

Company Number: 07673642

Waterstones Holdings Limited

Consolidated Financial Statements

52 weeks ended 25 April 2015

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COMPANY INFORMATION

DIRECTORS

A J Daunt
M Groenberg
G N Perren
A L Mamut
M T C Curtis
Lord D Stevenson
R C A Hingley

SECRETARY

R D J Manning

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

07673642

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

STRATEGIC REPORT**Principal activity**

The Company acts as a holding company.

The Waterstones Group operates as a bookseller through a chain of bookshops in the United Kingdom, Ireland, Holland and Belgium and through the Waterstones.com e-commerce website.

Review of the business

Following its acquisition from HMV Group in June 2011, Waterstones has embarked on a programme of investment and change to secure its future as a quality bookselling business. Significant progress was made in the financial year, supported by a further £8.3m of capital investment (2014: £20.9m) in the shop environment and support infrastructure. This investment, combined with better standards of bookselling within the shops to improve service and the range of books stocked, is once again making Waterstones, for those who love books, a place to visit and spend time in. Our shops are also benefitting from an expanding complementary non-book offer and in many shops, a café, with 28 stores now including Waterstones' own 'Café W'.

With total sales of £392.4m (2014: £389.5m), up 1% on the prior year, the key performance indicators of the business are focused on margin management and delivering operational efficiency, to reduce both the cost base and the working capital investment, with progress made in all areas in the financial year. As a result of this, the operating profit before exceptional items was £5.4m, an improvement from a loss of £3.8m in the prior period. Operating exceptional costs totalled £1.2m (2014: £6.9m), including £1.0m of organisational restructuring costs and £0.2m impairment of plant and equipment.

The loss after taxation amounted to £4.7m (2014: loss of £18.6m). No dividend was paid during the period and the Directors recommend that no final dividend be declared with the loss being transferred to reserves.

During the period under review, six shops were closed and four new shops were opened, resulting in a total estate of 274 shops at 25 April 2015 (2014: 276).

Principal risks and uncertainties

The principal risks relevant to the Group are identified as follows:

- (i) the competitive nature of its markets, with particular emphasis on the developing methods of digital delivery of products and content;
- (ii) the general sensitivity to changes in economic conditions;
- (iii) the seasonality of the business, with Christmas performance key to annual profitability;
- (iv) maintaining appropriate commercial agreements with key suppliers;
- (v) the reliability of the Group's and key suppliers' supply chains;
- (vi) a failure to sustain or protect the Group's reputation and brand;
- (vii) the maintenance and development of information technology systems; and
- (viii) attracting, motivating and retaining key staff.

The Directors ensure that management of these principal risks and uncertainties is addressed in the preparation of, and subsequent monitoring of performance against, the Group's strategic and operational plans and policies.

By order of the Board



R D J Manning

Secretary

Date:

24 August

2015

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 25 April 2015 which were approved on behalf of the Board on 24 August 2015.

Directors

The names of the Directors who served throughout the period under review and up to and including the date of this Report are shown on page 1.

Directors' liabilities

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party provision remains in force as at the date of approving the Directors' Report.

Dividends

No dividend was paid during the period and the Directors recommend that no final dividend be declared (2014: £nil).

Foreign branches

The Group continues to operate a number of overseas stores.

Future developments

The directors aim to continue the programme of investment and change to secure the future of Waterstones as a quality bookselling business.

Financial instruments

The Group's exposure to and management of liquidity risk, interest rate risk, credit risk and foreign exchange risk is set out in note 21.

Policy on payment of creditors

During the period under review, the Group did not impose standard payment terms on its suppliers but agreed specific terms with each and ensured that each supplier was made aware of such terms. It was the Group's policy to pay its suppliers in accordance with the terms that they had agreed. The Group had 65 (2014: 54) days' purchases outstanding as payable at 25 April 2015. The Company is a holding company and therefore has no trade creditors.

Employee policies

Waterstones operates a decentralised HR function. This provides greater accountability to employees and aids the development of flexible and entrepreneurial book teams that can thrive under the competitive market pressures that Waterstones trades in. Decentralised employee policies support a flexible local service, improving response times and maximising the use of available resources, whilst minimising costs.

Employees are provided with information about the Group through the newsletter "Compass Points" and the intranet site "Compass" where employees are encouraged to present their questions, suggestions and views. Employees share directly in the success of the business through an all employee bonus scheme.

Waterstones is committed to maintaining and improving an equal and diverse workplace, free from discrimination on the grounds of age, gender, nationality, religion, non-job related disability, sexual orientation or marital status. It also aspires to be an employer of choice and aims to provide opportunities for individuals to develop and contribute through employee forums and focus groups.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DIRECTORS' REPORT (CONTINUED)**Donations**

The Group made charitable donations of £47,000 (2014: £61,000) in the period.

During the period under review it was the Group's policy not to make donations to political parties and therefore no political donations were made.

Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- (i) to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- (ii) each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

A statement of the Directors' responsibilities for the financial statements can be found on page 5, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report.

Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an AGM.

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources and access to funding, through the continuing support of the immediate parent undertaking and A L Mamut, a Director, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board



R D J Manning

Secretary

Date: 24 August 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Consolidated Financial Statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare financial statements under International Financial Reporting Standards as adopted by the European Union (IFRS).

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 Group and the financial performance and the cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- (i) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Estimates and then apply them consistently;
- (ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- (iii) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- (iv) state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- (v) make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 as well as Article 4 of the IAS Regulation. 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.

We confirm that, to the best of our knowledge:

- (i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and profit or loss of the Group taken as a whole, and
- (ii) the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group may face.

On behalf of the Board



A J Daunt
Director
Date: 24 August 2015



R C A Hingley
Director
Date: 24 August 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES HOLDINGS LIMITED

We have audited the consolidated financial statements of Waterstones Holdings Limited for the 52 weeks ended 25 April 2015, which comprise the Consolidated Income Statement, the Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 25 April 2015 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERSTONES HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

Ernst & Young LLP

Nigel Meredith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date:

26 August

2015

CONSOLIDATED INCOME STATEMENT**For the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014**

		Before exceptional items 2015	Exceptional items 2015	Total 2015
	Notes	£000	£000	£000
Revenue	3	392,397	-	392,397
Cost of sales		(370,471)	(660)	(371,131)
Gross profit		21,926	(660)	21,266
Administrative expenses		(16,497)	(522)	(17,019)
Operating profit	4	5,429	(1,182)	4,247
Finance income	9	1,122	-	1,122
Finance costs	10	(9,907)	-	(9,907)
Loss before taxation		(3,356)	(1,182)	(4,538)
Taxation	11	(147)	34	(113)
Loss for the period		(3,503)	(1,148)	(4,651)

		Before exceptional items 2014	Exceptional items 2014	Total 2014
	Notes	£000	£000	£000
Revenue	3	389,549	-	389,549
Cost of sales		(373,306)	(6,439)	(379,745)
Gross profit		16,243	(6,439)	9,804
Administrative expenses		(20,051)	(498)	(20,549)
Operating loss	4	(3,808)	(6,937)	(10,745)
Finance income	9	904	-	904
Finance costs	10	(8,996)	-	(8,996)
Loss before taxation		(11,900)	(6,937)	(18,837)
Taxation	11	203	3	206
Loss for the period		(11,697)	(6,934)	(18,631)

See Note 2 for the description of the 2015 and 2014 reporting period.

