profit and loss account	15	2,954,388	2,615,711
SHAREHOLDERS' FUNDS	16	<u>2,954,988</u>	<u>2,616,311</u>

Approved by the board on 31 October 2005

WRC Foyle Director

WEF Samuel Director



W & G Foyle Limited
CASH FLOW STATEMENT
for the year ended 30 June 2005

	<i>Notes</i>	2005 £	2004 £
Net cash inflow/(outflow) from operating activities	17a	188,739	(941,234)
Returns on investments and servicing of finance	17b	(23,306)	9,720
Taxation		-	-
Capital expenditure and financial investment	17b	(595,104)	(59,221)
DECREASE IN CASH IN THE YEAR		<u>(429,671)</u>	<u>(990,735)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £	2004 £
Decrease in cash in the year	(429,671)	(990,735)
Change in net cash resulting from cash flows	<u>(429,671)</u>	<u>(990,735)</u>
MOVEMENT IN NET CASH IN YEAR	(429,671)	(990,735)
NET DEBT AT 1 JULY 2004	(1,474,097)	(482,822)
NET DEBT AT 30 JUNE 2005	<u>(1,903,768)</u>	<u>(1,473,557)</u>

W & G Foyle Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

INTANGIBLE FIXED ASSETS

The cost of acquiring intellectual property rights including goodwill, trade marks and trade names is capitalised and written off evenly over 10 years as, in the opinion of the directors, this represents the useful economic life of such intangible fixed assets.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold improvements	over the unexpired lease term or 20% per annum on cost
Fixtures, fittings and equipment	20% per annum on cost

STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices. Provision is made for obsolete and slow moving items.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

OPERATING LEASES

Annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

PENSION CONTRIBUTIONS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FOREIGN CURRENCIES

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the dates of the transactions. Assets and liabilities have been translated at rates ruling at the balance sheet date. Exchange differences have been included in the profit and loss account.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

2	OTHER OPERATING EXPENSES (NET)	2005 £	2004 £
	Distribution costs	122,621	94,106
	Administration expenses	3,175,894	2,639,400
		<u>3,298,515</u>	<u>2,733,506</u>
3	INVESTMENT INCOME	2005 £	2004 £
	Rent receivable	20,228	20,500
	Other income	43,535	36,572
		<u>63,763</u>	<u>57,072</u>
4	INTEREST PAYABLE	2005 £	2004 £
	Bank overdraft interest	<u>87,069</u>	<u>47,352</u>
5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 £	2004 £
	Loss on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year		
	owned assets	127,361	102,186
	Operating lease rentals:		
	Land and buildings	840,000	560,000
	Plant and machinery	41,287	37,981
	Auditors' remuneration - audit	16,000	15,000
	- non-audit	8,278	13,790
	Exceptional item (see note 6)	<u>342,559</u>	<u>1,394,954</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

6	EXCEPTIONAL ITEM	2005 £	2004 £
	Refurbishment costs	342,559	1,394,954
	Refurbishment costs represent the cost of phase three of the refurbishment of the Charing Cross Road property as more fully detailed in the Directors' Report.		
7	EMPLOYEES	2005 No	2004 No
	The average monthly number of persons (including directors) employed by the company during the year was	112	108
		2005 £	2004 £
	Staff costs for above persons:		
	Wages and salaries	2,147,580	1,818,867
	Social security costs	188,849	170,174
	Pension costs	2,847	7,637
		2,339,276	1,996,678
		2005 £	2004 £
	DIRECTORS' REMUNERATION		
	Emoluments	182,334	60,000
8	TAXATION	2005 £	2004 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Total current tax	-	-
	Deferred taxation:		
	Origination and reversal of timing differences	492,546	-
	Total deferred tax	492,546	-
	Tax on loss on ordinary activities	492,546	-

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

8	TAXATION (continued)	2005 £	2004 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:		
	Loss on ordinary activities before tax	(153,869)	(1,176,746)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(46,161)	(353,024)
	Effects of:		
	Expenses not deductible for tax purposes	21,348	63,539
	Capital allowances in excess of depreciation	(167,706)	367,234
	Unutilised tax losses carried forward	192,519	(77,749)
	Current tax charge for period	-	-

The company has trading losses of approximately £2,250,000 (2004: £1,610,000) which, subject to agreement with the Inland Revenue, are available to carry forward and offset future profits of the same trade.

A deferred tax asset of approximately £675,000 (2004: £483,000) in respect of these losses has not been recognised on the grounds that it is expected that it will take some time for the full effects of the store refurbishment programme to translate into taxable profits and allow this deferred tax asset to be utilised.

A deferred tax asset of £492,546 (2004: £Nil) in respect of decelerated capital allowances and other timing differences has been recognised during the year on the basis that this asset is expected to reverse within the foreseeable future (see note 12).

