

W & G Foyle Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
30 June 2006



Company Registration No. 00945131

W & G Foyle Limited

DIRECTORS AND OFFICERS

DIRECTORS

WRC Foyle
WEF Samuel
VE Wordley
JL Browne

SECRETARY

JL Browne

REGISTERED OFFICE

113-119 Charing Cross Road
London WC2H 0EB

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

W & G Foyle Limited

DIRECTORS' REPORT

The directors submit their report and the group financial statements of W & G Foyle Limited for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Trading in Charing Cross Road was severely affected by the terrorist bombings in July 2005 and by the end of the year sales had still not recovered to their earlier levels. Sales at Charing Cross Road were down 6% on the previous year. This fall has however been offset by the new sales channels we have opened and overall sales for the year were up 6.8%.

Trading at our new shop at the Royal Festival Hall at Southbank Centre, which opened a few days before the start of the year, has exceeded our initial projections and in addition to serving visitors to the South Bank's many attractions it has established itself as the leading bookshop in the area. The Royal Festival Hall remains closed for refurbishment and we are confident that, when it reopens in June 2007, there will be a significant increase in both sales and profitability from this store.

During the year the Company acquired Bookplace Limited, an online bookseller with a customer base that complemented our own. Its activities have been gradually integrated into our own and in addition to increasing our internet sales, this has added significantly to our corporate and academic accounts business, which we see as an area with very strong growth potential. Our own internet sales continue to grow with the addition of new sales channels; for the 2005/06 year they represented some 2% of our total sales and by the end of the year that figure was approaching 8%.

In April we agreed a contract with Historic Royal Palaces Limited to run bookselling concessions within Hampton Court, the Tower of London, Kensington Palace and the Britain and London Visitor Centre. While this will not add significantly to our sales it has given our brand well-targeted exposure to the tourist and schools market.

Our programme of literary events continued to expand and was supplemented by events at the Royal Festival Hall where Foyles is now the official bookseller. Among the large number of authors to speak at our evening events were Vikram Seth, George Melly, Donovan, Cynthia Lennon and Robert Fisk. As part of our events programme we also hosted a wine tasting with Matt Skinner, the head sommelier at Jamie Oliver's "15" restaurant chain, and a chocolate tasting with the chocolate buyer at Fortnum and Mason. Speakers at our Literary Luncheons included Alan Whicker, Ned Sherrin and Gyles Brandreth. Rays Jazz continues to host a great variety of musical events, with a programme that included Darius Brubeck, the Puppini sisters, Fimber Bravo and Kadialy Koyate. In total we hosted nearly 160 events during the year.

We held our first Literary Tea in the Charing Cross Road shop for 60 years, with Jilly Cooper as guest of honour. The event was a sell out and attracted many of our Literary Luncheon regular customers, some of whom were visiting the Shop for the first time.

Our Gallery put on a wide range of exhibitions from photographers James Pfaff and Carlos Reyes Manzo to the literature and art of Sri Lanka

Private and corporate hire of the Gallery now makes a useful contribution to the income generated by our marketing team, in addition to introducing new customers to Charing Cross Road. It is increasingly recognized as one of the more attractive small events venues in Central London. 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 and the shortlist party for the Mind Book Awards.

We were nominated for Independent Bookseller of the Year and Independent Children's bookshop of the year at the Annual Bookseller Awards and while we didn't win either category we were delighted to be short-listed in both.

W & G Foyle Limited

DIRECTORS' REPORT

Once again the Board would like to note its appreciation of the dedication and hard work of the staff. Towards the end of the year we set up a comprehensive staff training programme tailored to our environment by one of the leading retail training companies. This is designed to introduce a sales and service culture to complement the unique book knowledge of our sales staff. It is a long term programme and the effects will not be seen on sales figures until later in the current year but we are confident that it will do much to offset the recent Central London sales declines and benefit both the Company and our customers.

During the year our stock option scheme was finalised and implemented and we plan to finalise in the current year our profit sharing programme which will allow all members of staff to share in the profits of the Company.

