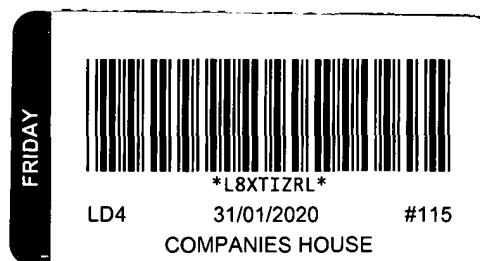


W. & G. Foyle Limited  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
for the period ended  
27 April 2019

Company Registration Number: 00945131



**W. & G. Foyle Limited**  
**COMPANY INFORMATION**

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**DIRECTORS**

A J Daunt  
P Best

**SECRETARY**

A Campbell

**COMPANY NUMBER**

00945131

**REGISTERED OFFICE**

203-206 Piccadilly  
London  
W1J 9HD

**AUDITOR**

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

# W. & G. Foyle Limited

## STRATEGIC REPORT

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The directors submit their Strategic Report and the financial statements of W. & G. Foyle Limited ("the Company") for the period ended 27 April 2019. During the period the financial year end was changed from 30 June to 30 April.

### PRINCIPAL ACTIVITIES

The Company operates a chain of seven bookshops, four of which are in London and the others in Birmingham, Bristol and Chelmsford and also through the Foyles.com e-commerce web site.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

In the period under review, on 25 October 2018, the Company was sold to Book Retail Bidco Limited ("Bidco"), a private limited company incorporated and registered in England and Wales (registered company number: 11284041). As a result of this transaction, Bidco became the immediate parent company of the Company.

Turnover for the period ended 27 April 2019 was £22,619,000 (year ended 30 June 2018: £26,124,000). Gross margins remained steady. The Company made a pre-tax loss of £257,000 (2018: £1,198,000 loss) after incurring net exceptional costs of £580,166 (2018: £724,000).

Trading conditions were challenging due to the relative lack of good publishing during the year but the directors are optimistic about the medium and long-term prospects and believe the Company to be in a good position to take advantage of new opportunities as they arise.

No new shops were opened or closed during the period under review.

Information technology is critical to our business and investment in this area is ongoing, with improvements being made to our management information systems and to the robustness and security of our server infrastructure.

Once again, the Board would like to note its appreciation of the commitment, dedication and hard work of the staff. The Board and executive management will continue the development of staff and managers through regular in-house and external training programmes.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Company are as follows:

- Competition in the retail industry, principally from Amazon;
- Poor economic conditions or slowdown in relation to Brexit;
- Cost price and inflationary impact following the exchange rate reduction in Sterling;
- Business rate increase following the re-rating assessment;
- Dependence on Christmas sales and reliance on the strength of publishing throughout the year; and
- Failure or interruption of information technology systems.

The directors evaluate and guard against these principal risks and uncertainties in the preparation and subsequent execution of the Company's strategic and operational plans and policies.

### KEY PERFORMANCE INDICATORS ("KPIs")

The directors consider the key indications of the performance of the Company, both financial and non-financial, to be turnover, gross profit percentage and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and any one-off exceptional costs).

W. & G. Foyle Limited  
STRATEGIC REPORT

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FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company uses financial instruments comprising cash and other liquid resources and various other items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risk arising from the Company's financial instruments is liquidity risk. The directors review and agree policies for any risks identified and they are summarised below. The policies have remained unchanged from previous periods.

*Liquidity risk*

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital and ensuring that appropriate facilities are available to be drawn upon where necessary.

On behalf of the Board

A J Daunt  
Director

29 January 2020

## W. & G. Foyle Limited

### DIRECTORS' REPORT

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The directors present their report and audited financial statements of W. & G. Foyle Limited for the period ended 27 April 2019.

#### DIRECTORS

The following directors held office throughout the period under review and up to and including the date of this Report:

A J Daunt (appointed 25 October 2018)  
P Best (appointed 25 October 2018)

J Browne (resigned 25/10/2018)	B A Aspinall (resigned 24/10/2018)
R K Burnen (resigned 25/10/2018)	P A Currie (resigned 25/10/2018)
C M Foyle (resigned 25/10/2018)	W R M C Foyle (resigned 25/10/2018)
W E F Samuel (resigned 25/10/2018)	

#### DIRECTORS' LIABILITIES

Qualifying third party indemnity provision is in place for directors who held office in the period of review and remains in force on the date of this Report.