For details of the exceptional items included above, see note 6.

All results in the current and prior year relate to continuing activities.

STATEMENT OF COMPREHENSIVE INCOME**For the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014**

		Group 2015	Group 2014
	Notes	£000	£000
Loss for the period attributable to the shareholders of the Company		(4,651)	(18,631)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	25	(1,181)	(122)
Tax on items recognised directly in equity	11	158	8
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange difference on retranslation of foreign operations		(586)	(82)
Other comprehensive loss for the period		(1,609)	(196)
Total comprehensive loss for the period attributable to the shareholders of the Company		(6,260)	(18,827)

BALANCE SHEETS

	Notes	Group as at 25 April 2015 £000	Group as at 26 April 2014 £000	Company as at 25 April 2015 £000	Company as at 26 April 2014 £000
Assets					
Non-current assets					
Investment in subsidiaries	13	-	-	-	-
Plant and equipment	12	62,976	69,441	-	-
Deferred income tax asset	11	355	315	-	-
Trade and other receivables	14	5,768	-	94,741	-
		69,099	69,756	94,741	-
Current assets					
Inventories	15	57,725	61,340	-	-
Trade and other receivables	14	59,325	46,833	24,066	114,630
Current income tax receivable		83	31	-	-
Cash and short-term deposits	16	20,011	20,893	2,021	1
		137,144	129,097	26,087	114,631
Total assets		206,243	198,853	120,828	114,631
Liabilities					
Non-current liabilities					
Trade and other payables	17	(148,308)	(133,126)	(142,540)	(133,126)
Retirement benefit liabilities	25	(2,540)	(1,768)	-	-
Interest bearing loans and borrowings	18	(1,056)	(1,584)	-	-
Provisions	19	(2,247)	(963)	-	-
		(154,151)	(137,441)	(142,540)	(133,126)
Current liabilities					
Current income tax payable		-	(12)	-	-
Trade and other payables	17	(99,092)	(101,653)	(860)	(748)
Interest bearing loans and borrowings	18	(528)	(528)	-	-
Provisions	19	(1,773)	(2,260)	-	-
		(101,393)	(104,453)	(860)	(748)
Total liabilities		(255,544)	(241,894)	(143,400)	(133,874)
Net liabilities		(49,301)	(43,041)	(22,572)	(19,243)
Equity					
Share capital	23	12,676	12,676	12,676	12,676
Foreign currency translation reserve		(958)	(372)	-	-
Accumulated losses		(61,019)	(55,345)	(35,248)	(31,919)
Total equity		(49,301)	(43,041)	(22,572)	(19,243)

The financial statements were approved by the Board of Directors on 24 August 2015 and were signed on its behalf by:



A J Daunt
Director



R C A Hingley
Director

STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014

Group

	Notes	Share capital £000	Foreign currency translation reserve £000	Accumulated losses £000	Total £000
At 27 April 2013		12,676	(290)	(36,600)	(24,214)
Loss for the period		-	-	(18,631)	(18,631)
Other comprehensive loss		-	(82)	(114)	(196)
Total comprehensive loss		-	(82)	(18,745)	(18,827)
At 26 April 2014		12,676	(372)	(55,345)	(43,041)
Loss for the period		-	-	(4,651)	(4,651)
Other comprehensive loss		-	(586)	(1,023)	(1,609)
Total comprehensive loss		-	(586)	(5,674)	(6,260)
At 25 April 2015		12,676	(958)	(61,019)	(49,301)

Company

	Notes	Share capital £000	Foreign currency translation reserve £000	Accumulated losses £000	Total £000
At 27 April 2013		12,676	-	(30,953)	(18,277)
Loss for the period		-	-	(966)	(966)
Total comprehensive loss		-	-	(966)	(966)
At 26 April 2014		12,676	-	(31,919)	(19,243)
Loss for the period		-	-	(3,329)	(3,329)
Total comprehensive loss		-	-	(3,329)	(3,329)
At 25 April 2015		12,676	-	(35,248)	(22,572)

CASH FLOW STATEMENTS

For the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014

	Notes	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Cash flows from operating activities					
Loss before tax		(4,538)	(18,837)	(3,329)	(966)
Net finance costs		8,785	8,092	2,932	1,865
Operating profit (loss)		4,247	(10,745)	(397)	899
Depreciation	12	14,117	13,853	-	-
Impairment charges	12	243	1,355	-	-
Loss on disposal of plant and equipment	4	341	779	-	-
Foreign exchange gains and losses	4	11	(1,739)	11	(1,345)
Pension contributions less income statement charge		(146)	(137)	-	-
		18,813	3,366	(386)	(446)
Movement in inventories		3,615	3,736	-	-
Movement in trade and other receivables		(18,981)	399	1,405	(15,125)
Movement in trade and other payables		5,192	44,969	231	52,801
Movement in provisions		804	620	-	-
Cash generated from operations		9,443	53,090	1,250	37,230
Income tax paid		(115)	(146)	-	-
Net cash flows from operating activities		9,328	52,944	1,250	37,230
Cash flows (used in) from investing activities					
Purchase of plant and equipment	12	(9,714)	(20,913)	-	-
Interest received		857	104	781	-
Net cash flows (used in) from investing activities		(8,857)	(20,809)	781	-
Cash used in financing activities					
Interest paid		(50)	(2,441)	-	(2,393)
Repayment of capital element of finance leases		(528)	(608)	-	-
Bank loans repaid		-	(35,355)	-	(35,355)
Costs of raising finance		-	(92)	-	(92)
Net cash flows used in financing activities		(578)	(38,496)	-	(37,840)
Net (decrease) increase in cash and cash equivalents	22	(107)	(6,361)	2,031	(610)
Opening cash and cash equivalents	16	20,893	27,121	1	381
Effect of exchange rate changes		(775)	133	(11)	230
Closing cash and cash equivalents	16	20,011	20,893	2,021	1

NOTES TO THE FINANCIAL STATEMENTS**1. Corporate information**

The consolidated financial statements of the Group for the period ended 25 April 2015 were authorised for issue by the Board on 24 August 2015. The Company is a limited company incorporated and domiciled in England and Wales.