Shortly after the end of the financial year we concluded an agreement with Selfridges to take over the bookselling operations at their stores in Oxford Street and Manchester. We actually took over the operations in October 2006 and expect this to add in excess of £3m to our annual turnover.

Trading since the year end continues to be challenging, particularly in Central London. The bookselling market is going through a period of great transition and consolidation; the Board believes that this rapid evolution will continue and is constantly looking for ways to increase both turnover and margin so that the Company is best positioned to benefit from these changes.

Principal risks and uncertainties:

The management of the business and the execution of the group's strategies are subject to a number of risks including:

- Competition in the retail industry
- Poor economic conditions or slowdown
- Inability to predict accurately or fulfil customer preference or demand
- Seasonal fluctuations in sales
- Failure or interruption in product supply
- Failure or interruption of information technology systems
- Lack of new store growth opportunities
- Reliance on the Foyles brand name
- Cost inflation and legislative change
- Raw material costs

Key performance indicators:

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

W & G Foyle Limited

DIRECTORS' REPORT

RESULT AND DIVIDENDS

The group made a profit after taxation of £112,553 (2005: £338,677).

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 July 2005 unless otherwise stated:

WRC Foyle	
WEF Samuel	
Dalmeny Investments Limited	(resigned 14 December 2005)
MP McGinley	(resigned 30 November 2005)
VE Wordley	(appointed 30 November 2005)
JL Browne	(appointed 30 November 2005)

DIRECTORS' INTERESTS IN SHARES

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

	<i>Ordinary shares of 5p each</i>	
	30/06/06	01/07/05
WRC Foyle	6,599	1,893
WEF Samuel	879	252
VE Wordley	-	-
JL Browne	-	-

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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

By order of the board



JL Browne
Secretary

24/04/07

W & G Foyle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. 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 UK 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 group 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 7 to 23.

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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs at 30 June 2006 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit Ltd

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

24/04/07

W & G Foyle Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2006

	Notes	2006 £	2005 £
TURNOVER	1		
Continuing operations		14,373,470	14,024,320
Acquisitions		601,807	-
		<u>14,975,277</u>	<u>14,024,320</u>
Cost of sales	2	(11,341,226)	(10,513,809)
Gross profit		<u>3,634,051</u>	<u>3,510,511</u>
Exceptional item	7	275,000	(342,559)
Other operating expenses (net)	2	(3,891,294)	(3,298,515)
Other operating income	3	67,715	63,763
OPERATING PROFIT/(LOSS)			
Continuing operations		151,597	(66,800)
Acquisitions		(66,125)	-
TOTAL OPERATING PROFIT/(LOSS)		<u>85,472</u>	<u>(66,800)</u>
Interest receivable	4	952	-
Interest payable	5	(116,201)	(87,069)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(29,777)</u>	<u>(153,869)</u>
Taxation	9	142,330	492,546
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u><u>112,553</u></u>	<u><u>338,677</u></u>

The operating profit for the year arises from the group's continuing operations.

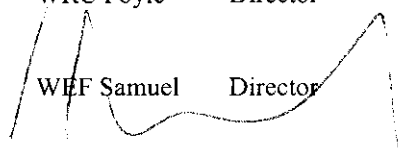
No Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

W & G Foyle Limited
CONSOLIDATED BALANCE SHEET
30 June 2006

	<i>Notes</i>	2006 £	2005 £
FIXED ASSETS			
Intangible fixed assets	10	126,245	16,586
Tangible assets	11	967,848	761,434
Investments	12	1	-
		<u>1,094,094</u>	<u>778,020</u>
CURRENT ASSETS			
Stocks	13	4,539,433	4,838,655
Debtors - due within one year	14	1,210,967	826,882
- due after more than one year	14	634,876	492,546
Cash at bank and in hand		48,244	17,079
		<u>6,433,520</u>	<u>6,175,162</u>
CREDITORS: Amounts falling due within one year	15	<u>(4,460,073)</u>	<u>(3,998,194)</u>
NET CURRENT ASSETS		<u>1,973,447</u>	<u>2,176,968</u>
NET ASSETS		<u>3,067,541</u>	<u>2,954,988</u>
CAPITAL AND RESERVES			
Called up share capital	16	600	600
Profit and loss account	17	3,066,941	2,954,388
SHAREHOLDERS' FUNDS	18	<u>3,067,541</u>	<u>2,954,988</u>

