

# W & G Foyle Limited

## REPORT AND FINANCIAL STATEMENTS

for the year ended  
30 June 2003



# W & G Foyle Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

WRC Foyle  
WEF Samuel  
Dalmeny Investments Limited

### SECRETARY

J Browne

### REGISTERED OFFICE

113-119 Charing Cross Road  
London WC2H 0EB

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# W & G Foyle Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of W & G Foyle Limited for the year ended 30 June 2003.

### PRINCIPAL ACTIVITIES

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

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

2003 is our Centenary Year, the very first sale made by William and Gilbert Foyle having been in July 1903. The Centenary was formally celebrated at the 700<sup>th</sup> Foyles Literary Luncheon held in the Grosvenor House Hotel in May, attended by 600 people. We also published a book, "Foyles, a Celebration", a light-hearted look at the Company's first 100 years. Sales for the year increased by some 13% over those for the previous year, a very satisfactory outcome when compared to the retail book market's overall growth of 5% in the same period. Sales during the first weeks of the current year sustained this rate of increase.

During the year the Company continued with the refit of the premises. Phase two of this programme, which commenced in February 2003 and was completed in September 2003 included the installation of two new lifts, considerably larger and faster than the existing one, the complete refit and air-conditioning of those areas of the first and third floors not done in phase one, installing Ray's Jazz and the Café on the first floor, air-conditioning the second floor and remodelling the Gallery and associated facilities. The Company plans to carry out the final phase, refitting the remaining areas of the second floor, during 2004.

Ray's Jazz at Foyles opened in November 2002, at the same time as the Café. Both have proved popular, generating revenues comfortably exceeding our initial projections.

The Company's website, [www.foyles.co.uk](http://www.foyles.co.uk) was restructured towards the end of 2002 and now offers all British books in print. Mail order sales, most of which come from the website, now average around 5% of total turnover. The website, which acts as a "Billboard" to generate increased footfall in the shop, is also used to promote and sell tickets for our literary events and to recruit staff.

During the year the programme of literary events went from strength to strength, with top name authors attracting audiences of up to 900 people. We established the Times/Foyles Readers and Writers Forum, which enables us to promote our events to a wide audience at minimum cost. We held our first ever Children's Literary Lunch jointly with The National Literacy Trust, generating excellent goodwill with local schools and attracting good press coverage. While the Foyles Literary Luncheons continued to attract good audiences, we decided to concentrate on fewer luncheons with up to three top name authors at each event. We took the decision to expand the Gallery to give seating capacity of up to 200 so that we could hold more events in-store. The Gallery, which reopened in September 2003, will also provide a useful secondary revenue stream.

As part of our ongoing commitment to staff training the Company began a programme of service assessment using mystery shoppers. Although the initial report indicated several areas for improvement the overall impression given by staff to customers was good. Once again the Board would like to note its appreciation of the dedication and hard work of the staff, and very particularly thank them for their forbearance throughout the disruption of the refit.

### DIVIDENDS

The directors do not recommend the payment of a dividend.

# W & G Foyle Limited

## DIRECTORS' REPORT

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### DIRECTORS

The following directors have held office since 1 July 2002 unless otherwise stated:

WRC Foyle  
WEF Samuel  
Dalmeny Investments Limited

### DIRECTORS' INTERESTS IN SHARES

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

	30/06/03	<i>Ordinary shares of 5p each 01/07/02</i>
WRC Foyle	1,893	1,893
WEF Samuel	252	252
Dalmeny Investments Limited	-	-

### AUDITORS

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

By order of the board



J Browne  
Secretary

5 November 2003

# W & G Foyle Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 6 to 15.

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

### **Respective responsibilities of directors and auditors**

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

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

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

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

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

5 November 2003

**W & G Foyle Limited**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2003

	Notes	2003 £	2002 £
TURNOVER	1	11,402,930	10,116,107
Cost of sales		(8,972,394)	(7,959,404)
Gross profit		<u>2,430,536</u>	<u>2,156,703</u>
Exceptional item	6	(1,655,957)	(1,078,019)
Other operating expenses (net)	2	(2,846,966)	(2,685,889)
OPERATING LOSS		<u>(2,072,387)</u>	<u>(1,607,205)</u>
Investment income	3	56,071	110,253
		<u>(2,016,316)</u>	<u>(1,496,952)</u>
Interest payable	4	(2,354)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(2,018,670)</u>	<u>(1,496,952)</u>
Taxation	8	-	37,252
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>(2,018,670)</u>	<u>(1,459,700)</u>

