

# **Lynwood Retail UK Limited (formerly Waterstones Holdings Limited)**

**Consolidated Financial Statements**

**52 weeks ended 28 April 2018**



**LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)**  
**REPORT AND ACCOUNTS 2018**

Company Number: 07673642

---

**COMPANY INFORMATION**

**DIRECTORS**

A J Daunt (resigned 25 April 2018)  
M Groenberg  
A L Mamut (resigned 25 April 2018)  
R David (appointed 6 June 2018)  
M Maksimenkova (appointed 6 June 2018)

**SECRETARY**

A R C Tulloch

**REGISTERED OFFICE**

4 Hill Street  
London  
W1J 5NE

**COMPANY NUMBER**

07673642

**AUDITORS**

Ernst & Young LLP  
1 Colmore Square  
Birmingham  
B4 6HQ

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

### STRATEGIC REPORT

#### Principal activity

The Company acts as a holding company for the Waterstones Group ("Waterstones").

Waterstones 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

During the period under review, an exercise to sell a majority equity stake in Waterstones was undertaken successfully, albeit with an adverse impact on the performance of the trading subsidiaries as a consequence of the diversion of management time and associated costs. The sale completed shortly after the year-end on 1 June 2018. Further details of this post balance sheet event are given in Note 34. All disclosures given in the Strategic Report incorporate both continuing and discontinuing operations.

Waterstones continues to follow the same strategy that it adopted following its acquisition from HMV Group in June 2011. It seeks to improve the standards of bookselling within its shops by the training and enhanced career development of its booksellers, and to support this with investment in the shops themselves and the operational infrastructure. Capital investment has remained consistent with that of recent years at £8.8m (2017: £9.6m). 11 new shops were opened, all of which are trading successfully, and a further 2 café's were added to the Café W estate.

Sales for the 52 week period ended 28 April 2018 were £401.7m (2017: £403.8m) in a year absent of significant bestselling titles. Sales of non-book items continued to grow in absolute terms and as a percentage of total sales, as did sales through Café W. Consistent operational performance and steady margins, impacted in part by the exercise to sell a majority equity stake in the subsidiaries as detailed above resulted in an operating profit of £24.1m (2017: £26.6m).

The profit after taxation amounted to £12.7m (2017: £16.1m). The Company does not have distributable reserves and therefore no dividend was paid or declared during the period (2017: £nil) with the profit being transferred to reserves.

During the period under review, 2 shops were closed and, as noted, 11 shops were opened, resulting in a total estate of 283 shops at 28 April 2018 (2017: 274).

The capital and interest balance owed to Lynwood Investments CY Limited has reduced significantly during the year. This reduction has occurred as a result of payments made as tranches of the loan matured and also as a result of the utilisation of surplus cash balances to pay down the capital and interest balances which had accrued, where available and permitted by the loan agreement.

**LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)**  
**REPORT AND ACCOUNTS 2018**

Company Number: 07673642

---

**STRATEGIC REPORT (CONTINUED)**

**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 and subsequent execution of the Group's strategic and operational plans and policies.

On behalf of the Board

**M Groenberg**  
Director  
26 February 2019



# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

### **DIRECTORS' REPORT**

The Directors submit their report and audited financial statements for the 52 weeks ended 28 April 2018 which were approved on behalf of the Board on 26 February 2019.

#### **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**

The Company does not have distributable reserves and therefore no dividend was paid or declared during the period (2017: £nil).

#### **Subsequent events**

During the period under review, an exercise to sell a majority equity stake in Waterstones was undertaken. The sale completed shortly after the year-end on 1 June 2018. Further details of this post balance sheet event are given in Note 34. All disclosures given in the Directors' Report incorporate both continuing and discontinuing operations.

#### **Foreign branches**

During the year the Group continued 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 risk factors**

The Group's exposure to, and management of, liquidity risk, interest rate risk, credit risk and foreign exchange risk is set out in Note 25.

#### **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 60 (2017: 56) days' purchases outstanding as payable at 28 April 2018. The Company is a holding company and therefore has no trade creditors.

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

### **DIRECTORS' REPORT (CONTINUED)**

#### **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 intranet site "Watson" where employees are encouraged to present their questions, suggestions and views. Employees have an opportunity to 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.