The financial statements on pages 7 to 23 were approved and authorised for issue on 24 April 2007 and are signed on its behalf by:


WRC Foyle Director

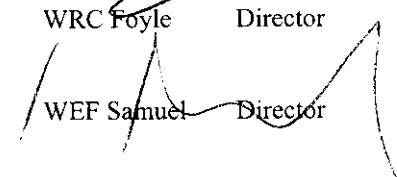

WEF Samuel Director

W & G Foyle Limited
COMPANY BALANCE SHEET
30 June 2006

	<i>Notes</i>	2006 £	2005 £
FIXED ASSETS			
Intangible fixed assets	10	14,080	16,586
Tangible assets	11	966,691	761,434
Investments	12	135,000	-
		<u>1,115,771</u>	<u>778,020</u>
CURRENT ASSETS			
Stocks	13	4,533,816	4,838,655
Debtors - due within one year	14	1,205,874	826,882
- due after more than one year	14	623,124	492,546
Cash at bank and in hand		22,244	17,079
		<u>6,385,058</u>	<u>6,175,162</u>
CREDITORS: Amounts falling due within one year	15	<u>(4,370,772)</u>	<u>(3,998,194)</u>
NET CURRENT ASSETS		<u>2,014,286</u>	<u>2,176,968</u>
NET ASSETS		<u>3,130,057</u>	<u>2,954,988</u>
CAPITAL AND RESERVES			
Called up share capital	16	600	600
Profit and loss account	17	3,129,457	2,954,388
SHAREHOLDERS' FUNDS	18	<u>3,130,057</u>	<u>2,954,988</u>

The financial statements on pages 7 to 23 were approved and authorised for issue on 24 April 2007 and are signed on its behalf by:


WRC Foyle Director


WEF Samuel Director

W & G Foyle Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2006

	<i>Notes</i>	2006 £	2005 £
Net cash inflow from operating activities	19a	263,922	188,739
Returns on investments and servicing of finance	19b	(115,249)	(23,306)
Capital expenditure and financial investment	19b	(426,332)	(595,104)
Acquisitions and disposals	19b	(19,255)	-
CASH OUTFLOW BEFORE FINANCING		<u>(296,914)</u>	<u>(429,671)</u>
Financing	19b	1,339,720	-
INCREASE/(DECREASE) IN CASH IN THE YEAR	19c	<u>1,042,806</u>	<u>(429,671)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £	2005 £
Increase/(decrease) in cash in the year	1,042,806	(429,671)
Net cash inflows from increase in debt	(1,339,720)	-
MOVEMENT IN NET DEBT IN YEAR	<u>(296,914)</u>	<u>(429,671)</u>
NET DEBT AT 1 JULY 2005	(1,903,228)	(1,473,557)
NET DEBT AT 30 JUNE 2006	<u>(2,200,142)</u>	<u>(1,903,228)</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.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of W & G Foyle Limited and its subsidiary Bookplace Limited. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment. Financial statements are made up to 30 June.

No profit and loss account is presented for W & G Foyle Limited as provided by section 230 (3) of the Companies Act 1985.

INTANGIBLE FIXED ASSETS

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

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 10 years as, in the opinion of the directors, this represents the period over which the goodwill is effective.

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 10% 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.

W & G Foyle Limited

ACCOUNTING POLICIES

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 to customers.

INVESTMENTS

Long term investments are described as participating interests and are classified as fixed assets. These are stated at cost in the company balance sheet and provision is made for any impairment.

