

# W & G Foyle Limited

## REPORT AND FINANCIAL STATEMENTS

for the year ended  
30 June 2007

TUESDAY



LD6 \*LNVREZAH\* 296  
29/04/2008  
COMPANIES HOUSE

Company Registration No 00945131

# W & G Foyle Limited

## DIRECTORS AND OFFICERS

---

### DIRECTORS

WRC Foyle  
WEF Samuel  
S Husain  
VE Wordley  
JL Browne  
R Burnett

### SECRETARY

JL Browne

### REGISTERED OFFICE

113-119 Charing Cross Road  
London WC2H 0EB

### AUDITOR

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 2007

### PRINCIPAL ACTIVITIES

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

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Sales for the year amounted to £18.1 million, an increase of over 26% on the previous year, with most of this increase coming from new shops, the Web, Corporate Accounts and Mail Order sales. Like for like sales at our Charing Cross Road store were down 1.74% and at our Southbank Centre shop sales were virtually unaltered with the Royal Festival Hall remaining closed.

In October 2006 we took over the bookselling concession at Selfridges in Oxford Street and Manchester. Together these added £2.5 million to our turnover and should, as reported last year, add over £3 million in a full year.

After an initial trial period we decided to discontinue our bookselling concession at Historic Royal Palaces. While there was some value in the brand exposure for the Company, the net results were not sufficiently attractive to justify the management time involved. The agreement was terminated by mutual consent in May 2007.

Internet sales, both through our own website and from other internet platforms, were up by over 300% and represented just under 7% of total sales. Sales through the Corporate and Academic Accounts division grew by nearly 15% reflecting the increase in resources allocated to this potential growth area.

Following the success of the Cafe concession, we are exploring a number of new partnerships which will add to the attraction of our Charing Cross Road store as a destination, simultaneously driving additional footfall and maximizing revenue per square foot. Towards the end of 2006 we entered into such an agreement with antiquarian bookseller Charlie Unsworth, who now operates as a concession from self-contained premises within the Charing Cross Road store.

In February 2007 we instituted a loyalty card scheme on a trial basis. Analysis of the feedback and results were sufficiently encouraging to justify its continuation and it has therefore been reintroduced in November 2007.

During the year we signed a lease for premises at the newly renovated St Pancras Station, which will open early in 2008 and should add significantly to both sales and profits as well as give our brand valuable exposure to the tourist market. Since the end of the year we have also entered into an agreement to lease premises at the prestigious Westfield shopping mall development in White City, West London.

Our programme of literary events continued to expand and now includes events and book-signings at Selfridges Oxford Street. In total we hosted over 100 literary events with the list of authors including, among many others, Bill Bryson, Richard Dawkins, Humphrey Lyttleton, Jacqueline Wilson, Simon Schama and Maggie O'Farrell. We had a Literary Luncheon for Frederick Forsyth, Andrew Roberts and John Mortimer and continued our recently re-instated programme of Literary Teas with Joanna Trollope attracting a capacity audience.

Our Gallery put on a wide range of exhibitions, from photography to fine art, which included an interactive Sunday Times sponsored first UK exhibition of postcards from the phenomenally successful Postsecret art project where people mail in their secrets anonymously on one side of a homemade postcard. In addition to generating rental income, the wide range of exhibitions undoubtedly generates additional sales in the adjacent Art Department, where revenues were up by nearly 12% on the previous year. The Gallery has also hosted or been hired out for a number of non-book events ranging from speed dating to wine tasting.

Ray's Jazz hosted numerous musical events, including one of the last performances by George Melly, with other performers including Denys Baptiste, Finn Peters, Claire Martin and Ian Shaw. The manager of Ray's Jazz was nominated for services to jazz by the Parliamentary Jazz Awards 2007.