#### **Donations**

The Group made charitable donations of £426,000 (2017: £281,000) 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 I. 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 7, 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.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

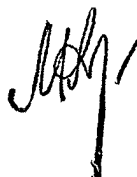
**DIRECTORS' REPORT (CONTINUED)**

**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, to continue in operational existence for the foreseeable future and meet the repayments on the loan from the immediate parent undertaking which are payable within the next 12 months (see Note 21). In addition, the Company has sold a controlling stake in Waterstones to Elliott advisors, which is one of the largest Hedge funds globally, who has taken over the financing needs for Waterstones going forward to ensure its financial stability. On this basis, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

**M Groenberg**  
Director  
26 February 2019



**LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)**  
**REPORT AND ACCOUNTS 2018**

Company Number: 07673642

**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

  
**M Groenberg**  
Director  
26 February 2019

  
**M Maksimenkova**  
Director  
26 February 2019



# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)**

## **Opinion**

We have audited the financial statements of Lynwood Retail UK Limited (formerly Waterstones Holdings Limited) ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 28 April 2018 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 34, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 28 April 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED) (CONTINUED)**

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

## **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 7 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LYNWOOD RETAIL UK LIMITED  
(FORMERLY WATERSTONES HOLDINGS LIMITED) (CONTINUED)**

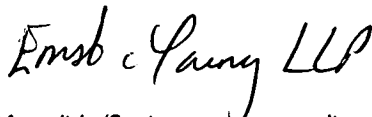
**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.



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

*26 February* 2019

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**CONSOLIDATED INCOME STATEMENT**

For the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017

		2018	2017
	Notes	£000	£000
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(3,067)	(85)
Other operating income	5	5	2
Operating loss		(3,062)	(83)
Finance income	8	211	960
Finance costs	9	(7,441)	(9,565)
Loss before taxation		(10,292)	(8,688)
Taxation	11	-	-
Loss from continuing operations		(10,292)	(8,688)
<b>Discontinued operations</b>			
Profit after tax from discontinued operations	10	22,991	24,774
Profit for the period		12,699	16,086

The financial statements 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 28 April 2018 whilst the comparative period covered the 52 weeks ended 29 April 2017.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**STATEMENT OF COMPREHENSIVE INCOME**

For the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017

		<b>Group 2018</b>	<b>Group 2017</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Profit for the period attributable to the shareholders of the Company		<b>12,699</b>	16,086
Items that will not be reclassified subsequently to profit or loss:			
Return on defined benefit pension scheme plan assets, excluding amounts included in interest	<b>30</b>	<b>27</b>	338
Actuarial gain (loss) on defined benefit pension scheme	<b>30</b>	<b>485</b>	(13)
Tax on items recognised directly in equity	<b>11</b>	<b>(56)</b>	(26)
		<b>456</b>	299
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange difference on retranslation of foreign operations		<b>392</b>	480
Total other comprehensive gain for the period		<b>848</b>	779
Total comprehensive income for the period attributable to the shareholders of the Company		<b>13,547</b>	16,865