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

2 COST OF SALES AND OTHER OPERATING EXPENSE (NET)

	2006 £	2005 £
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Cost of sales		
Continuing operations	10,830,630	10,513,809
Acquisitions	510,596	-
	<u>11,341,226</u>	<u>10,513,809</u>
Distribution costs		
Continuing operations	137,603	122,621
Acquisitions	-	-
Administration expenses		
Continuing operations	3,596,355	3,175,894
Acquisitions	157,336	-
	<u>3,891,294</u>	<u>3,298,515</u>
Net operating expenses		

3 OTHER OPERATING INCOME

	2006 £	2005 £
--	-----------	-----------

Rent receivable	-	20,228
Other income	67,715	43,535
	<u>67,715</u>	<u>63,763</u>

4 INTEREST RECEIVABLE

	2006 £	2005 £
--	-----------	-----------

Bank interest	952	-
	<u>952</u>	<u>-</u>

5 INTEREST PAYABLE

	2006 £	2005 £
--	-----------	-----------

Bank loan and overdraft interest	116,201	87,069
	<u>116,201</u>	<u>87,069</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

6	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2006 £	2005 £
	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	219,918	127,361
	Amortisation of intangible fixed assets	11,601	2,500
	Operating lease rentals:		
	Land and buildings	924,575	840,000
	Plant and machinery	43,575	41,287
	Auditors' remuneration - audit	21,000	16,000
	- non-audit	13,750	8,278
	Exceptional item (see note 7)	275,000	342,559
		<u>275,000</u>	<u>342,559</u>
7	EXCEPTIONAL ITEM	2006 £	2005 £
	Fraud investigation	275,000	-
	Refurbishment costs	-	342,559
		<u>275,000</u>	<u>342,559</u>
8	EMPLOYEES	2006 No	2005 No
	The average monthly number of persons (including directors) employed by the group during the year was	120	112
		<u>120</u>	<u>112</u>
		2006 £	2005 £
	Staff costs for above persons:		
	Wages and salaries	2,311,165	2,147,580
	Social security costs	203,844	188,849
	Pension costs	-	2,847
		<u>2,515,009</u>	<u>2,339,276</u>
		2006 £	2005 £
	DIRECTORS' REMUNERATION		
	Emoluments	374,882	182,334
		<u>374,882</u>	<u>182,334</u>
	Highest paid director:		
	Directors emoluments	85,358	101,031
		<u>85,358</u>	<u>101,031</u>
	Compensation to director for loss of office	30,958	-
		<u>30,958</u>	<u>-</u>

W & G Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

9	TAXATION	2006 £	2005 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Total current tax	-	-
	Deferred taxation:		
	Origination and reversal of timing differences	142,330	492,546
	Total deferred tax	142,330	492,546
	Tax on loss on ordinary activities	142,330	492,546

	2006 £	2005 £
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	(29,777)	(153,869)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	(8,933)	(46,161)
Effects of:		
Expenses not deductible for tax purposes	11,747	21,348
Capital allowances in excess of depreciation	(130,200)	(167,706)
Unutilised tax losses carried forward	127,386	192,519
Current tax charge for period	-	-

The group has trading losses of approximately £2,620,000 (2005: £2,250,000) 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 £785,000 (2005: £675,000) 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 £623,124 (2005: £492,546) 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 14).

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

10	INTANGIBLE FIXED ASSETS	Intellectual property £	Purchased goodwill £	Total £
	GROUP			
	Cost			
	1 July 2005	25,000	-	25,000
	Additions	-	121,260	121,260
	30 June 2006	25,000	121,260	146,260
	Amortisation:			
	1 July 2005	8,414	-	8,414
	Charge for the year	2,506	9,095	11,601
	30 June 2006	10,920	9,095	20,015
	Net book value			
	30 June 2006	14,080	112,165	126,245
	30 June 2005	16,586	-	16,586
				Intellectual property £
	COMPANY			
	Cost 1 July 2005 and 30 June 2006			25,000
	Amortisation:			
	1 July 2005			8,414
	Charge for the year			2,506
	30 June 2006			10,920
	Net book value			
	30 June 2006			14,080
	30 June 2005			16,586