# W & G Foyle Limited

## DIRECTORS' REPORT

---

A rigorous programme to review and replenish book stock in all stores commenced in May 2007 and will continue through the next financial year. Armed with more detailed and comprehensive data from improved management information systems, the directors undertook a comprehensive review of slow moving stock lines during the year and concluded that an exceptional "stock write down" provision of £1.3 million was required. Steps have also been taken to strengthen and streamline the goods handling and stock monitoring processes to ensure that new stock is delivered speedily and efficiently to the retail outlets and is continuously updated. The benefits of these measures has flowed through in the following financial year as the retail space has been optimised to display fresh stock and the additional space created at our Charing Cross Road store has enabled the introduction of a "Second-hand and Reminders" book department in December 2007.

In addition to the exceptional stock provision, one-off charges in respect of share options granted and impairment of goodwill relating to the acquisition of Bookplace Limited in the previous year are included with the operating expenses in the profit and loss account.

Once again the Board would like to note its appreciation of the dedication and hard work of the staff. Following the comprehensive staff training programme mentioned in last year's annual report, Floor and Store Managers now have more involvement in general management. Since the end of the year a detailed new budgeting and departmental accounting system has been developed which has enabled us to introduce a performance-related bonus scheme for the Floor and Store Managers.

Notwithstanding the ongoing challenging trading conditions, the directors are confident that the steps taken to refresh the retail book stock, optimise store space and continue the staff and management development programme will improve the trading results in the short term. Furthermore, with new outlets coming on stream during the course of the following financial year, the Board are optimistic about the medium and long-term prospects for the company.

### *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 loss after taxation of £680,370 (2006 profit of £112,553)

The directors do not recommend the payment of a dividend

### DIRECTORS

The following directors have held office since 1 July 2006 unless otherwise stated

	Options over ordinary shares of 5p each	
	31 12 06	01 01 06
	£	£
WRC Foyle	1,000	-
WEF Samuel	1,000	-
S Husain (appointed 8 May 2007)	-	-
VE Wordley	500	-
JL Browne	500	-
R Burnett (appointed 23 January 2008)	-	-

### INDEMNIFICATION OF DIRECTORS

Qualifying third party indemnity is in place for directors who held office in the year

### 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

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

23 January 2008

# 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 6 to 24

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 2007 and of the group's loss 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 LLP*

BAKER TILLY UK AUDIT LLP

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

23 January 2008

**W & G Foyle Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2007

	Notes	£	2007 £	2006 £
TURNOVER	1			
Continuing operations			18,019,287	14,373,470
Acquisitions			-	601,807
			<u>18,019,287</u>	<u>14,975,277</u>
Exceptional costs	7	(1,305,530)	-	-
Other cost of sales		(13,853,154)	-	-
Total cost of sales	2		(15,158,684)	(11,341,226)
Gross profit			<u>2,860,603</u>	<u>3,634,051</u>
Exceptional expenses	7	(178,765)	-	-
Other operating expenses (net)		(4,619,080)	(3,891,294)	-
Total operating expenses	2		(4,797,845)	(3,891,294)
Exceptional income	7	1,310,904	275,000	-
Other operating income	3	87,134	67,715	-
Total operating income			<u>1,398,038</u>	<u>342,715</u>
OPERATING (LOSS)/PROFIT				
Continuing operations			(539,204)	151,597
Acquisitions			-	(66,125)
TOTAL OPERATING (LOSS)/PROFIT			<u>(539,204)</u>	<u>85,472</u>
Interest receivable	4		-	952
Interest payable	5		(141,166)	(116,201)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6		<u>(680,370)</u>	<u>(29,777)</u>
Taxation	9		-	142,330
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18		<u>(680,370)</u>	<u>112,553</u>