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**BALANCE SHEETS**

	Notes	Group as at 28 April 2018 £000	Group as at 29 April 2017 £000	Company as at 28 April 2018 £000	Company as at 29 April 2017 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Plant and equipment	12	-	49,685	-	-
Intangible assets	13	-	1,618	-	-
Investment in subsidiaries	14	-	-	-	1,200
Amounts due from group undertakings	16	-	-	33,831	72,734
Deferred tax asset	11	-	6,725	-	-
		-	58,028	33,831	73,934
<b>Current assets</b>					
Inventories	18	-	59,627	-	-
Trade and other receivables	15	5,010	35,296	5,010	-
Amounts due from group undertakings	16	-	7,520	-	-
Other financial assets	17	691	707	691	707
Current income tax receivable		-	120	-	18
Cash and short-term deposits	19	337	57,827	337	29,165
		6,038	161,097	6,038	29,890
Assets held for sale	10	171,624	-	25,331	-
<b>Total assets</b>		<b>177,662</b>	<b>219,125</b>	<b>65,200</b>	<b>103,824</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Amounts due to group undertakings	21	(38,365)	(87,844)	(38,365)	(87,844)
Retirement benefit liabilities	30	-	(1,254)	-	-
Provisions	23	-	(1,181)	-	-
		(38,365)	(90,279)	(38,365)	(87,844)
<b>Current liabilities</b>					
Current income tax payable		-	(129)	-	-
Trade and other payables	20	(2,300)	(87,712)	(2,300)	(19)
Amounts due to group undertakings	21	(34,895)	(51,333)	(34,895)	(43,813)
Interest bearing loans and borrowings	22	-	(528)	-	-
Provisions	23	-	(1,301)	-	-
		(37,195)	(141,003)	(37,195)	(43,832)
Liabilities directly associated with assets held for sale	10	(101,912)	-	-	-
<b>Total liabilities</b>		<b>(177,472)</b>	<b>(231,282)</b>	<b>(75,560)</b>	<b>(131,676)</b>
<b>Net assets (liabilities)</b>		<b>190</b>	<b>(12,157)</b>	<b>(10,360)</b>	<b>(27,852)</b>
<b>Equity</b>					
Share capital	27	12,676	12,676	12,676	12,676
Other reserves	28	-	1,200	1,200	1,200
Foreign currency translation reserve		387	(5)	-	-
Accumulated losses		(12,873)	(26,028)	(24,236)	(41,728)
<b>Total equity</b>		<b>190</b>	<b>(12,157)</b>	<b>(10,360)</b>	<b>(27,852)</b>

**LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)**  
**REPORT AND ACCOUNTS 2018**

Company Number: 07673642

---

**BALANCE SHEETS (CONTINUED)**

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 profit for the year ended 28 April 2018 was £17,492,000 (2017: loss £3,745,000).

The financial statements were approved by the Board of Directors on 26 February 2019 and were signed on its behalf by:

  
**M Groenberg**  
Director

  
**M Maksimenkova**  
Director

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**STATEMENTS OF CHANGES IN EQUITY**

For the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017

**Group**

		Share capital £000	Other reserves £000	Foreign currency translation reserve £000	Accum- ulated losses £000	Total £000
	Notes					
At 30 April 2016		12,676	-	(485)	(42,413)	(30,222)
Profit for the period		-	-	-	16,086	16,086
Other comprehensive income		-	-	480	299	779
Total comprehensive income		-	-	480	16,385	16,865
Share based awards	28	-	1,200	-	-	1,200
<b>At 29 April 2017</b>		<b>12,676</b>	<b>1,200</b>	<b>(5)</b>	<b>(26,028)</b>	<b>(12,157)</b>
Profit for the period		-	-	-	12,699	12,699
Other comprehensive income		-	-	392	456	848
Total comprehensive income		-	-	392	13,155	13,547
Share based awards	28	-	(1,200)	-	-	(1,200)
<b>At 28 April 2018</b>		<b>12,676</b>	<b>-</b>	<b>387</b>	<b>(12,873)</b>	<b>190</b>

**Company**

		Share capital £000	Other reserves £000	Foreign currency translation reserve £000	Accum- ulated losses £000	Total £000
	Notes					
At 30 April 2016		12,676	-	-	(37,983)	(25,307)
Loss for the period		-	-	-	(3,745)	(3,745)
Total comprehensive loss		-	-	-	(3,745)	(3,745)
Share based awards	28	-	1,200	-	-	1,200
<b>At 29 April 2017</b>		<b>12,676</b>	<b>1,200</b>	<b>-</b>	<b>(41,728)</b>	<b>(27,852)</b>
Profit for the period		-	-	-	17,492	17,492
Total comprehensive income		-	-	-	17,492	17,492
<b>At 28 April 2018</b>		<b>12,676</b>	<b>1,200</b>	<b>-</b>	<b>(24,236)</b>	<b>(10,360)</b>



LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**CASH FLOW STATEMENTS**

For the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017

	Notes	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
<b>Cash flows from operating activities</b>					
(Loss) profit before tax from continuing operations		(10,292)	(8,688)	17,492	(3,745)
Profit before tax from discontinued operations	10	27,117	26,682	-	-
Net finance costs		7,240	8,617	3,577	3,662
Operating profit (loss)		24,065	26,611	21,069	(83)
Depreciation and amortisation	12,13	12,326	12,556	-	-
Impairment charges	12	306	-	(24,131)	-
Gain on disposal of other financial assets		(5)	-	(5)	-
Loss on disposal of plant and equipment		482	525	-	-
Net foreign exchange losses		286	484	-	-
Share based awards	6	-	1,200	-	-
Pension contributions less income statement charge		(107)	(85)	-	-
		37,353	41,291	(3,067)	(83)
Movement in inventories		527	(1,668)	-	-
Movement in trade and other receivables		(7,238)	(344)	(5,000)	-
Movement in amounts owed by group undertakings		-	-	32,180	(12,378)
Movement in trade and other payables		9,834	(9,467)	2,281	(1,120)
Movement in amounts owed to group undertakings		(33,462)	(4,660)	(33,462)	(4,660)
Movement in provisions		212	(651)	-	-
Cash generated from operations		7,226	24,501	(7,068)	(18,241)
Income tax (paid) received		(1,734)	(527)	18	-
<b>Net cash flows from operating activities</b>		<b>5,492</b>	<b>23,974</b>	<b>(7,050)</b>	<b>(18,241)</b>
<b>Cash flows from investing activities</b>					
Purchase of other financial assets		(5,369)	(412)	(5,369)	(412)
Proceeds from disposal of other financial assets		5,368	16,478	5,368	16,478
Purchase of tangible and intangible fixed assets		(7,919)	(10,227)	-	-
Interest received		230	53	10,555	24,012
<b>Net cash flows from investing activities</b>		<b>(7,690)</b>	<b>5,892</b>	<b>10,554</b>	<b>40,078</b>
<b>Cash flows from financing activities</b>					
Interest paid		(32,308)	(4,849)	(32,271)	(4,812)
Repayment of capital element of finance leases		(528)	(528)	-	-
<b>Net cash flows from financing activities</b>		<b>(32,836)</b>	<b>(5,377)</b>	<b>(32,271)</b>	<b>(4,812)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>					
	26	(35,034)	24,489	(28,767)	17,025
Opening cash and cash equivalents	19	57,827	33,132	29,165	12,140
Effect of exchange rate changes		146	206	(61)	-
<b>Closing cash and cash equivalents</b>	<b>19</b>	<b>22,939</b>	<b>57,827</b>	<b>337</b>	<b>29,165</b>

The Group Cash Flow Statement includes all cash flows from continuing and discontinued operations (see Note 19).

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Corporate information

The consolidated financial statements of the Group for the period ended 28 April 2018 were authorised for issue by the Board on 26 February 2019.

The Company is a limited company incorporated and domiciled in England and Wales. The Company acts as a holding company for the Waterstones Group ("Waterstones"). Waterstones 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.

#### 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 28 April 2018 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 other financial assets 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, to continue in operational existence for the foreseeable future and meet the repayments on the loan from the immediate parent undertaking which are payable within the next 12 months (see Note 21). In addition, the Company has sold a controlling stake in Waterstones to Elliott advisors, which is one of the largest Hedge funds globally, who has taken over the financing needs for Waterstones going forward to ensure its financial stability. 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 28 April 2018.

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. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared for the same reporting period as the 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 28 April 2018 whilst the comparative period covered the 52 weeks ended 29 April 2017. 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.

##### Investments in subsidiaries

Investments in subsidiary undertakings are carried at cost net of impairment losses, if any, in the Company's own balance sheet.

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounting policies (continued)

##### Non-current assets held for sale and discontinued operations

The Group and the Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Additional disclosures are provided in Note 10.

##### 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 other 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).

---

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounting policies (continued)

#### Foreign currency translation (continued)

##### *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, net of discounts given and returns, and is recognised when goods are delivered and title has passed. Revenue excludes value added tax ("VAT") and similar sales-related taxes.

The Group operates a customer loyalty scheme which allows customers to accumulate points when they purchase goods from the Group. Consideration received is allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed based on the number of points redeemed relative to the number of points expected to be redeemed.

#### 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 income tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounting policies (continued)

##### Taxation (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside of the income statement is recognised outside of the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### Plant and equipment

The capitalised cost of plant and equipment includes only those costs that are directly attributable to bringing an asset to its working condition for its intended use.

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 $\frac{1}{3}$ %
---------------------	--------------------------

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

##### Intangible assets

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software. An internally generated intangible asset arising from the Group's development of computers systems (including websites) is recognised only if the costs are directly associated with the production of identifiable and unique software products which are controlled by the Group and it is probable that future economic benefits will flow to the Group.