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

11	TANGIBLE FIXED ASSETS				
		Leasehold Improvements £	Office furniture & equipment £	Fixtures & fittings £	Total £
	GROUP				
	Cost				
	1 July 2005	593,468	948,787	750,538	2,292,793
	Additions	183,435	242,897	-	426,332
	30 June 2006	776,903	1,191,684	750,538	2,719,125
	Depreciation				
	1 July 2005	87,330	693,491	750,538	1,531,359
	Charged in the year	113,452	106,466	-	219,918
	30 June 2006	200,782	799,957	750,538	1,751,277
	Net book value				
	30 June 2006	576,121	391,727	-	967,848
	30 June 2005	506,138	255,296	-	761,434
	COMPANY				
	Cost				
	1 July 2005	593,468	948,787	750,538	2,292,793
	Additions	183,435	241,740	-	425,175
	30 June 2006	776,903	1,190,527	750,538	2,717,968
	Depreciation				
	1 July 2005	87,330	693,491	750,538	1,531,359
	Charged in the year	113,452	106,466	-	219,918
	30 June 2006	200,782	799,957	750,538	1,751,277
	Net book value				
	30 June 2006	576,121	390,570	-	966,691
	30 June 2005	506,138	255,296	-	761,434

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

12 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £
GROUP	
Cost and net book value	
Additions	1
30 June 2006	<u>1</u>

The above investment represents the group's interest in 100% of the called up ordinary share capital of Bookplace Watford Limited, a 100% subsidiary of Bookplace Limited. Bookplace Watford Limited is dormant and is therefore not consolidated as, in the opinion of the directors, the figures would be of no value to the members. At 30 June 2006, Bookplace Watford Limited had capital and reserves of £1 and had not traded during the year.

	Shares in subsidiary undertaking £
COMPANY	
Cost and net book value	
Additions	135,000
30 June 2006	<u>135,000</u>
Acquisition of subsidiary	

On 30 September 2005 the company acquired 100% of the called up ordinary share capital of Bookplace Limited, an internet based bookseller. The assets and liabilities of Bookplace Limited have been consolidated at their fair value to the group as set out below:

	Book value and fair value at date of acquisition £
Net assets acquired:	
Investments	1
Debtors	59,000
Cash at bank	115,745
Creditors	(161,006)
	<u>13,740</u>
Goodwill	<u>121,260</u>
	<u>135,000</u>
Satisfied by:	
Cash consideration	<u>135,000</u>

W & G Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

13	STOCKS	2006 £	2005 £
	GROUP		
	Books, gifts and stationery	4,539,433	4,838,655
	COMPANY		
	Books, gifts and stationery	4,533,876	4,838,655
14	DEBTORS	2006 £	2005 £
	GROUP		
	Due within one year:		
	Trade debtors	265,066	9,304
	Other debtors	84,562	93,547
	Prepayments and accrued income	861,339	724,031
		1,210,967	826,882
	Due after more than one year:		
	Deferred tax	634,876	492,546
		1,845,843	1,319,428
	COMPANY		
	Due within one year:		
	Trade debtors	271,075	9,304
	Other debtors	73,460	93,547
	Prepayments and accrued income	861,339	724,031
		1,205,874	826,882
	Due after more than one year:		
	Deferred tax	623,124	492,546
		1,828,998	1,319,428
		2006 £	2005 £
	The deferred tax asset is made up as follows:		
	Decelerated capital allowances	623,124	491,046
	Other timing differences	-	1,500
		623,124	492,546
	At 1 July 2005	492,546	-
	Deferred tax credited to profit and loss account	130,578	492,546
	At 30 June 2006	623,124	492,546

W & G Foyle Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

15	CREDITORS: Amounts falling due within one year	2006 £	2005 £
	GROUP		
	Bank loan and overdraft	2,248,386	1,920,307
	Trade creditors	1,985,701	1,873,083
	Other taxation and social security costs	55,716	55,931
	Other creditors	5,717	5,717
	Accruals and deferred income	164,553	143,156
		<u>4,460,073</u>	<u>3,998,194</u>
	COMPANY		
	Bank loan and overdraft	2,223,669	1,920,307
	Trade creditors	1,926,117	1,873,083
	Other taxation and social security costs	55,716	55,931
	Other creditors	5,717	5,717
	Accruals and deferred income	159,553	143,156
		<u>4,370,772</u>	<u>3,998,194</u>

The bank loan and overdraft disclosed above is secured by a floating charge on the assets of the company.