The operating loss 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 2007**

	<i>Notes</i>	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	10	33,068	126,245
Tangible assets	11	1,009,910	967,848
Investments	12	1	1
		<u>1,042,979</u>	<u>1,094,094</u>
<b>CURRENT ASSETS</b>			
Stocks	13	3,779,833	4,539,433
Debtors - due within one year	14	1,147,570	1,210,967
- due after more than one year	14	634,876	634,876
Cash at bank and in hand		36,276	48,244
		<u>5,598,555</u>	<u>6,433,520</u>
<b>CREDITORS</b> Amounts falling due within one year	15	(3,339,302)	(4,460,073)
<b>NET CURRENT ASSETS</b>		<u>2,259,253</u>	<u>1,973,447</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,302,232</u>	<u>3,067,541</u>
<b>CREDITORS</b> Amounts falling due after more than one year	16	(848,461)	-
<b>NET ASSETS</b>		<u>2,453,771</u>	<u>3,067,541</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	600	600
Profit and loss account	18	2,453,171	3,066,941
<b>SHAREHOLDERS' FUNDS</b>	19	<u>2,453,771</u>	<u>3,067,541</u>

The financial statements on pages 6 to 24 were approved and authorised for issue on 23 January 2008 and are signed on its behalf by

Director



**W & G Foyle Limited**  
**COMPANY BALANCE SHEET**  
**30 June 2007**

	<i>Notes</i>	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	10	33,068	14,080
Tangible assets	11	1,009,910	966,691
Investments	12	-	135,000
		<u>1,042,978</u>	<u>1,115,771</u>
<b>CURRENT ASSETS</b>			
Stocks	13	3,779,833	4,533,816
Debtors - due within one year	14	1,147,570	1,205,874
- due after more than one year	14	634,876	623,124
Cash at bank and in hand		36,276	22,244
		<u>5,598,555</u>	<u>6,385,058</u>
CREDITORS Amounts falling due within one year	15	(3,339,302)	(4,370,772)
NET CURRENT ASSETS		<u>2,259,253</u>	<u>2,014,286</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,302,231	3,130,057
CREDITORS Amounts falling due after more than one year	16	(848,461)	-
NET ASSETS		<u>2,453,770</u>	<u>3,130,057</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	600	600
Profit and loss account	18	2,453,170	3,129,457
SHAREHOLDERS' FUNDS	19	<u>2,453,770</u>	<u>3,130,057</u>

The financial statements on pages 6 to 24 were approved and authorised for issue on 23 January 2008 and are signed on its behalf by

Director



**W & G Foyle Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 30 June 2007**

---

	<i>Notes</i>	2007 £	2006 £
Net cash inflow from operating activities	20a	732,959	263,922
Returns on investments and servicing of finance	20b	(141,166)	(115,249)
Capital expenditure and financial investment	20b	(342,788)	(426,332)
Acquisitions and disposals	20b	-	(19,255)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>249,005</u>	<u>(296,914)</u>
Financing	20b	(156,372)	1,364,437
INCREASE IN CASH IN THE YEAR	20c	<u>92,633</u>	<u>1,067,523</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Increase in cash in the year	92,633	1,067,523
Net cash (outflows)/inflows from decrease/(increase) in net debt	156,372	(1,364,437)
MOVEMENT IN NET DEBT IN YEAR	<u>249,005</u>	<u>(296,914)</u>
NET DEBT AT 1 JULY 2006	(2,200,142)	(1,903,228)
NET DEBT AT 30 JUNE 2007	<u>(1,951,137)</u>	<u>(2,200,142)</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

The accounting policies are consistent with those used in prior years except with regard to share based payments, which are now accounted for in accordance with FRS20. The impact of the change is explained in note 24

### GOING CONCERN

Noved Investment Company, a company in which the directors, WRC Foyle and WEF Samuel, have an interest, has confirmed that it will provide the necessary financial support to enable the company to continue to trade and to meet its liabilities as they fall due during the period to 31 January 2009. Accordingly, the directors believe that it is appropriate for the company's financial statements to be prepared on a going concern basis

### 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 foreseeable future

# W & G Foyle Limited

## ACCOUNTING POLICIES

---

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 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.

### SHARE BASED PAYMENTS

The company has applied the requirements of FRS20 *share-based payment* which requires the fair value of share-based payments to be recognised as an expense.