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

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

# W & G Foyle Limited

## BALANCE SHEET

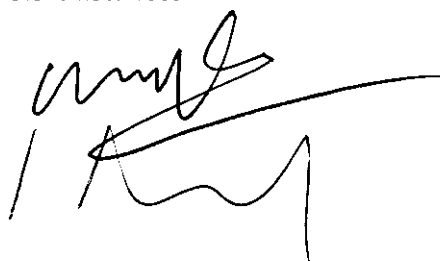
30 June 2003

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	9	21,586	24,086
Tangible assets	10	336,656	392,023
		<u>358,242</u>	<u>416,109</u>
<b>CURRENT ASSETS</b>			
Stocks	11	5,123,376	5,233,856
Debtors	12	405,652	633,805
Cash at bank and in hand		12,407	967,459
		<u>5,541,435</u>	<u>6,835,120</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(2,106,620)	(1,439,502)
<b>NET CURRENT ASSETS</b>		<u>3,434,815</u>	<u>5,395,618</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,793,057</u>	<u>5,811,727</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	600	600
Profit and loss account	15	3,792,457	5,811,127
<b>SHAREHOLDERS' FUNDS</b>	16	<u>3,793,057</u>	<u>5,811,727</u>

Approved by the board on 5 November 2003

WRC Foyle Director

WEF Samuel Director





# W & G Foyle Limited

## CASH FLOW STATEMENT for the year ended 30 June 2003

	<i>Notes</i>	2003 £	2002 £
Net cash outflow from operating activities	17a	(1,409,429)	(1,160,685)
Returns on investments and servicing of finance	17b	53,717	110,253
Taxation		-	(13,276)
Capital expenditure and financial investment	17b	(94,569)	(113,298)
DECREASE IN CASH IN THE YEAR		<u>(1,450,281)</u>	<u>(1,177,006)</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2003 £	2002 £
Decrease in cash in the year	(1,450,821)	(1,177,006)
Change in net cash resulting from cash flows	<u>(1,450,821)</u>	<u>(1,177,006)</u>
MOVEMENT IN NET CASH IN YEAR	(1,450,821)	(1,177,006)
NET CASH AT 1 JULY 2002	967,459	2,144,465
NET (DEBT)/CASH AT 30 JUNE 2003	<u>(483,362)</u>	<u>967,459</u>

# W & G Foyle Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

### INTANGIBLE FIXED ASSETS

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

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

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

Leasehold improvements	over the unexpired lease term
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.

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

### OPERATING LEASES

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

### PENSION CONTRIBUTIONS

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

### FOREIGN CURRENCIES

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

### TURNOVER

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

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

### 1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

2	OTHER OPERATING EXPENSES (NET)	2003 £	2002 £
	Distribution costs	107,717	95,841
	Administration expenses	2,739,249	2,590,048
		<u>2,846,966</u>	<u>2,685,889</u>

3	INVESTMENT INCOME	2003 £	2002 £
	Interest receivable	16,596	90,535
	Rent receivable	19,281	19,718
	Other income	20,194	-
		<u>56,071</u>	<u>110,253</u>

4	INTEREST PAYABLE	2003 £	2002 £
	On bank loans and overdrafts	2,354	-
		<u>2,354</u>	<u>-</u>

5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2003 £	2002 £
	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	149,936	130,411
	Operating lease rentals:		
	Land and buildings	560,000	560,000
	Plant and machinery	37,598	26,694
	Auditors' remuneration - audit	15,000	15,000
	- non-audit	11,625	4,000
	Exceptional item (see note 6)	<u>1,655,957</u>	<u>1,078,019</u>

**W & G Foyle Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2003

6	EXCEPTIONAL ITEM	2003 £	2002 £
	Refurbishment costs	1,655,957	1,078,019
	Refurbishment costs represent the cost of phase two of the refurbishment of the property as more fully detailed in the Directors' Report.		
7	EMPLOYEES	2003 No	2002 No
	The average monthly number of persons (including directors) employed by the company during the year was	119	112
		2003 £	2002 £
	Staff costs for above persons:		
	Wages and salaries	1,825,616	1,644,547
	Social security costs	195,191	126,616
	Pension costs	5,942	4,125
		2,026,749	1,775,288
		2003 £	2002 £
	DIRECTORS' REMUNERATION		
	Emoluments	70,000	60,000
8	TAXATION	2003 £	2002 £
	Current tax:		
	UK corporation tax on profits of the period	-	-
	Adjustments in respect of previous periods	-	(37,252)
	Total current tax	-	(37,252)
	Deferred taxation:		
	Origination and reversal of timing differences	-	-
	Total deferred tax	-	-
	Tax on profit on ordinary activities	-	(37,252)

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

8	TAXATION (continued)	2003 £	2002 £
	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	(2,018,670)	(1,496,952)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(605,601)	(449,086)
	Effects of:		
	Expenses not deductible for tax purposes	158,722	145,162
	Capital allowances in excess of depreciation	354,086	202,948
	Utilisation of tax losses	92,793	100,976
	Adjustment to tax charge in respect of previous periods	-	(37,252)
	Current tax charge for period	-	(37,252)

The company has tax losses of approximately £1,041,000 (2002: £730,000) 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 £854,000 (2002: £400,000) in respect of both these losses and accelerated capital allowances 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.