#### RESULTS AND DIVIDENDS

For the ten month period ending 27 April 2019 the Company made a loss after taxation of £106,361 (year ended 30 June 2018: £1,686,580 loss).

No dividend is to be paid or declared in connection with the period under review (2018: nil).

#### FUTURE DEVELOPMENTS

Future developments have been detailed within the Strategic Report on page 2.

#### POST BALANCE SHEET EVENTS

There have been no post balance sheet events in the period from 27 April 2019 to the date of signing the accounts.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is 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.

#### AUDITOR

RSM UK Audit LLP has expressed its willingness to continue in office.

On behalf of the Board

A J Daunt  
Director

29 January 2020

## W. & G. Foyle Limited

### DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The directors are responsible for preparing the Strategic Report, the Directors' 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).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent;
- c. 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

# W. & G. Foyle Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. & G. FOYLE LIMITED

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### Opinion

We have audited the financial statements of W. & G. Foyle Limited (the 'Company') for the period ended 27 April 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 April 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## W. & G. Foyle Limited

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. & G. FOYLE LIMITED (continued)

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#### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

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

*RSM UK Audit LLP*

JOANNA SOWDEN (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Date: 30.1.2020.

W. & G. Foyle Limited  
STATEMENT OF COMPREHENSIVE INCOME  
for the period ended 27 April 2019

	<i>Notes</i>	Period ended 27 April 2019 £	Year ended 30 June 2018 £
TURNOVER	1	22,619,155	26,124,481
Cost of sales		(14,682,130)	(17,640,235)
GROSS PROFIT		7,937,025	8,484,246
Operating expenses	2	(8,445,611)	(10,077,825)
Other operating income		251,323	413,028
OPERATING LOSS		(257,263)	(1,180,551)
Interest receivable	3	1,904	-
Interest payable	4	(1,657)	(17,154)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(257,016)	(1,197,705)
Taxation	7	150,455	(488,875)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(106,561)	(1,686,580)

There were no other comprehensive income items.

All operating gains and losses relate to continuing activities.

W. & G. Foyle Limited  
STATEMENT OF FINANCIAL POSITION  
27 April 2019

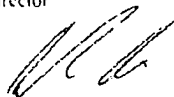
Company Registration Number: 00945131

	Notes	27 April 2019		30 June 2018	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		47,482		54,852
Tangible fixed assets	9		1,552,962		1,847,519
			<u>1,600,444</u>		<u>1,902,371</u>
<b>CURRENT ASSETS</b>					
Stocks	10	3,285,922		3,455,554	
Debtors - due within one year	11	3,720,969		2,816,535	
- due after more than one year	11	150,455		-	
Cash at bank and in hand	12	1,776,072		35,084	
		<u>8,933,418</u>		<u>6,307,173</u>	
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	13	(5,354,272)		(4,577,406)	
<b>NET CURRENT ASSETS</b>			<u>3,759,146</u>		<u>1,729,767</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,179,590</u>		<u>3,632,138</u>
Provisions for liabilities	15		(174,000)		(283,000)
<b>NET ASSETS</b>			<u>5,005,590</u>		<u>3,349,138</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		2,194		1,200
Share premium account	17		4,502,714		1,990,695
Other reserve	17		-		750,000
Profit and loss account	17		500,682		607,243
<b>SHAREHOLDERS' FUNDS</b>			<u>5,005,590</u>		<u>3,349,138</u>

The financial statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on 29/01/2020 and are signed on its behalf by:



A J Daunt  
Director



P Best  
Director

**W. & G. Foyle Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the period ended 27 April 2019

	Notes	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
Balance at 1 July 2017		1,200	1,990,695	-	2,293,823	4,285,718
Comprehensive income for the year		-	-	-	(1,686,580)	(1,686,580)
Loss for the year		-	-	-	(1,686,580)	(1,686,580)
Premium on shares issued		-	-	750,000	-	750,000
Balance at 1 July 2018		1,200	1,990,695	750,000	607,243	3,349,138
Comprehensive income for the year		-	-	-	(106,561)	(106,561)
Loss for the year		-	-	-	(106,561)	(106,561)
Shares issued	17	994	2,512,019	(750,000)	-	1,763,013
Balance at 27 April 2019		2,194	4,502,714	-	500,682	5,005,590