This standard has been applied to the share options. Certain employees receive remuneration in the form of share options. The fair value of the equity instruments granted is measured on the date at which they are granted.

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### 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 TOTAL COST OF SALES AND NET OPERATING EXPENSES

	2007 £	2006 £
--	-----------	-----------

#### Cost of sales

Continuing operations

15,158,684

10,830,630

Acquisitions

-

510,596

15,158,684

11,341,226

#### Distribution costs

Continuing operations

156,366

137,603

Acquisitions

-

-

#### Administration expenses

Continuing operations

4,641,479

3,596,355

Acquisitions

-

157,336

#### Net operating expenses

4,797,845

3,891,294

### 3 OTHER OPERATING INCOME

	2007 £	2006 £
--	-----------	-----------

Rent receivable

16,245

-

Other income

70,889

67,715

87,134

67,715

### 4 INTEREST RECEIVABLE

	2007 £	2006 £
--	-----------	-----------

Bank interest

-

952

### 5 INTEREST PAYABLE

	2007 £	2006 £
--	-----------	-----------

Loans and bank overdraft interest

141,166

116,201

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

6	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2007	2006
		£	£
	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	275,781	219,918
	Amortisation of intangible fixed assets	36,272	11,601
	Operating lease rentals		
	Land and buildings	908,696	924,575
	Plant and machinery	30,443	43,575
	Auditors' remuneration - audit	22,000	21,000
	- non-audit	10,000	13,750
	Exceptional income (note 7)	1,310,904	(275,000)
	Exceptional costs (note 7)	1,484,295	-
		<u>1,310,904</u>	<u>(275,000)</u>
7	EXCEPTIONAL ITEMS	2007	2006
		£	£
	Exceptional income		
	Fraud investigation recoveries	-	275,000
	Reimbursement of prior year refurbishment costs	1,310,904	-
		<u>1,310,904</u>	<u>275,000</u>
	Exceptional cost of sales		
	Stock write downs	1,305,530	-
	Exceptional operating expenses		
	Impairment provision (note 10)	112,165	-
	Share based payment charge (note 24)	66,600	-
		<u>1,484,295</u>	<u>-</u>

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2007

8	EMPLOYEES	2007 No	2006 No
	The average monthly number of persons (including directors) employed by the group during the year was	143	120
		<hr/>	<hr/>
		2007 £	2006 £
	Staff costs for above persons		
	Wages and salaries	2,687,654	2,311,165
	Social security costs	225,818	203,844
	Pension costs	2,706	-
	Share based payment charge (note 24)	66,600	-
		<hr/>	<hr/>
		2,982,778	2,515,009
		<hr/>	<hr/>
	DIRECTORS' REMUNERATION	2007 £	2006 £
	Emoluments	210,507	374,882
	Share based payment charge (note 24)	66,600	-
		<hr/>	<hr/>
		277,107	374,882
		<hr/>	<hr/>
	Highest paid director		
	Emoluments	73,490	85,358
	Share based payment charge (note 24)	11,100	-
		<hr/>	<hr/>
		84,590	85,358
		<hr/>	<hr/>
	Compensation to director for loss of office	-	30,958
		<hr/>	<hr/>
	Included in the above are fees amounting to £24,750 which were paid to HEP Holdings Limited, a company controlled by Mr S Husain		



# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

9	TAXATION	2007 £	2006 £
	Current tax		
	UK corporation tax on results of the period	-	-
	Total current tax	-	-
	Deferred taxation		
	Origination and reversal of timing differences	-	142,330
	Total deferred tax	-	142,330
	Tax on loss on ordinary activities	-	142,330

	2007 £	2006 £
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	(680,370)	(29,777)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(204,111)	(8,933)
Effects of		
Expenses not deductible for tax purposes	35,437	11,747
Capital allowances in excess of depreciation	(228,769)	(130,200)
Unutilised tax losses carried forward	406,849	127,386
Income not taxable	(123,295)	-
Other timing differences	13,795	-
Difference relating to future deferred tax rates	100,094	-
Current tax charge for period	-	-