2. Accounting policies**Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the Group for the 52 weeks ended 25 April 2015 and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for fixed assets, inventories, derivative financial instruments, interest bearing loans and borrowings and the Group's defined benefit pension obligations. The consolidated financial statements are prepared in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources and access to funding, through the continuing support of the immediate parent undertaking and A L Mamut, a director, to continue in operational existence for the foreseeable future. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 25 April 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The financial statements for companies in the Group are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 52 weeks ended 25 April 2015 whilst the comparative period covered the 52 weeks ended 26 April 2014. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Result of the Company

The directors have taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company individual income statement and related notes. The Company's loss for the year ended 25 April 2015 was £3,329,000 (2014: loss £966,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Foreign currency translation***Transactions and balances*

Transactions and balances are initially recorded by Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates at the reporting date.

All differences arising on settlement or retranslation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of a hedge of the Group's net investment of a foreign operation. These are recognised in comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange rate differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss, are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated to pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates prevailing for the period. Differences on translation are recognised in other comprehensive income in a separate equity reserve. On disposal of an overseas company or business, the cumulative exchange differences for that entity are recognised in the income statement as part of the profit or loss on disposal.

Revenue

Revenue represents the value of goods supplied, less discounts given, and is recognised when goods are delivered and title has passed. Revenue excludes value added tax ("VAT") and similar sales-related taxes.

Dividend and interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate.

Dividend income is recognised when the right to receive payment is established.

Taxation*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Taxation (continued)***Deferred tax*

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted by the balance sheet date.

Taxation is charged or credited to other comprehensive income if it relates to items that are themselves charged or credited to other comprehensive income, otherwise it is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any.

Depreciation of plant and equipment is calculated on cost, at rates estimated to write off the cost, less the estimated residual value, of the relevant assets by equal annual amounts over their estimated useful lives.

The annual rates used are:

Plant and equipment	10 to 33 $\frac{1}{3}$ %
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The carrying values of plant and equipment are reviewed for material impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Leases

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease, such as rent-free periods and capital contributions, are spread on a straight line basis over the lease term. All other operating lease payments are charged directly to the income statement on a straight line basis over the lease term. Where the rent payable is contingent on revenue, the charges are expensed in the period in which they are incurred.

Rental income from sub-let properties is recognised on a straight line basis over the period of the sublease.

Assets held under finance leases, which transfer substantially all the risks and benefits of ownership of the leased assets, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability in the balance sheet and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Inventories**

Inventories are stated at the lower of cost and net realisable value on a first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

Impairment of assets

The Group assesses at each reporting date whether there are indicators that an asset may be impaired. Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets (cash-generating units). If any indicator of impairment exists, or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash inflows expected to be derived from the asset. Where the asset does not generate cash inflows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated. To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed. An impairment loss in respect of goodwill is not reversed.

Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits less bank overdrafts that are repayable on demand.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Pension costs

The Group operates a number of pension schemes, the funds of which are held in separate, trustee administered funds.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net retirement benefit obligation recognised in the balance sheet represents the present value of the liabilities of the defined benefit scheme as reduced by the market value of the defined benefit scheme assets.

Actuarial gains and losses are recognised in other comprehensive income in full in the period in which they occur. Other income and expenses associated with the defined benefit scheme are recognised in the income statement.

For the defined contribution scheme, contributions are charged in the income statement as they become payable in accordance with the rules of the scheme.

Derivative financial instruments

The Group may from time to time use derivative financial instruments for hedging purposes, including forward foreign exchange contracts. The Group does not enter into derivative financial instruments for speculative purposes. Derivative financial instruments are stated at their fair value. The fair value of forward foreign exchange contracts is their quoted market value at the balance sheet date, being the present value of the quoted forward price.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****Interest bearing loans and borrowings**

Interest bearing loans and borrowings are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Exceptional items

The Group presents as exceptional items, on the face of the income statement, those material items of income and expense which, because of the nature, expected infrequency or quantum of the events giving rise to them, merit separate presentation. This allows shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items recognised in arriving at operating result include (but are not limited to) those costs associated with integrating a newly acquired business, impairment losses, reversal of impairments and costs associated with restructuring the business.

Customer loyalty schemes

The fair value of loyalty points awarded is deferred until the awards are redeemed, after adjustment for the number of points expected never to be redeemed. Fair value is determined by reference to the value for which the points can be redeemed.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Impairment of assets – Plant and equipment and investments are reviewed for impairment if events or changes in circumstances indicate that their carrying value may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates, see Note 12.

Inventory valuation – inventories are valued at the lower of cost and net realisable value, which includes, where necessary, provisions for slow moving and obsolete inventory. Calculation of provisions requires judgements to be made regarding future customer demand, the competitive environment and inventory loss trends, see Note 15.

Taxation – calculation of the Group's total tax charge requires a degree of estimation and judgement in respect of certain transactions whose ultimate tax treatment is uncertain. Where the final outcome of these tax matters differs from the amounts that were initially recorded, the tax charge and deferred tax provisions will be impacted (see Note 11).

Provisions – Provisions for store closures, onerous leases and restructuring costs are estimates and the actual costs and timing of future cash flows are dependent on future events. Expectations are revised in each period, with any difference accounted for in the period in which the revision is made (see Note 19).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. Accounting policies (continued)****New accounting standards**

The Group has adopted the following amended accounting standards which were mandatory for the first time for the financial period ending 25 April 2015. They have no material impact on the Group.

- IAS 32 Financial Statements: Presentation: Amendments relating to the offsetting of assets and liabilities; and
- IAS 36 Impairment of Assets: Amendments resulting from recoverable amount disclosures for non-financial assets.