9	INTANGIBLE FIXED ASSETS	Intellectual property £
	Cost	
	1 July 2004 and 30 June 2005	25,000
	Amortisation:	
	1 July 2004	5,914
	Charge for the year	2,500
	30 June 2005	8,414
	Net book value	
	30 June 2005	16,586
	30 June 2004	19,086

W & G Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

10 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Office furniture & equipment £	Fixtures & fittings £	Total £
Cost				
1 July 2004	174,622	772,529	750,538	1,697,689
Additions	418,846	176,258	-	595,104
30 June 2005	593,468	948,787	750,538	2,292,793
Depreciation				
1 July 2004	69,844	583,616	750,538	1,403,998
Charged in the year	17,486	109,875	-	127,361
30 June 2005	87,330	693,491	750,538	1,531,359
Net book value 30 June 2005	506,138	255,296	-	761,434
30 June 2004	104,778	188,913	-	293,691

11 STOCKS

	2005 £	2004 £
Books, gifts and stationery	4,838,655	4,799,968

12 DEBTORS

	2005 £	2004 £
Due within one year:		
Trade debtors	9,304	17,204
Other debtors	93,547	108,852
Prepayments and accrued income	724,031	456,675
	826,882	582,731
Due after more than one year:		
Deferred tax	492,546	-
	1,319,428	582,731
The deferred tax asset is made up as follows:		
Decelerated capital allowances	491,046	-
Other timing differences	1,500	-
	492,546	-
At 1 July 2004	-	-
Deferred tax credited to profit and loss account	492,546	-
At 30 June 2005	492,546	-

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

13	CREDITORS: Amounts falling due within one year	2005 £	2004 £
	Bank overdraft	1,920,307	1,489,250
	Trade creditors	1,873,083	1,417,343
	Other taxation and social security costs	55,931	47,898
	Other creditors	5,717	7,616
	Accruals and deferred income	143,156	132,751
		<u>3,998,194</u>	<u>3,094,858</u>
	The bank overdraft is secured by a floating charge on the assets of the company.		
14	SHARE CAPITAL	2005 £	2004 £
	Authorised: 14,000 ordinary shares of 5p each	700	700
	Allotted, issued and fully paid: 12,007 ordinary shares of 5p each	<u>600</u>	<u>600</u>
15	PROFIT AND LOSS ACCOUNT	2005 £	2004 £
	1 July 2004	2,615,711	3,792,457
	Profit/(loss) for the financial year	338,677	(1,176,746)
	30 June 2005	<u>2,954,388</u>	<u>2,615,711</u>
16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2005 £	2004 £
	Profit/(loss) for the financial year	338,677	(1,176,746)
	Opening shareholders' funds	2,616,311	3,793,057
	Closing shareholders' funds	<u>2,954,988</u>	<u>2,616,311</u>
17	CASH FLOWS	2005 £	2004 £
a	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		
	Operating loss	(130,563)	(1,186,466)
	Depreciation	127,361	102,186
	Amortisation	2,500	2,500
	(Increase)/decrease in stocks	(38,687)	323,408
	Increase in debtors	(244,151)	(177,079)
	Increase/(decrease) in creditors	472,279	(5,783)
	Net cash inflow/(outflow) from operating activities	<u>188,739</u>	<u>(941,234)</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

17	CASH FLOWS (continued)		2005 £	2004 £
b	Analysis of cash flows for headings netted in the cash flow			
	Returns on investments and servicing of finance			
	Rent received		20,228	20,500
	Other income		43,535	36,572
	Interest paid		(87,069)	(47,352)
	Net cash (outflow)/inflow from returns on investments and servicing of finance		(23,306)	9,720
	Capital expenditure and financial investment			
	Purchase of tangible fixed assets		(595,104)	(59,221)
	Net cash outflow from capital expenditure and financial investment		(595,104)	(59,221)
		At 1 July 2004 £	Cash flow £	At 30 June 2005 £
c	Analysis of net cash			
	Cash at bank and in hand	15,693	1,386	17,079
	Bank overdraft	(1,489,250)	(431,057)	(1,920,307)
	Total	(1,473,557)	(429,671)	(1,903,228)
18	CAPITAL COMMITMENTS		2005 £	2004 £
	Capital expenditure contracted for but not provided in the financial statements		55,250	175,000
19	COMMITMENTS UNDER OPERATING LEASES			
	At 30 June 2005 the company had annual commitments under non-cancellable operating leases as follows:			
			2005 £	2004 £
	Plant and machinery			
	expiring in the first year		2,432	5,404
	expiring in the second to fifth year		75,386	30,720
	Land and buildings			
	expiring in the second to fifth year		840,000	560,000
			917,818	596,124

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

20 RELATED PARTY DISCLOSURES

The company rents its bookshop premises from Noved Investment Company, a company in which the directors, WRC Foyle and WEF Samuel, have an interest, at a rental charge during the year of £840,000 (2004: £560,000).

At 30 June 2005 the company owed Noved Investment Company £100 (2004: £100).

During the year the company made payments to Air Foyle Limited, a company of which WRC Foyle is a director, in respect of administration expenses recharged to W & G Foyle Limited amounting to £10,427 (2004: £443). At 30 June 2005 the company owed £Nil to Air Foyle Limited (2004: £Nil).