16	SHARE CAPITAL	2006 £	2005 £
	Authorised:		
	14,000 ordinary shares of 5p each	700	700
		<u>700</u>	<u>700</u>
	Allotted, issued and fully paid:		
	12,007 ordinary shares of 5p each	600	600
		<u>600</u>	<u>600</u>
17	PROFIT AND LOSS ACCOUNT	2006 £	2005 £
	GROUP		
	1 July 2005	2,954,388	2,615,711
	Profit for the financial year	112,553	338,677
		<u>3,066,941</u>	<u>2,954,388</u>
	COMPANY		
	1 July 2005	2,954,388	2,615,711
	Profit for the financial year	175,069	338,677
		<u>3,129,457</u>	<u>2,954,388</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2006 £	2005 £
	GROUP		
	Profit for the financial year	112,553	338,677
	Opening shareholders' funds	2,954,988	2,616,311
	Closing shareholders' funds	<u>3,067,541</u>	<u>2,954,988</u>
	COMPANY		
	Profit for the financial year	175,069	338,677
	Opening shareholders' funds	2,954,988	2,616,311
	Closing shareholders' funds	<u>3,130,057</u>	<u>2,954,988</u>
19	CASH FLOWS	2006 £	2005 £
a	Reconciliation of operating profit/(loss) to net cash inflow from operating activities		
	Operating profit/(loss)	85,472	(130,563)
	Depreciation	219,918	127,361
	Amortisation	11,601	2,500
	Decrease/(increase) in stocks	299,222	(38,687)
	Increase in debtors	(325,079)	(244,151)
	Increase in creditors	(27,212)	472,279
	Net cash inflow from operating activities	<u>263,922</u>	<u>188,739</u>

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

19	CASH FLOWS (continued)		2006 £	2005 £
b	Analysis of cash flows for headings netted in the cash flow			
	Returns on investments and servicing of finance			
	Rent received	-	-	20,228
	Other income	-	-	43,535
	Interest paid	(116,201)	(116,201)	(87,069)
	Interest received	952	952	-
	Net cash outflow from returns on investments and servicing of finance		(115,249)	(23,306)
	Capital expenditure and financial investment			
	Purchase of tangible fixed assets	(426,332)	(426,332)	(595,104)
	Net cash outflow from capital expenditure and financial investment		(426,332)	(595,104)
	Acquisitions and disposals			
	Purchase of subsidiary undertaking	(135,000)	(135,000)	-
	Cash acquired with subsidiary	115,745	115,745	-
	Net cash outflow from acquisitions and disposals		(19,255)	-
	Financing			
	Debt due within the year			
	New loan	1,500,000	1,500,000	-
	Loan repayments	(160,280)	(160,280)	-
	Net cash inflow from financing		1,339,720	-
		At 1 July 2005 £	Cash flow £	At 30 June 2006 £
c	Analysis of net debt			
	Cash at bank and in hand	17,079	31,165	48,244
	Bank overdraft	(1,920,307)	1,011,641	(908,666)
		(1,903,228)	1,042,806	(860,422)
	Bank loan due within one year	-	(1,339,720)	(1,339,720)
		(1,903,228)	(296,914)	(2,200,142)
20	CAPITAL COMMITMENTS		2006 £	2005 £
	Capital expenditure contracted for but not provided in the financial statements		-	55,250

W & G Foyle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

21 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2006 the group and company had annual commitments under non-cancellable operating leases as follows:

	2006 £	2005 £
Plant and machinery		
expiring in the first year	44,319	2,432
expiring in the second to fifth year	85,360	75,386
	<hr/>	<hr/>
	129,679	77,818
Land and buildings		
expiring in the second to fifth year	840,000	840,000
expiring after more than five years	108,000	-
	<hr/>	<hr/>
	948,000	840,000
	<hr/>	<hr/>
	1,077,679	917,818
	<hr/>	<hr/>

22 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 (2005: £840,000).

At 30 June 2006 the company owed Noved Investment Company £100 (2005: £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 £3,025 (2005: £10,427). At 30 June 2006 the company owed £Nil to Air Foyle Limited (2005: £Nil).

23 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is WRC Foyle.