The Group has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date after the start date of these financial statements:

- IFRS 2 Share based payments: Amendments resulting from annual improvements 2010-2012 cycle (definition of 'vesting condition'), effective for annual periods beginning on or after 1 July 2014;
- IFRS 13 Fair value measurement: Amendments resulting from annual improvements 2011-2013 cycle (scope of the portfolio exception in paragraph 52), effective for annual periods beginning on or after 1 July 2014;
- IFRS 15 Revenue from contracts with customers: Original issue, effective for annual periods beginning on or after 1 January 2017;
- IAS 1 Presentation of financial statements: Amendments resulting from the disclosure initiative, effective for annual periods beginning on or after 1 January 2016;
- IAS 16 Property, plant and equipment: Amendments resulting from annual improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation), effective for annual periods beginning on or after 1 July 2014; Amendments regarding the clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016; and Amendments bringing bearer plants into the scope of IAS 16, effective for annual periods beginning on or after 1 January 2016;
- IAS 19 Employee benefits: Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service, effective for annual periods beginning on or after 1 July 2014; and Amendments resulting from September 2014 Annual Improvements to IFRSs, effective for annual periods beginning on or after 1 January 2016;
- IAS 24 Related party disclosures: Amendments resulting from annual improvements 2010-2012 cycle (management entities), effective for annual periods beginning on or after 1 July 2014;
- IAS 27 Separate financial statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements, effective for annual periods beginning on or after 1 January 2016; and
- IAS 38 Intangible fixed assets: Amendments resulting from annual improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation), effective for annual periods beginning on or after 1 July 2014; and Amendments regarding the clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.

The Group intends to adopt these standards when they become effective.

As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. Revenue**

Revenue disclosed in the consolidated income statement is analysed as follows:

	2015	2014
	£000	£000
Sale of goods	392,397	389,549
	392,397	389,549

4. Operating profit (loss)

Operating profit (loss) is stated after charging (crediting):

	2015	2014
	£000	£000
Depreciation of plant and equipment	14,117	13,853
Impairment charges	243	1,355
Loss on disposal of plant and equipment	341	779
Cost of inventories recognised as an expense	197,194	197,308
Write down of inventories	904	3,180
Net foreign exchange losses (gains)	11	(1,739)
Operating lease rentals		
Minimum rentals	51,763	51,927
Percentage rentals	88	66
Sublease rental income	(516)	(795)

The Group companies lease stores under non-cancellable operating lease agreements that are generally subject to periodic rent review. These agreements provide for either or both minimum rentals and percentage rentals based on sales performance.

5. Fees to auditors

	2015	2014
	£000	£000
Audit of the Group financial statements	17	15
Audit of the subsidiary financial statements	107	91
Tax advisory	1	-
Tax compliance	3	-
Non audit services	4	3

The audit fees disclosed above represent the statutory audit fees for all Group companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. Exceptional items**

Charged in arriving at operating profit (loss):

	2015	2014
	£000	£000
Impairment of plant and equipment	(243)	(1,355)
Restructuring costs	(915)	(3,743)
Store closure costs	(24)	(1,839)
	(1,182)	(6,937)

Included within Cost of sales:

Impairment charges for plant and equipment of £243,000 (2014: £1,355,000) following a review of the carrying value based on prevailing market conditions.

Exceptional costs of £393,000 (2014: £3,245,000) relating to store organisational restructuring and related redundancy costs.

Exceptional store closure costs of £24,000 (2014: £1,839,000) including fixed asset write-offs, redundancy costs incurred, strip-out costs, stock obsolescence and provisions for future property costs.

Included within Administrative expenses:

Exceptional costs of £522,000 (2014: £498,000) relating to organisational restructuring and related redundancy costs.

A tax credit of £34,000 (2014: credit £3,000) arose in respect of the total exceptional costs.

7. Directors' emoluments

	2015	2014
	£000	£000
Salaries and fees	400	542
Other benefits	225	225
Pension contributions	1	-
Total	626	767

Certain Directors of the Company are remunerated by other companies controlled by A L Mamut, a director, or his family trust. The relevant Directors consider that the limited proportion of their time spent on the Group's business does not warrant a recharge of director's remuneration, and therefore no remuneration is included above.

Other benefits comprise an entitlement to the future award of ordinary shares in, and loan notes from, the Company. At the date of approving these accounts, no loan or share notes have been awarded. The calculation of the actual award includes the impact of post balance sheet events and therefore cannot be fully assessed at the balance sheet date. At the year end £0.8m (2014: £0.6m) has been accrued in respect of this liability which is the Directors' best estimate of the amounts due.

One (2014: one) of the Directors is accruing benefits under the Group's defined contribution pension arrangements.

The amounts in respect of the highest paid Director were as follows:

	2015	2014
	£000	£000
Salaries and fees	275	417
Pension contributions	1	-
Total	276	417

The emoluments of the highest paid director in the prior year included £158,000 which related to prior years' service following finalisation of contractual terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**8. Employee costs**

	2015	2014
	£000	£000
Employee costs, including Directors' emoluments:		
Wages and salaries	49,872	53,952
Social security costs	3,434	3,737
Other pension costs	1,653	1,819
	54,959	59,508

The average number of people employed by the Group during the period was 3,294 (2014: 3,588).

9. Finance income

	2015	2014
	£000	£000
Defined benefit pension scheme interest income	148	156
Interest receivable from parent company	362	388
Interest receivable from other related parties	527	256
Bank interest receivable	85	104
Total finance income	1,122	904

10. Finance costs

	2015	2014
	£000	£000
Defined benefit pension scheme interest expense	200	217
Lease interest payable	42	45
Interest payable to parent company	9,657	6,971
Bank interest payable	-	1,760
Other interest payable	8	3
Total finance costs	9,907	8,996

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**11. Taxation**

Taxation recognised in the income statement:

	2015	2014
	£000	£000
Overseas tax, current year	107	181
Overseas tax, prior period	(20)	(39)
Total current tax	87	142
Deferred income tax, current year	22	(246)
Deferred income tax, prior period	4	(102)
Total taxation charge (credit) in the income statement	113	(206)

Tax relating to items credited directly to equity is as follows:

	2015	2014
	£000	£000
Current tax relating to defined benefit pension scheme	(44)	(39)
Deferred income tax relating to defined benefit pension scheme	(114)	31
Total taxation credit in the statement of comprehensive income	(158)	(8)

The standard rate of UK Corporation tax was reduced to 21% from 1 April 2014 and further reduced to 20% from 1 April 2015. Current tax has therefore been provided at 20.9% (2014: 22.8%) and deferred tax at 20% (2014: 20%).

The tax charge (credit) is reconciled with the standard rate of UK corporation tax as follows:

	2015	2014
	£000	£000
Loss before taxation	(4,538)	(18,837)
Corporation tax at UK average statutory rate of 20.9% (2014: 22.8%)	(948)	(4,295)
Effects of:		
Permanent disallowables	868	1,019
Short term timing differences	(103)	-
Unrecognised temporary differences	-	2,953
Adjustments in relation to prior periods	(16)	(141)
Unrecognised tax losses	326	281
Tax rate differences	(14)	(23)
Total tax (credit) charge	113	(206)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**11. Taxation (continued)****Deferred income tax****Group***Provided deferred income tax*

The deferred income tax recognised in the balance sheet is as follows:

	2015	2014
	£000	£000
Deferred income tax asset		
Accelerated depreciation for tax purposes	4	9
Other temporary differences relating to defined benefit pension scheme	346	278
Tax losses	5	28
Total deferred income tax asset	355	315

There are no provided deferred income tax liabilities.