W. & G. Foyle Limited  
 STATEMENT OF CASH FLOWS  
 for the period ended 27 April 2019

	Notes	Period ended 27 April 2019 £	Year ended 30 June 2018 £
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	18	2,376,770	110,204
Interest paid		(1,657)	(17,154)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>2,375,063</b>	<b>93,050</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(136,844)	(343,850)
Purchase of intangible fixed assets		(18,346)	(17,781)
Interest received		1,904	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(153,286)</b>	<b>(361,631)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from grant of option		-	750,000
Repayments of borrowings		(13,382)	(78,419)
<b>NET CASH (USED IN) / FROM FINANCING ACTIVITIES</b>		<b>(13,382)</b>	<b>671,581</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,208,395</b>	<b>403,000</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>(432,323)</b>	<b>(835,323)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,776,072</b>	<b>(432,323)</b>
Relating to:-			
Bank balances included in cash at bank and in hand	12	1,776,072	35,084
Bank overdraft included in short term creditors	13	-	(467,407)
<b>TOTAL</b>		<b>1,776,072</b>	<b>(432,323)</b>

# W. & G. Foyle Limited

## ACCOUNTING POLICIES

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### GENERAL INFORMATION

W. & G. Foyle Limited ("the Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office is 203 – 206 Piccadilly, London, W1J 9HD and the principal place of business is 107 Charing Cross Road, London, WC2H 0DT.

The Company's principal activities are disclosed in the Strategic Report on page 2.

### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

### GOING CONCERN

The directors have received formal confirmation from Waterstones Booksellers Limited that it will provide the necessary financial support to assist the Company to meet its liabilities as and when they fall due, to the extent that alternative funding is not otherwise available, via access to the £25m credit facility that is made available by Book Retail Bideo Limited (the immediate parent Company of both W. & G. Foyle Limited and Waterstones Booksellers Limited) to Waterstones Booksellers Limited.

This confirmation to provide the financial support outlined above is for a period of at least 12 months from the date of signing of the financial statements of W. & G. Foyle Limited for the period ended 27 April 2019.

For this reason, the going concern basis is considered appropriate for the preparation of the financial statements.

### FOREIGN CURRENCIES

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### TURNOVER

Turnover represents the value, net of Value Added Tax, of goods sold to customers and is recognised when goods are delivered and title has passed.

### INTANGIBLE FIXED ASSETS

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Website development	25% per annum on cost
Intellectual property	10% per annum on cost

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

## W. & G. Foyle Limited

### ACCOUNTING POLICIES (continued)

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#### TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

#### IMPAIRMENT OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses in profit or loss. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices. At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

#### TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## W. & G. Foyle Limited

### ACCOUNTING POLICIES (continued)

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#### OPERATING LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis, over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis, over the lease term.

#### EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### PENSION CONTRIBUTIONS

The Company makes contributions to the personal pension plans of certain senior employees. 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.

#### FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Sections 11 and 12 of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### FINANCIAL ASSETS

##### *Trade and other debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

#### FINANCIAL LIABILITIES AND EQUITY

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *Trade and other creditors*

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

## W. & G. Foyle Limited

### ACCOUNTING POLICIES (continued)

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#### FINANCIAL LIABILITIES AND EQUITY (continued)

##### *Bank overdrafts*

Bank overdrafts are presented within creditors: amounts falling due within one year.

##### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### SHARE BASED PAYMENTS

The Company uses equity-settled share based payments to remunerate certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) on the date of grant. The fair value at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period.

#### PROVISIONS

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Deferred tax asset*

Deferred tax assets are only recognised when the expectation of recovery is probable.

##### *Provision for slow moving stock*

This estimate is based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances.

##### *Impairment of fixed assets*

Assets are reviewed annually for impairment which involves a degree of estimation and judgement over the expected future cash flows

##### *Onerous lease*

Onerous lease provisions require a degree of estimation and judgement over the timing of expected future costs and cash flows including revenue, margin, operating costs, dilapidations and the discount rate applied.