The group has trading losses of approximately £2,684,720 (2006 £2,620,000) 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 £751,721 (2006 £785,000) 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 (2006 £623,124) in respect of decelerated capital allowances has been recognised on the basis that this asset is expected to reverse within the foreseeable future (note 14)

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2007

10	INTANGIBLE FIXED ASSETS	Intellectual property £	Purchased goodwill £	Total £
	GROUP			
	Cost			
	1 July 2006	25,000	121,260	146,260
	Additions	24,945	-	24,945
	30 June 2007	49,945	121,260	171,205
	Amortisation			
	1 July 2006	10,920	9,095	20,015
	Charge for the year	5,957	-	5,957
	Impairment provision	-	112,165	112,165
	30 June 2007	16,877	121,260	138,137
	Net book value			
	30 June 2007	33,068	-	33,068
	30 June 2006	14,080	112,165	126,245
				Intellectual property £
	COMPANY			
	Cost			
	1 July 2006			25,000
	Additions			24,945
	30 June 2007			49,945
	Amortisation			
	1 July 2006			10,920
	Charge for the year			5,957
	30 June 2007			16,877
	Net book value			
	30 June 2007			33,068
	30 June 2006			14,080

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

11	TANGIBLE FIXED ASSETS	Leasehold Improvements £	Office furniture & equipment £	Fixtures & fittings £	Total £
	GROUP				
	Cost				
	1 July 2006	776,903	1,191,684	750,538	2,719,125
	Additions	74,697	243,146	-	317,843
	30 June 2007	851,600	1,434,830	750,538	3,036,968
	Depreciation				
	1 July 2006	200,782	799,957	750,538	1,751,277
	Charged in the year	140,560	135,221	-	275,781
	30 June 2007	341,342	935,178	750,538	2,027,058
	Net book value				
	30 June 2007	510,258	499,652	-	1,009,910
	30 June 2006	576,121	391,727	-	967,848
	COMPANY				
	Cost				
	1 July 2006	776,903	1,190,527	750,538	2,717,968
	Additions	74,697	244,303	-	319,000
	30 June 2007	851,600	1,434,830	750,538	3,036,968
	Depreciation				
	1 July 2006	200,782	799,957	750,538	1,751,277
	Charged in the year	140,560	135,221	-	275,781
	30 June 2007	341,342	935,178	750,538	2,027,058
	Net book value				
	30 June 2007	510,258	499,652	-	1,009,910
	30 June 2006	576,121	390,570	-	966,691

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 June 2007

12	FIXED ASSET INVESTMENTS	Shares in subsidiary undertaking £
	GROUP	
	Cost and net book value	
	1 July 2006 and 30 June 2007	1

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 2007, Bookplace Watford Limited had capital and reserves of £1 and had not traded during the year.

	COMPANY	Shares in subsidiary undertaking £
	Cost and net book value	
	1 July 2006	135,000
	Impairment provision	(135,000)
	30 June 2007	-

The above interest represents the company's interest in 100% of the called up share capital of Bookplace Limited. The trade of Bookplace Limited was transferred to the company on 1 July 2006 and Bookplace Limited is a dormant company as at the year end.

13	STOCKS	2007 £	2006 £
	GROUP		
	Books, gifts and stationery	3,779,833	4,539,433
	COMPANY		
	Books, gifts and stationery	3,779,833	4,533,816
14	DEBTORS	2007 £	2006 £
	GROUP		
	Due within one year		
	Trade debtors	349,007	265,066
	Other debtors	89,047	84,562
	Prepayments and accrued income	709,516	861,339
		1,147,570	1,210,967
	Due after more than one year		
	Deferred tax	634,876	634,876
		1,782,446	1,845,843

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### 14 DEBTORS (continued)