Unprovided deferred tax

The deferred income tax asset not recognised in the balance sheet is as follows:

	2015	2014
	£000	£000
Accelerated capital allowances	11,165	12,594
Tax losses	7,834	6,612
Other temporary differences	12	12
	19,011	19,218

The deferred income tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which the timing differences will reverse. It is likely that the assets will be recoverable once suitable taxable profits are generated.

There are no unprovided deferred income tax liabilities.

Company*Provided deferred income tax*

There are no provided deferred income tax assets or liabilities.

Unprovided deferred income tax

The deferred income tax asset not recognised in the balance sheet is as follows:

	2015	2014
	£000	£000
Tax losses	880	596
	880	596

The deferred income tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which the timing differences will reverse. It is likely that the assets will be recoverable once suitable taxable profits are generated.

There are no unprovided deferred income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**11. Taxation (continued)****Factors that may affect future tax charges**

The Finance Act 2013 was enacted on 17 July 2013 including a provision to reduce the UK Corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The UK Government has also announced an intention to further reduce the UK Corporation tax rate to 19% from 1 April 2017, and a further reduction to 18% from 1 April 2020, but this is yet to be substantively enacted. Therefore the deferred income tax assets and liabilities have been calculated using the 20% rate.

12. Plant and equipment**Group**

	Plant and equipment
	£000
Cost at 26 April 2014	110,100
Disposals	(865)
Additions	8,324
Exchange differences	(718)
Cost at 25 April 2015	116,841
Depreciation at 26 April 2014	40,659
Charge for period	14,117
Disposals	(524)
Impairment loss	243
Exchange differences	(630)
Depreciation at 25 April 2015	53,865
Net book value at 25 April 2015	62,976
Net book value at 26 April 2014	69,441

Plant and equipment has been written down by £243,000 (2014: £1,355,000) following an impairment review of the carrying value of certain retail assets based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated eight-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10% (2014: 10%). Key assumptions for the value in use calculations are those regarding revenue, margin, operating costs and discount rate. The cash flows reflected management's best estimates of revenue, margin, operating costs and discount rate over the forecast period and no reasonably possible change in assumptions would result in further impairment. The total recoverable amount of the assets impaired is £nil.

The carrying value of plant and equipment held under finance leases at 25 April 2015 was £3,031,000 (2014: £3,731,000) of which £nil (2014: £nil) is included within additions during the period. Leased assets are pledged as security for the related finance leases.

Company

The company holds no plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**13. Investment in subsidiaries****Company**

	£000
Cost at 25 April 2015 and 26 April 2014	24,131
Provision at 25 April 2015 and 26 April 2014	(24,131)
Net book value at 25 April 2015 and 26 April 2014	-

The Company's direct and indirect subsidiary undertakings, which are 100% owned, are as follows:

Name of undertaking	Country of incorporation	Status
Waterstones Booksellers Limited	England & Wales	Trading
Waterstones Booksellers Ireland Limited	Ireland	Trading
Waterstone's Booksellers Belgium SA	Belgium	Trading
Waterstone's Booksellers Amsterdam BV	Holland	Trading
Waterstones Overseas Limited	England & Wales	Non-trading
Hatchards UK Limited	England & Wales	Dormant
Ottakar's Limited	England & Wales	Dormant
Ottakar's Town Limited	England & Wales	Dormant
Waterstones Academic Bookstores Limited	England & Wales	Dormant

14. Trade and other receivables

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Non-current:				
Amounts owed by subsidiary undertaking	-	-	94,741	-
Amounts owed by parent undertaking	5,768	-	-	-
	5,768	-	94,741	-
Current:				
Trade receivables	978	1,440	-	-
Amounts owed by parent undertaking	-	6,244	-	-
Amounts owed by subsidiary undertakings	-	-	-	110,067
Amounts owed by other related parties	24,066	4,563	24,066	4,563
Other receivables	2,597	3,436	-	-
Prepayments and accrued income	31,684	31,150	-	-
	59,325	46,833	24,066	114,630

Group

The carrying value of trade and other receivables approximates to fair value.

Trade receivables are stated net of a provision for impairment of £153,000 (2014: £19,000). Trade receivables are non-interest bearing and are generally settled on 30 day terms. Other receivables are also non-interest bearing.

The loan agreements with the parent undertaking were varied during the year and the repayment terms extended. Following this change, £5,768,000 (2014: £nil) of the amounts owed by parent undertaking are repayable on or before 1 January 2018. In the prior year the balance was due on demand. Interest is charged on these loans at the higher of 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**14. Trade and other receivables (continued)****Group (continued)**

Amounts owed by other related parties comprise an interest bearing deposit of £24,066,000 (2014: £4,563,000). The deposit is repayable on demand and interest is due at not less than 4% per annum.

Credit risk is limited as the Group has minimal levels of trade receivables due to the nature of its retailing business. See Note 21 for a discussion of credit risk.

Company

The loan agreements with the subsidiary undertakings were varied during the year and the repayment terms extended. Following this change, £94,741,000 (2014: £nil) of the amounts owed by subsidiary undertakings are repayable on or before 22 June 2021. In the prior year the balance was due on demand. Interest is charged on these loans at the higher of 7% per annum or the base rate of Barclays Bank plc at date of advance plus 4%.

Amounts owed by other related parties comprise an interest bearing deposit of £24,066,000 (2014: £4,563,000). The deposit is repayable on demand and interest is due at not less than 4% per annum.

15. Inventories

Inventories primarily comprise finished goods and goods for resale. The replacement cost of inventories is considered to be not materially different from the balance sheet value.

16. Cash and short-term deposits

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Cash at bank and in hand	20,011	20,893	2,021	1
	20,011	20,893	2,021	1

Cash at bank earns interest at floating rates based on daily bank deposit rates.

17. Trade and other payables

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Non-current:				
Amounts owed to parent undertaking	148,308	133,126	142,540	133,126
	148,308	133,126	142,540	133,126
Current:				
Trade payables	34,407	28,752	-	-
Amounts owed to parent undertaking	-	6,244	-	-
Other payables	43,485	42,833	-	-
Accruals and deferred income	21,200	23,824	860	748
	99,092	101,653	860	748

Group

The carrying value of trade and other payables approximates to fair value. Trade payables are not interest-bearing and are generally settled on 30-60 day terms. Other payables and accruals are not interest-bearing.