**W. & G. Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 27 April 2019

**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.

<b>2 OPERATING EXPENSES (NET)</b>	<b>Period ended 27 April 2019 £</b>	<b>Year ended 30 June 2018 £</b>
Distribution costs	647,853	724,059
Administration expenses (net)	7,797,758	9,353,766
<b>Total operating expenses (net)</b>	<b>8,445,611</b>	<b>10,077,825</b>

<b>3 INTEREST RECEIVABLE</b>	<b>Period ended 27 April 2019 £</b>	<b>Year ended 30 June 2018 £</b>
Bank interest received	1,904	-

<b>4 INTEREST PAYABLE</b>	<b>Period ended 27 April 2019 £</b>	<b>Year ended 30 June 2018 £</b>
Interest on bank loans, overdrafts and other loans	1,657	17,154

<b>5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>Period ended 27 April 2019 £</b>	<b>Year ended 30 June 2018 £</b>
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	431,401	549,548
Amortisation of intangible fixed assets	25,716	38,287
Operating lease rentals: land and buildings	2,948,703	2,884,191
Cost of stocks recognised as an expense	12,328,357	14,803,216
Auditor's remuneration for statutory audit	41,500	40,000
Auditor's remuneration for group reporting	18,500	-
Exceptional items:		
Impairment charge	-	372,590
Onerous lease charge	-	283,000
Provision for bad debt	-	150,000
Other costs	121,680	344,961
Rate rebates relating to prior periods	-	(426,211)
Payroll related expenses	458,486	-

Other exceptional costs noted above include professional fees relating to the sale, stamp duty land tax, directors remuneration payable as a result of the sale of the Company and other restructuring costs.

# W. & G. Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 27 April 2019

6	EMPLOYEES	Period ended 27 April 2019 No.	Year ended 30 June 2018 No.
	The average monthly number of persons (including directors) employed by the Company during the period was:		
	Administrative	34	37
	Retail	147	152
		<u>181</u>	<u>189</u>
		Period ended 27 April 2019 £	Year ended 30 June 2018 £
	Staff costs for above persons:		
	Wages and salaries	3,352,748	3,945,689
	Social security costs	336,681	309,911
	Pension costs	54,294	36,417
		<u>3,743,723</u>	<u>4,292,017</u>

### DIRECTORS' REMUNERATION

The directors, who are considered to be the key management personnel of the Company, received the following remuneration for their services.

	Period ended 27 April 2019 £	Year ended 30 June 2018 £
Emoluments	126,099	395,916
Payments for termination of contracts	360,884	-
	<u>486,983</u>	<u>395,916</u>

No directors are accruing benefits under money purchase schemes.

	Period ended 27 April 2019 £	Year ended 30 June 2018 £
Highest paid director:		
Emoluments	194,123	212,179
	<u>194,123</u>	<u>212,179</u>

Prior to the sale of the Company, the directors exercised 15,883 share options (see note 17). As a result of the termination of contracts the directors were paid a sum of £360,884.

The payments for termination of contracts is comprised as follows: contractual termination payments (£175,580), ex gratia payments (£31,990), statutory redundancy (£16,002), holiday pay (£11,692) and payment in lieu of notice (£125,620).

# W. & G. Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the period ended 27 April 2019

7 TAXATION	Period ended 27 April 2019 £	Year ended 30 June 2018 £
Current tax:		
UK corporation tax	-	-
Total current tax	-	-
Deferred taxation:		
Origination and reversal of timing differences	(45,911)	493,857
Adjustments in respect of prior periods	(104,544)	(4,982)
Total deferred tax	(150,455)	488,875
Tax on loss on ordinary activities	(150,455)	488,875
	Period ended 27 April 2019 £	Year ended 30 June 2018 £
The current tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK. The differences are explained below:		
Loss on ordinary activities before tax	(257,016)	(1,197,705)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(48,833)	(227,564)
Effects of:		
Expenses not deductible for tax purposes	42,430	100,852
Difference in tax rate between current and deferred tax	5,401	-
Fixed asset differences	-	57,743
Deferred tax not recognised	-	558,565
Change in deferred tax rate	-	4,261
Losses brought forward used (no deferred tax recognised)	(44,909)	-
Adjustments in respect of prior periods	(104,544)	(4,982)
Current tax (credit) charge	(150,455)	488,875

The Company has trading losses of approximately £3.0million (2018: £3.2 million) which, subject to agreement with HM Revenue & Customs, are available to carry forward and offset against future profits of the same trade.

A potential deferred tax asset of £509,000 has not been recognised (2018: £560,000 unrecognised) in respect of these losses due to uncertainty over the amount and timing of future profits against which they can be offset.