COMPANY	2007 £	2006 £
Due within one year		
Trade debtors	349,007	271,075
Other debtors	89,047	73,460
Prepayments and accrued income	709,516	861,339
	<u>1,147,570</u>	<u>1,205,874</u>
Due after more than one year		
Deferred tax	634,876	623,124
	<u>1,782,446</u>	<u>1,828,998</u>

	2007 £	2006 £
The deferred tax asset is made up as follows		
Decelerated capital allowances	623,124	623,124
	<u>623,124</u>	<u>623,124</u>
At 1 July 2006	623,124	492,546
Deferred tax credited to profit and loss account	-	130,578
At 30 June 2007	<u>623,124</u>	<u>623,124</u>

### 15 CREDITORS Amounts falling due within one year

GROUP	2007 £	2006 £
Bank loan and overdraft	1,138,952	2,248,386
Trade creditors	1,949,355	1,985,701
Other taxation and social security costs	61,846	55,716
Other creditors	-	5,717
Accruals and deferred income	189,149	164,553
	<u>3,339,302</u>	<u>4,460,073</u>
COMPANY		
Bank loan and overdraft	1,138,952	2,223,669
Trade creditors	1,949,355	1,926,117
Other taxation and social security costs	61,846	55,716
Other creditors	-	5,717
Accruals and deferred income	189,149	159,553
	<u>3,339,302</u>	<u>4,370,772</u>

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

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

16	CREDITORS Amounts falling due after more than one year	2007	2006
	GROUP AND COMPANY	£	£
	Bank loan	709,365	-
	Other loan	139,096	-
		<u>848,461</u>	<u>-</u>

The bank loan is secured by a floating charge on the assets of the group

The bank loan is repayable by instalments as follows

	GROUP AND COMPANY	2007	2006
		£	£
	Repayable by instalments		
	Within one year	359,604	-
	Between one and two years	359,604	-
	Between two and five years	349,761	-
		<u>1,068,969</u>	<u>-</u>

17	SHARE CAPITAL	2007	2006
		£	£
	Authorised		
	14,000 ordinary shares of 5p each	700	700
	6,000 'A' ordinary shares of 5p each	300	300
		<u>1,000</u>	<u>1,000</u>
	Allotted, issued and fully paid		
	12,007 ordinary shares of 5p each	600	600

The ordinary shares and the 'A' ordinary shares rank pari passu as to dividend rights. The 'A' ordinary shares rank behind the ordinary shares on a winding up or other return of capital and do not generally entitle holders to receive notice of and/or to attend and speak at general meetings.

The company has granted options which remain exercisable, to subscribe for 'A' ordinary shares of 5p each

	Grant date	Subscription price per share £	Period within which options are exercisable	Number of shares for which rights are exercisable	
				31 12 06	1 1 06
EMI Scheme	19 07 06	111	19 07 06-18 07 16	1,750	-
Unapproved Scheme	19 07 06	111	19 07 06-18 07 16	1,250	-

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2007

18	PROFIT AND LOSS ACCOUNT	2007	2006
		£	£
	GROUP		
	1 July 2006	3,066,941	2,954,388
	(Loss)/profit for the financial year	(680,370)	112,553
	Credit to equity for share based payment (note 24)	66,600	-
	30 June 2007	2,453,171	3,066,941
	COMPANY		
	1 July 2006	3,129,457	2,954,388
	(Loss)/profit for the financial year	(742,887)	175,069
	Credit to equity for share based payment (note 24)	66,600	-
	30 June 2007	2,453,170	3,129,457
19	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007	2006
		£	£
	GROUP		
	(Loss)/profit for the financial year	(680,370)	112,553
	Opening shareholders' funds	3,067,541	2,954,988
	Credit to equity for share based payment (note 24)	66,600	-
	Closing shareholders funds	2,453,771	3,067,541
	COMPANY		
	(Loss)/profit for the financial year	(742,887)	175,069
	Opening shareholders' funds	3,130,057	2,954,988
	Credit to equity for share based payment (note 24)	66,600	-
	Closing shareholders' funds	2,453,770	3,130,057
20	CASH FLOWS	2007	2006
		£	£
a	Reconciliation of operating (loss)/profit to net cash inflow from operating activities		
	Operating (loss)/profit	(539,204)	85,472
	Depreciation of tangible fixed assets	275,781	219,918
	Amortisation and impairment of intangible fixed assets	118,122	11,601
	Decrease in stocks	759,600	299,222
	Decrease/(increase) in debtors	63,397	(325,079)
	Decrease in creditors	(11,337)	(27,212)
	Share based payment (note 24)	66,600	-
	Net cash inflow from operating activities	732,959	263,922