Costs recognised as assets will be amortised over their estimated useful lives of 5 years using the straight line method.

---

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounting policies (continued)

#### Impairment of non-financial 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 to the carrying value it would have been if the impairment had not been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement. An impairment loss in respect of goodwill is not reversed.

#### Leases

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease, such as rent-free periods, premiums payable 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 to the Group 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.

#### 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.

#### Cash and short-term deposits

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.

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounting policies (continued)

##### Share-based payments

In the prior year the Group made an equity-settled non-market share-based award to a Director. The performance award was the entitlement to a proportion of the fully diluted issued share capital of Waterstones, or in certain circumstances, to a cash payment. The share based award was valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business. The value was recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the income statement. A corresponding entry was made to equity.

This award has been reassessed in the current year and it is no longer expected to be settled by a proportion of the fully diluted issued share capital of Waterstones. The entitlement is now expected to be settled by a cash payment. As a result, this award is now accounted for as cash-settled. The accounting entries to record the change in accounting from equity to cash settled have been recorded in Waterstones Booksellers Limited. Therefore, the entry to equity has reversed and a liability recorded to reflect that the entitlement is now expected to be settled by a cash payment from Waterstones Booksellers Limited. The prior year entries in the Company's accounts do not reverse, in accordance with IFRS 2.

##### 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.

Remeasurements, which comprise actuarial gains and losses but exclude amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the balance sheet with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounting policies (continued)

#### Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' investments, 'available for sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is classified on an effective interest rate basis for debt instruments other than those financial assets classified as FVTPL.

#### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at their fair value, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest received on the financial asset.

#### *Held to maturity investments*

Non-derivative financial assets, bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and the ability to hold until maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

#### *AFS financial assets*

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at their fair value. AFS are non-derivative financial assets that are designated as such on initial recognition or that are not classified in any other category. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in an investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to the income statement.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounting policies (continued)

#### Financial assets (continued)

##### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### 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:

Revenue recognition in respect of customer loyalty schemes - revenue recognition is based on the number of points redeemed relative to the number of points expected to be redeemed. This calculation requires judgements to be made regarding future points redemption which are based on historical redemption patterns.

Impairment of plant and equipment and investments - plant and equipment and investments are reviewed for impairment/reversal of an impairment if events or changes in circumstances indicate that the carrying value may not be recoverable or that a previously recognised impairment loss may have reversed. When a review for impairment/reversal of an impairment is conducted, the recoverable amount of an asset or a cash generating unit ("CGU") is based on the value in use calculation prepared using management assumptions and estimates. Key assumptions for the value in use calculation include revenue, margin, operating costs and discount rate. Identification of a CGU involves significant judgement regarding largely independent cash flows and geographical proximity of stores.

Classification of subsidiaries as held for sale - on 25 April 2018, the Company exchanged contracts agreeing the sale of a majority equity stake in all of its subsidiaries. The sale of the subsidiaries completed on 1 June 2018. As a result, the results of the subsidiaries have been classified as discontinued operations at the year-end date for the following reasons:

- at the year-end date, the subsidiaries were available for immediate sale and could be sold to the buyer in their current condition;
- the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- sale negotiations were at an advanced stage at the reporting date and the shareholders approved the plan to sell.

For more details on the discontinued operations, refer to Note 10.

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, future sales prices and inventory loss trends. Historical sales performance statistics are used in the formulation of these judgements.

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 and also in respect of the probability that future taxable profits will be available to support the recognition of deferred tax assets. 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.

# LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)

## REPORT AND ACCOUNTS 2018

Company Number: 07673642

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounting policies (continued)

##### Judgements and key sources of estimation uncertainty (continued)

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. Key assumptions for the actual costs and timing of future cash flows are those regarding revenue, margin, operating costs, dilapidations, rental income and the discount rate.

##### New accounting standards

The Group has adopted the following amended accounting standards which were mandatory for the first time for the financial period ending 28 April 2018. They have no material impact on the Group.

- IAS 7 Statement of Cash Flows: Amendments as a result of the disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- IAS 12 Income Taxes: Amendments regarding the recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017.