# W. & G. Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 27 April 2019

8	INTANGIBLE FIXED ASSETS	Website development £	Intellectual property £	Total £
	Cost			
	1 July 2018	226,833	7,280	234,113
	Additions	6,663	11,683	18,346
	27 April 2019	233,496	18,963	252,459
	Amortisation			
	1 July 2018	171,981	7,280	179,261
	Charge for the year	24,937	779	25,716
	27 April 2019	196,918	8,059	204,977
	Net book value			
	27 April 2019	36,578	10,904	47,482
	30 June 2018	54,852	-	54,852
9	TANGIBLE FIXED ASSETS	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
	Cost			
	1 July 2018	3,510,785	959,122	4,469,907
	Additions	79,964	56,880	136,844
	27 April 2019	3,590,749	1,016,002	4,606,751
	Depreciation			
	1 July 2018	2,198,090	424,298	2,622,388
	Charge for the year	278,155	153,246	431,401
	27 April 2019	2,476,245	577,544	3,053,789
	Net book value			
	27 April 2019	1,114,504	438,458	1,552,962
	30 June 2018	1,312,695	534,824	1,847,519

Leasehold improvements were written down by £nil (2018: £372,590) following an impairment review in the prior year based on prevailing market trading conditions affecting one of the Company's shops.

# W. & G. Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 27 April 2019

10	STOCKS	27 April 2019 £	30 June 2018 £
	Books, gifts and stationery	3,285,922	3,455,554
11	DEBTORS	27 April 2019 £	30 June 2018 £
	Amounts falling due within one year:		
	Trade debtors	198,043	229,315
	Amounts owed by group undertakings	1,763,013	-
	Other debtors	38,203	139,432
	Prepayments and accrued income	1,721,710	2,447,788
		3,720,969	2,816,535
	Amounts falling due after more than one year:		
	Deferred tax asset	150,455	-
		150,455	-
	Total	3,871,424	2,816,535
	Amounts owed by group undertakings represents a debtor due from Book Retail Bideo Limited created as part of the acquisition (see Note 20).		
		27 April 2019 £	30 June 2018 £
	The deferred tax asset is made up as follows:		
	Decelerated capital allowances	150,455	-
		150,455	-
	At 1 July	-	488,875
	Deferred tax charged to profit and loss account	150,455	(488,875)
	At 27 April 2019 / 30 June 2018	150,455	-
12	CASH AT BANK AND IN HAND	27 April 2019 £	30 June 2018 £
	Cash at bank and in hand	1,776,072	35,084
		1,776,072	35,084

# W. & G. Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 27 April 2019

13	CREDITORS: Amounts falling due within one year	27 April 2019 £	30 June 2018 £
	Bank loans and overdraft	-	480,789
	Trade creditors	2,538,980	2,974,981
	Amounts owed to group undertakings	426,659	-
	Other taxation and social security costs	76,411	71,023
	Accruals and deferred income	2,312,222	1,050,613
		<u>5,354,272</u>	<u>4,577,406</u>

Bank loans and overdraft at 30 June 2018 were secured by a fixed and floating charge over the assets of the Company. The bank overdraft was an annual facility and repayable on demand. Interest was payable at 3.25% per annum over Base Rate, this facility was not renewed in the current period.

14	BORROWINGS	27 April 2019 £	30 June 2018 £
	Included in creditors are:		
	Amounts repayable in one year or less or on demand:		
	Bank overdraft	-	467,407
	Bank loans	-	13,382
		<u>-</u>	<u>480,789</u>
	Amounts repayable in more than one year but not more than two years:		
	Bank loans	-	-
	Total	<u>-</u>	<u>480,789</u>

15	PROVISIONS FOR LIABILITIES	£
	At 1 July 2018	283,000
	Utilised during the year	(109,000)
	At 27 April 2019	<u>174,000</u>

The above represents an onerous lease provision on one of the Company's shops that is expected to crystallise over the unexpired lease term.

**W. & G. Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the period ended 27 April 2019

16	FINANCIAL INSTRUMENTS	27 April 2019 £	30 June 2018 £
	Carrying amount of financial assets: Measured at amortised cost	1,961,056	229,315
		<u>1,961,056</u>	<u>229,315</u>
	Carrying amount of financial liabilities: Measured at amortised cost	5,277,861	4,506,383
		<u>5,277,861</u>	<u>4,506,383</u>
17	SHARE CAPITAL AND RESERVES	27 April 2019 £	30 June 2018 £
	Authorised:		
	25,000 Ordinary shares of 5p each (2018: 25,000 Ordinary shares of 5p each)	1,250	1,250
	22,000 'A' Ordinary shares of 5p each (2018: 22,000 'A' Ordinary shares of 5p each)	1,100	1,100
		<u>2,350</u>	<u>2,350</u>
	Allotted and issued		
	24,014 Ordinary shares of 5p each (2018: 24,014 Ordinary shares of 5p each)	1,200	1,200
	4,002 Ordinary Shares of 5p each	200	-
	15,883 'A' Ordinary shares of 5p each	794	-
		<u>2,194</u>	<u>1,200</u>

On 17 July 2018 4,002 Ordinary 5p shares were allotted for £187.41 per share. Furthermore, on 25 October 2018, 15,883 'A' Ordinary 5p shares were allotted for £111.00 per share.