£142,540,000 (2014: £133,126,000) of the amounts owed to parent undertaking are repayable on or before 23 June 2021 and £5,768,000 (2014: £nil) of the amounts owed are repayable on or before 1 January 2018. In the prior year the balance of £6,244,000 was due on demand. Interest is charged on these loans at the higher of 7% per annum or the base rate of Barclays Bank plc at the date of advance plus 4%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**17. Trade and other payables (continued)****Company**

The amounts owed to parent undertaking are repayable on or before 23 June 2021. Interest is charged on these balances at the higher of 7% per annum or the base rate of Barclays Bank plc at the date of advance plus 4%.

18. Interest bearing loans and borrowings

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Non-current:				
Obligations under finance leases (see Note 26)	1,056	1,584	-	-
	1,056	1,584	-	-
Current:				
Obligations under finance leases (see Note 26)	528	528	-	-
	528	528	-	-

The carrying value of interest bearing loans and other borrowings approximates to fair value.

19. Provisions

	Group 2015 £000
At 26 April 2014	3,223
Provisions created in the period	2,692
Provisions utilised	(1,315)
Provisions released	(573)
Exchange differences	(7)
At 25 April 2015	4,020
Analysed as:	
Current	1,773
Non-current	2,247
	4,020

Provisions almost entirely consist of amounts in respect of onerous leases, store closures and restructuring. Of the total provisions, £142,000 (2014: £103,000) is expected to be utilised after 5 years from the balance sheet date.

Company

The company has no provisions.

20. Derivative financial instruments**Currency derivatives**

The Group can use derivative instruments as part of a policy of managing foreign currency exchange risk arising on expected future purchases of internationally sourced products. The implementation of these derivative instruments is negotiated to match expected purchases and they therefore qualify for hedge accounting. The fair value of cash flow hedges in place at 25 April 2015 is £nil (2014: £nil).

21. Financial risk factors

The Group's business exposes it to certain limited financial risks, such as liquidity risk, interest rate risk, credit risk and foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**21. Financial risk factors (continued)****Liquidity risk**

During the period under review the Group had sufficient funds and facilities available to satisfy its current requirements.

The Group has access to funding facilities from its immediate parent undertaking which have a final repayment date of 23 June 2021. Analysis of the maturity profile of financial liabilities at 25 April 2015 and 26 April 2014 is shown below:

Group

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Finance leases	-	140	420	1,120	-	1,680
Trade and other payables	13,588	85,504	-	5,768	142,540	247,400
At 25 April 2015	13,588	85,644	420	6,888	142,540	249,080

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Finance leases	-	140	420	1,680	-	2,240
Trade and other payables	6,244	95,409	-	-	133,126	234,779
At 26 April 2014	6,244	95,549	420	1,680	133,126	237,019

Company

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	860	-	-	-	142,540	143,400
At 25 April 2015	860	-	-	-	142,540	143,400

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	-	748	-	-	133,126	133,874
At 26 April 2014	-	748	-	-	133,126	133,874

Interest rate risk

The Group is exposed to interest rate risk from its borrowings and cash deposits. However, the strong seasonality of the Group's trading pattern provides a partial hedge against interest rate risk. The net exposure is monitored on a regular basis.

Credit risk

The Group's credit risk arises from its cash and outstanding receivables.

Due to the nature of the Group's retailing business, credit risk from trade receivables is limited. Allowances are made for doubtful debts based on the age of the debt and the customer's financial circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**21. Financial risk factors (continued)****Foreign exchange risk**

The Group is exposed to foreign exchange risk from its investing, financing and operating activities.

Forward foreign exchange contracts are used to hedge the foreign exchange risk of imports where volumes are significant. No speculative positions are entered into. There were no currency contracts outstanding at the current or prior balance sheet date (see Note 20).

The Group is also exposed to foreign currency translation risk through its borrowings in foreign currency and investment in overseas subsidiaries. Generally, the Group does not hedge any net translation exposure although it may in certain circumstances implement hedges to secure short term financial objectives.

Sensitivity analysis

The following sensitivity analysis illustrates the sensitivity to changes in the market variables of the Group's financial instruments and shows the impact on the result before tax and shareholders' funds.

Interest rate sensitivity

Based on the Group's net interest bearing assets and liabilities position at the year end, a 100 basis points movement in interest rates would affect the Group's result before tax and shareholders' equity by approximately £1.0m (2014: £1.1m).

Foreign exchange rate sensitivity

A 10% change in the value of currencies against sterling would affect the Group's result before tax by approximately £0.1m (2014: £0.5m) and the Group's comprehensive loss by £0.1m (2014: £nil). The Group has a no cash flow hedges in place, as detailed in Note 20.

Capital management

During the year under review, the core objective of the Group was to ensure that it would be able to continue to operate as a going concern, as well as having sufficient funds available to grow the business for the benefit of its parent undertaking and other stakeholders. The capital structure of the Group comprises cash and cash equivalents (see Note 16), loans and borrowings through its intra-group facilities (see Note 17) and from external sources (see Note 18) and equity attributable to the parent undertaking (see Note 23).

22. Additional cash flow information

Movements in the Group's and Company's net funds (debt) position are as follows:

Group

	At 26 April 2014 £000	Cash flow £000	Other non- cash changes £000	At 25 April 2015 £000
Cash at bank and in hand	20,893	(107)	(775)	20,011
Loans and borrowings – non-current	(1,584)	-	528	(1,056)
Loans and borrowings – current	(528)	528	(528)	(528)
Total loans and borrowings	(2,112)	528	-	(1,584)
Net funds	18,781	421	(775)	18,427

	At 27 April 2013 £000	Cash flow £000	Other non- cash changes £000	At 26 April 2014 £000
Cash at bank and in hand	27,121	(6,361)	133	20,893
Loans and borrowings – non-current	(2,112)	-	528	(1,584)
Loans and borrowings – current	(38,052)	36,787	737	(528)
Total loans and borrowings	(40,164)	36,787	1,265	(2,112)
Net (debt) funds	(13,043)	30,426	1,398	18,781

Other non-cash changes represent movements in finance lease funding, foreign exchange movements and interest accrued but not yet paid.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**22. Additional cash flow information (continued)****Group (continued)**

Net funds (debt) is shown exclusive of amounts owed from and to the parent undertaking included in Note 14 and Note 16.