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2007

### 20 CASH FLOWS (continued)

		2007 £	2006 £
b	Analysis of cash flows for headings netted in the cash flow		
	<b>Returns on investments and servicing of finance</b>		
	Interest paid	(141,166)	(116,201)
	Interest received	-	952
	<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(141,166)</u>	<u>(115,249)</u>
	<b>Capital expenditure and financial investment</b>		
	Purchase of tangible fixed assets	(342,788)	(426,332)
	<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(342,788)</u>	<u>(426,332)</u>
	<b>Acquisitions and disposals</b>		
	Purchase of subsidiary undertaking	-	(135,000)
	Cash acquired with subsidiary	-	115,745
	<b>Net cash outflow from acquisitions and disposals</b>	<u>-</u>	<u>(19,255)</u>
	<b>Financing</b>		
	Debt due within the year		
	New loan	1,450,000	1,500,000
	Loan repayments	(1,606,372)	(135,563)
	<b>Net cash (outflow)/inflow from financing</b>	<u>(156,372)</u>	<u>1,364,437</u>
	At 1 July 2006 £	Cash flow £	At 30 June 2007 £
c	Analysis of net debt		
	Cash at bank and in hand	48,244	(11,968)
	Bank overdraft	(883,949)	104,601
		<u>(835,705)</u>	<u>92,633</u>
	Bank loan due within one year	(1,364,437)	1,004,833
	Bank loan due after one year	-	(709,365)
	Other loan due after one year	-	(139,096)
		<u>(1,364,437)</u>	<u>156,372</u>
		<u>(2,200,142)</u>	<u>(1,208,065)</u>
			<u>(1,951,137)</u>



# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 June 2007

---

#### 21 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2007 the group and company had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
Plant and machinery		
expiring in the first year	52,520	44,319
expiring in the second to fifth year	14,634	85,360
	<hr/>	<hr/>
	67,154	129,679
Land and buildings		
expiring in the first year	840,000	-
expiring in the second to fifth year	-	840,000
expiring after more than five years	108,000	108,000
	<hr/>	<hr/>
	948,000	948,000
	<hr/>	<hr/>
	1,015,154	1,077,679
	<hr/>	<hr/>

#### 22 RELATED PARTY DISCLOSURES

The company rents its bookshop premises from Noved Investment Company ("Noved"), a company in which the directors, WRC Foyle and WEF Samuel, have an interest, at an annual rental of £840,000 (2006 £840,000)

During the year, the company was advanced a net amount of £1,450,000 by Noved, incurring an interest charge of £34,000, and recharged to Noved £1,310,904 of capital costs that had initially been paid for by W & G Foyle Limited on the refurbishment of the Charing Cross Road bookshop in prior years. The company owed Noved £139,096 at the balance sheet date (note 16)

#### 23 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is WRC Foyle

#### 24 SHARE BASED PAYMENTS

The company uses a Black-Scholes model to calculate the fair value of share options. Details of the share options are given in note 17. The key inputs to the model are as follows:

	2007
Average share price	£111
Average exercise price	£111
Expected volatility	22.8%
Risk free rate	5%
Dividend yield	0%

Expected volatility was determined by calculating the volatility of the company's net assets over the previous 3 years prior to each grant.

The effect of the share-based payment is to charge the profit and loss account with £66,600 in the year to 30 June 2007.

There is no effect on the balance sheet as at 30 June 2007 or any other date.