9	INTANGIBLE FIXED ASSETS	Intellectual property £
	Cost	
	1 July 2002 and 30 June 2003	25,000
	Amortisation:	
	1 July 2002	914
	Charge for the year	2,500
	30 June 2003	3,414
	Net book value	
	30 June 2003	21,586
	30 June 2002	24,086

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

### 10 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Office furniture & equipment £	Fixtures & fittings £	Total £
Cost				
1 July 2002	174,622	618,739	750,538	1,543,899
Additions	-	94,569	-	94,569
30 June 2003	174,622	713,308	750,538	1,638,468
Depreciation				
1 July 2002	34,924	366,414	750,538	1,151,876
Charged in the year	17,460	132,476	-	149,936
30 June 2003	52,384	498,890	750,538	1,301,812
Net book value				
30 June 2003	122,238	214,418	-	336,656
30 June 2002	139,698	252,325	-	392,023

11	STOCKS	2003 £	2002 £
	Books	5,123,376	5,233,856

12	DEBTORS	2003 £	2002 £
	Due within one year:		
	Trade debtors	19,581	8,508
	Other debtors	68,801	160,570
	Prepayments and accrued income	317,270	464,727
		405,652	633,805

13	CREDITORS: Amounts falling due within one year	2003 £	2002 £
	Bank overdraft	495,229	-
	Trade creditors	1,436,901	1,305,450
	Other taxation and social security costs	47,136	40,976
	Other creditors	46,503	52,886
	Accruals and deferred income	80,851	40,190
		2,106,620	1,439,502

The bank overdraft is secured by a floating charge on the assets of the company.

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

14	SHARE CAPITAL	2003 £	2002 £
	Authorised: 14,000 ordinary shares of 5p each	700	700
	Allotted, issued and fully paid: 12,007 ordinary shares of 5p each	600	600
15	PROFIT AND LOSS ACCOUNT	2003 £	2002 £
	1 July 2002	5,811,127	7,270,827
	Loss for the financial year	(2,018,670)	(1,459,700)
	30 June 2003	3,792,457	5,811,127
16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2003 £	2002 £
	Loss for the financial year	(2,018,670)	(1,459,700)
	Opening shareholders' funds	5,811,727	7,271,427
	Closing shareholders' funds	3,793,057	5,811,727
17	CASH FLOWS	2003 £	2002 £
a	Reconciliation of operating loss to net cash outflow from operating activities		
	Operating loss	(2,072,387)	(1,607,205)
	Depreciation	149,936	130,411
	Amortisation	2,500	914
	Decrease in stocks	110,480	98,151
	Decrease/(increase) in debtors	228,153	(240,166)
	Increase/(decrease) in creditors	171,889	457,210
	Net cash outflow from operating activities	(1,409,429)	(1,160,685)

# W & G Foyle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

17	CASH FLOWS (continued)	2003 £	2002 £
b	Analysis of cash flows for headings netted in the cash flow		
	<b>Returns on investments and servicing of finance</b>		
	Interest received	16,596	90,535
	Rent received	19,281	19,718
	Other income	20,194	-
	Interest paid	(2,354)	-
	<b>Net cash inflow from returns on investments and servicing of finance</b>	<u>53,717</u>	<u>110,253</u>
	<b>Capital expenditure and financial investment</b>		
	Purchase of tangible fixed assets	(94,569)	(88,298)
	Purchase of intangible fixed assets	-	(25,000)
	<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(94,569)</u>	<u>(113,298)</u>
		At 1 July 2002 £	At 30 June 2003 £
c	Analysis of net cash		
	Cash at bank and in hand	967,459	(1,450,821)
		<u>(483,362)</u>	<u>(483,362)</u>

## 18 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Plant and machinery		
expiring in the first year	9,739	-
expiring in the second to fifth year	26,386	25,379
Land and buildings		
expiring after five years	560,000	560,000
	<u>596,125</u>	<u>585,379</u>

## 19 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 £560,000 (2002: £560,000).

At 30 June 2003 the company owed Noved Investment Company £17,739 (2002: £182,039).

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 £12,321. At 30 June 2003 the company was owed £158 by Air Foyle Limited (2002: £1,094).