Company

	At 26 April 2014 £000	Cash flow £000	Other non- cash changes £000	At 25 April 2015 £000
Cash at bank and in hand	1	2,031	(11)	2,021
Net funds	1	2,031	(11)	2,021

	At 27 April 2013 £000	Cash flow £000	Other non- cash changes £000	At 26 April 2014 £000
Cash at bank and in hand	381	(610)	230	1
Loans and borrowings – current	(37,444)	36,179	1,265	-
Total loans and borrowings	(37,444)	36,179	1,265	-
Net (debt) funds	(37,063)	35,569	1,495	1

Other non-cash changes represent movements in foreign exchange movements.

Net funds (debt) is shown exclusive of amounts owed from and to the parent undertaking included in Note 14 and Note 16.

23. Share capital

	2015 Number	2015 £000	2014 Number	2014 £000
Authorised	Unlimited	Unlimited	Unlimited	Unlimited
Allotted, called up and fully paid				
Ordinary Shares of £1 each	12,675,501	12,676	12,675,501	12,676

24. Contingent liabilities

The management of Waterstones Holdings Limited are not aware of any legal or arbitration proceedings pending or threatened against the Group which may result in any liabilities significantly in excess of provisions in the financial statements.

The Company, together with Waterstones Booksellers Limited, a subsidiary, are guarantors of a \$50m bank loan facility held by the immediate parent company. Part of the security for this loan facility is a debenture on certain assets of the Group, including the Waterstones brand.

25. Pension arrangements

The Group operates a number of pension schemes, the funds of which are held in separate, trustee administered funds. With the exception of a small defined benefit scheme in Ireland, all schemes are defined contribution schemes. Details of the main schemes are given below.

UK pension saver plan ("the Plan")

The Waterstones Group Personal Pension Plan, a defined contribution scheme, is established under a Trust. The Plan provides members with individual pension saving accounts in their own name, with a range of investment options available. Under the auto-enrolment element of the Plan employees have to pay 1% of pensionable salary into the scheme which is matched by Waterstones. There is also a voluntary element to the Plan under which members can choose to pay a percentage of pensionable salary, with the members' contributions matched by Waterstones to a maximum of 6.5%. Employer contributions to the scheme during the year were £1,556,000 (2014: £1,686,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**25. Pension arrangements (continued)****Ireland defined benefit scheme ("the Scheme")**

The Scheme, which is operated by Waterstones Booksellers Ireland Limited and is of the defined benefit type, is closed to new members. The assets of the Scheme are held separately from those of the Group. An actuarial valuation took place as at 30 June 2013 and at that date the market value of the assets was sufficient to cover 89% of the value of the liabilities of the Scheme, representing a funding deficit of €640,000. It was agreed to fund this by three additional annual contributions of €230,000 commencing on 1 April 2014 and the second additional payment was made during the year. The future service contribution rate was unchanged at 23.5% of pensionable salaries made up of an employer rate of 16.0% and an employee rate of 7.5%. The next actuarial review will take place with an effective date no later than 30 June 2016.

Employer contributions to the Scheme for the period ended 25 April 2015 were £244,000 (2014: £270,000). The total employer contributions to the Scheme for the financial year commencing on 26 April 2015 are expected to be £223,000.

Amounts reflected in the financial statements in respect of the Scheme are determined with the advice of independent qualified actuaries, Towers Watson (Ireland) Limited, on the basis of annual valuations using the projected unit funding method. Scheme assets are stated at their market value at the respective balance sheet dates.

The major assumptions used in the calculations are as follows:

	As at 25 April 2015 % per annum	As at 26 April 2014 % per annum
Rate of price inflation	1.5	2.0
Rate of salary increase	2.5	2.5
Rate of increase for pensions in payment	1.5	2.0
Rate used to discount scheme liabilities	1.5	3.3

The post retirement mortality assumptions used at 25 April 2015 are based on the guidance issued by the Society of Actuaries in Ireland: Actuarial Standard of Practice PEN-2: Calculation of Transfer Values.

On the basis of the above assumptions, the amounts charged or credited to the income statement and statement of comprehensive income for the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014 are set out below:

Recognised in the income statement

	2015 £000	2014 £000
Current service cost	(97)	(133)
Total recognised in arriving at operating profit (loss)	(97)	(133)
Interest on Scheme liabilities	(200)	(217)
Interest on Scheme assets	148	156
	(52)	(61)
Total income statement charge before deduction for taxation	(149)	(194)

Taken to the statement of comprehensive income

	2015 £000	2014 £000
Return on plan assets, excluding amounts included in interest	1,087	90
Actuarial (losses) gains arising from changes in:		
Financial assumptions	(2,457)	(412)
Experience adjustments	189	200
Total loss recognised in the statement of comprehensive income	(1,181)	(122)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**25. Pension arrangements (continued)**

The assets and liabilities of the Scheme at the end of the period were:

	As at 25 April 2015 £000	As at 26 April 2014 £000
Equities	2,623	2,264
Bonds	2,288	1,956
Real estate	135	95
Cash	258	215
Other	196	207
Total market value of assets	5,500	4,737
Actuarial value of Scheme liabilities	(8,040)	(6,505)
Deficit in the Scheme	(2,540)	(1,768)
Deferred tax	346	278
Net pension liability	(2,194)	(1,490)

The pension plans have not invested in any financial instruments issued by the wider Lynwood Group, nor in properties or other assets used by the Group.

The average duration of the defined benefit plan obligation at the end of the reporting period is 26 years. This number can be subdivided into the duration related to:

Type of member	Average duration
Active members	24.2 years (2014: 23.3 years)
Deferred members	26.5 years (2014: 26.3 years)

Changes in the fair value of the Scheme assets for the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014 are analysed as follows:

	2015 £000	2014 £000
Total market value of assets at the beginning of the period	4,737	4,266
Benefits paid	(13)	-
Employer contributions	244	270
Employee contributions	30	35
Interest on pension scheme assets	148	156
Actuarial gain	1,087	90
Exchange differences	(733)	(80)
Total market value of assets at the end of the period	5,500	4,737

Changes in the present value of the Scheme liabilities for the 52 weeks ended 25 April 2015 and the 52 weeks ended 26 April 2014 are analysed as follows:

	2015 £000	2014 £000
Defined benefit pension obligations at the beginning of the period	(6,505)	(6,018)
Benefits paid	13	-
Current service cost	(97)	(133)
Interest on pension scheme liabilities	(200)	(217)
Employee contributions	(30)	(35)
Actuarial loss	(2,268)	(212)
Exchange differences	1,047	110
Defined benefit pension obligations at the end of the period	(8,040)	(6,505)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**25. Pension arrangements (continued)**

As the scheme is solely an Irish pension fund arrangement, the following disclosures have been provided in the originating currency.