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, vote and speak at general meetings.

	Grant date	Subscription price per share £	Period within which options are exercisable	Number of shares for which rights are exercisable	
				27.04.19	30.06.18
EMI Scheme	14.07.13	111	14.07.13-13.07.23	-	5,375
Unapproved Scheme	14.07.13	111	14.07.13-13.07.23	-	5,875
EMI Scheme	02.03.16	111	02.03.16-01.03.26	-	5,000

During the period under review, the Company allotted and issued 15,883 'A' Ordinary shares of £1 each on the exercise of the above options, 367 having lapsed prior to exercise.

**W. & G. Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the period ended 27 April 2019**

**17 SHARE CAPITAL AND RESERVES (continued)**

**RESERVES**

*Share premium account*

The share premium account represents the consideration received for shares issued above their nominal value, net of transaction costs.

*Other reserve*

The other reserve at the end of the prior year represents consideration for the grant of an option to subscribe for 4,002 Ordinary shares. The option was exercised during the current period.

*Profit and loss reserve*

The profit and loss account represents the cumulative profit and loss net of distributions to the owners.

<b>18 RECONCILIATION OF LOSS AFTER TAX TO NET CASH GENERATED FROM OPERATIONS</b>	<b>Period ended 27 April 2019 £</b>	<b>Year ended 30 June 2018 £</b>
Loss after tax	(106,561)	(1,686,580)
Depreciation and impairment of tangible fixed assets	431,401	922,138
Amortisation of intangible fixed assets	25,716	38,287
Interest payable	1,657	17,154
Interest receivable	(1,904)	-
(Decrease) increase in provisions	(109,000)	283,000
Taxation	(150,455)	488,875
<b>Operating cash flows before movements in working capital</b>	<b>90,854</b>	<b>62,874</b>
Decrease in stocks	169,632	83,950
Decrease (increase) in debtors	858,579	(393,910)
Increase in creditors	1,257,655	357,290
<b>Cash generated from operations</b>	<b>2,376,720</b>	<b>110,204</b>

**19 COMMITMENTS UNDER OPERATING LEASES**

At 27 April 2019 the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>27 April 2019 £</b>	<b>30 June 2018 £</b>
Amounts due:		
Land and buildings		
Within one year	2,228,041	1,941,500
Between one and five years	10,638,306	9,167,125
After five years	39,886,575	42,839,365
<b>Total</b>	<b>52,752,922</b>	<b>53,947,990</b>

## W. & G. Foyle Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the period ended 27 April 2019

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#### 20 RELATED PARTY DISCLOSURES

The Company purchased goods and services of £nil (2018: £1,691,482) from companies in which the directors have an interest. £nil was owed to these related parties at the year end (2018: £135,000 owed by these related parties at the year end).

£1,763,013 is owed to the Company by Book Retail Bidco Limited being funds owed as a result of the acquisition of the Company.

During the period, the Company had the following transactions with Waterstones Booksellers Limited: purchases of services of £307,727 and purchases of goods of £1,642,809. At the balance sheet date the Company owed £426,659 to Waterstones Booksellers Limited.

£11,313 was owed by the Company to a director who resigned on the 25 October 2018 (2018: £12,000).

#### 21 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors, who are considered to be the key management personnel of the Company was £608,041 (2018: £434,745) including employer's national insurance.

#### 22 ULTIMATE CONTROLLING PARTY

During the prior period and the period under review, the Company's shareholders undertook an exercise to sell the Company. The sale completed during the period under review on 25 October 2018 and control of the Company passed to the new owner on this date.

Following sale completion, the immediate parent Company is Book Retail Bidco Limited, and the ultimate parent Company is Book Retail Investco Limited (incorporated in Jersey). Book Retail Investco Limited is wholly owned and controlled by the Elliott funds. The Elliott funds receive investment advice, directly and indirectly, from their investment adviser Elliott Management Corporation, incorporated in Delaware, U.S.A., and its affiliates.

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