History of experience gains and losses

	2015	2014	2013	2012	2011
	€000	€000	€000	€000	€000
Fair value of Scheme assets	7,645	5,732	5,076	4,478	3,479
Present value of defined benefit obligation	(11,175)	(7,871)	(7,161)	(4,460)	(5,079)
(Deficit) surplus in the Scheme	(3,530)	(2,139)	(2,085)	18	(1,600)
Experience adjustments arising on Scheme assets	1,391	107	293	(134)	(269)
(Loss) gain on assumptions	(3,145)	(490)	(2,221)	(301)	152
Experience adjustments arising on Scheme liabilities	242	238	(107)	15	(410)

In the financial statements of Waterstones Booksellers Ireland Limited, the cumulative amount of actuarial gains and losses recognised since 25 April 2004 in the statement of comprehensive income is a cumulative loss of €4,466,000 (2014: loss €2,954,000). The Directors are unable to determine how much of the Scheme deficit of €790,000, recognised on transition to IFRS and taken directly to equity, is attributable to actuarial gains and losses since inception of the Scheme. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the statement of comprehensive income before 25 April 2004.

The main risks that the Scheme is exposed to are as follows:

- the assets may grow more slowly than expected, or even fall in value, depending on the performance of underlying markets and the securities chosen; and
- the liabilities may grow faster than expected due to higher salary or pension increases, or due to unfavourable movements in interest rates, or due to mortality and other elements of the scheme's experience varying from the assumptions made.

In order to mitigate against these risks, the Trustee has appointed independent professional investment managers to manage the funds which the Trustee has selected on advice. Investment managers invest in a wide range of assets within set criteria which are unique to each fund.

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase by 0.25%	Decrease by 6%
Price inflation	Increase by 0.25%	Increase by 6%
Salary increase	Increase by 0.25%	Increase by 1%
Post-retirement mortality	Life expectancy increase by one year	Increase by 3%

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**26. Obligations under leases****Group***Obligations under operating leases*

The Group operates entirely from properties in respect of which commercial operating leases have been entered into. These leases have an average remaining duration of five years.

At the end of the period, future minimum rentals payable under non-cancellable operating leases were as follows:

	Land and buildings 2015 £000	Other 2015 £000	Land and buildings 2014 £000	Other 2014 £000
Not later than one year	47,314	104	46,713	113
Between two and five years inclusive	129,573	151	137,638	196
After five years	94,029	-	90,957	-
	270,916	255	275,308	309

The Group has also sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 25 April 2015 is £2,893,000 (2014: £2,925,000).

Obligations under finance leases

The Group has acquired certain plant and equipment under finance leases. These leases have no terms of renewal, purchase options or escalation clauses. At the end of the period, future minimum payments under finance leases were as follows:

	Group 2015 £000	Group 2014 £000
Not later than one year	560	560
Between two and five years inclusive	1,120	1,680
	1,680	2,240
Less: finance charges allocated to future periods	(96)	(128)
Present value of minimum lease payments	1,584	2,112

The present value of minimum lease payments is analysed as follows:

	Group 2015 £000	Group 2014 £000
Not later than one year	528	528
Between two and five years inclusive	1,056	1,584
	1,584	2,112

Company

The Company has no obligations under finance leases or operating leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**27. Related party transactions**

During the period the Group and the Company entered into transactions in the ordinary course of business with related parties. Transactions entered into and balances outstanding at the end of the period are as follows:

Group

	Net interest accrued during the period £000	Amounts owed by related party £000	Amounts owed to related party £000
With immediate parent undertaking:			
Lynwood Investments CY Limited (formerly A&NN Holdings Limited)			
2015	(9,295)	5,768	(148,308)
2014	(6,583)	6,244	(139,370)
With other related companies:			
Alpazo Limited			
2015	527	24,066	-
2014	256	4,563	-

The amounts owed by and to the immediate parent undertaking comprise intercompany loans and accrued interest. These loans carry interest at the higher of 7% per annum or the base rate of Barclays Bank plc on date of advance of funds plus 4%.

Certain loan agreements with the immediate parent undertaking were varied during the year and the repayment terms extended. Following this change, £5,768,000 (2014: £nil) of the amounts owed by the immediate parent undertaking are repayable on or before 1 January 2018. In the prior year the balance was due on demand.

£142,540,000 (2014: £133,126,000) of the amount owed to the immediate parent undertaking is repayable on or before 23 June 2021 and £5,768,000 (2014: £nil) of the amount is repayable on or before 1 January 2018. In the prior year the balance of £6,244,000 was repayable on demand.

The amount owed by Alpazo Limited comprises an interest bearing deposit of £24,066,000 (2014: £4,563,000). This deposit is repayable on demand and interest is due at not less than 4% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**27. Related party transactions (continued)****Company**

	Net interest accrued during the period £000	Amounts owed by related party £000	Amounts owed to related party £000
With immediate parent undertaking: Lynwood Investments CY Limited (formerly A&NN Holdings Limited)			
2015	(9,295)	-	(142,540)
2014	(6,583)	-	(133,126)
With subsidiary undertakings: Waterstones Booksellers Limited			
2015	5,827	94,741	-
2014	6,220	110,067	-
With other related companies: Alpazo Limited			
2015	527	24,066	-
2014	256	4,563	-

The amounts owed by and to the immediate parent undertaking and the subsidiary undertakings comprise intercompany loans and accrued interest. These loans carry interest at the higher of 7% per annum or the base rate of Barclays Bank plc on date of advance of funds plus 4%.

Certain loan agreements with the subsidiary undertakings were varied during the year and the repayment terms extended. Following this change, £94,741,000 (2014: £nil) of the amount owed by subsidiary undertakings is repayable on or before 22 June 2021. In the prior year the balance was repayable on demand.

The amounts owed to the immediate parent undertaking are repayable on or before 23 June 2021.

The amount owed by Alpazo Limited comprises an interest bearing deposit of £24,066,000 (2014: £4,563,000). This deposit is repayable on demand and interest is due at not less than 4% per annum.

Remuneration of key management personnel

The remuneration of the Directors of the Group is set out in Note 7. The directors comprise the key personnel of the company.

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Lynwood Investments CY Limited (formerly A&NN Holdings Limited), registered in Cyprus and the ultimate parent company is Alpha Trustees Limited, registered in Nevis. The ultimate beneficial owners of the Company are Alexander Mamut's children who are the beneficiaries under the trusts held by Alpha Trustees Limited.

The largest and smallest group, including the Company, for which consolidated accounts are prepared and are publically available is that headed by the Company.