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 payment: Classification and measurement of share-based payment transactions, effective for annual periods beginning on or after 1 January 2018;
- IFRS 7 Financial Instruments: Disclosures: Additional hedge accounting disclosures (and consequential amendments resulting from the introduction of the hedge accounting chapter in IFRS 9, effective when IFRS 9 is applied;
- IFRS 9 Financial instruments: Finalised issue, effective for annual periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from contracts with customers: Original issue, following amendment effective for annual periods beginning on or after 1 January 2018; and Clarifications to IFRS 15, effective for annual periods beginning on or after 1 January 2018;
- IFRS 16 Leases: Original issue, effective for annual periods beginning on or after 1 January 2019;
- IAS 12 Income Taxes: Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends), effective for annual periods beginning on or after 1 January 2019;
- IAS 19 Employee Benefits: Amendments regarding plan amendments, curtailments or settlements, effective for annual periods beginning on or after 1 January 2019;
- IAS 23 Borrowing Costs: Amendments resulting from Annual Improvements 2015-2017 Cycle (borrowing costs eligible for capitalisation), effective for annual periods beginning on or after 1 January 2019;
- IAS 39: Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets and financial liabilities when IFRS 9 is applied and to extend the fair value option to certain contracts that meet the 'own use' scope exception, effective when IFRS 9 is applied;
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration, effective for annual periods beginning on or after 1 January 2018; and
- IFRIC 23 — Uncertainty over Income Tax Treatments, effective for annual periods beginning on or after 1 January 2019.

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.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Operating loss**

Operating loss from continuing activities is stated after charging:

	2018 £000	2017 £000
Depreciation and amortisation	-	-
Impairment charges	-	-
Loss on disposal of plant and equipment	-	-
Cost of inventories recognised as an expense	-	-
Movement in inventory provision	-	-
Net foreign exchange losses	-	-
Operating lease rentals:		
Minimum rentals	-	-
Percentage rentals	-	-
Sublease rental income	-	-

Operating loss from discontinued activities (see Note 10) is stated after charging:

	2018 £000	2017 £000
Depreciation and amortisation	12,326	12,556
Impairment charges	306	-
Loss on disposal of plant and equipment	483	525
Cost of inventories recognised as an expense	188,719	191,583
Movement in inventory provision	(156)	(83)
Net foreign exchange losses	286	484
Operating lease rentals:		
Minimum rentals	48,191	48,063
Percentage rentals	119	87
Sublease rental income	(524)	(547)

**4. Fees to auditors**

	2018 £000	2017 £000
Audit of the Group financial statements	20	46
Audit of the subsidiary financial statements	212	133
Non audit services	13	14

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

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Other operating income**

Other operating income consists of:

	2018	2017
	£000	£000
Net gain on financial instrument held at fair value through profit or loss	5	2
	<b>5</b>	<b>2</b>

**6. Directors' emoluments**

	2018	2017
	£000	£000
Salaries and fees	1,590	264
Other benefits	-	1,200
	<b>1,590</b>	<b>1,464</b>

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

In the prior year, the Group made an equity-settled non-market share-based award to a Director. The performance award was the entitlement to a proportion of fully diluted issued share capital of Waterstones, or in certain circumstances, to a cash payment. The share-based award was valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business. This award has been reassessed in the current year and it is no longer expected to be settled by a proportion of the fully diluted issued share capital of Waterstones. The entitlement is now expected to be settled by a cash payment. As a result, this award is now accounted for as cash-settled. The accounting entries to record the change in accounting from equity to cash settled have been recorded in Waterstones Booksellers Limited. Therefore, the entry to equity has reversed and a liability recorded to reflect that the entitlement is now expected to be settled by a cash payment from Waterstones Booksellers Limited. The prior year entries in the Company's accounts do not reverse, in accordance with IFRS 2.

None (2017: one) of the Directors are accruing benefits under the Group's defined contribution pension arrangements.

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

	2018	2017
	£000	£000
Salaries and fees	1,590	233
Other benefits	-	1,200
	<b>1,590</b>	<b>1,433</b>

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Employee costs**

	2018	2017
	£000	£000
Employee costs, including Directors' emoluments:		
Wages and salaries	52,760	51,987
Social security costs	4,196	3,932
Other pension costs	1,557	1,581
	<b>58,513</b>	<b>57,500</b>

The calculation of the employment costs disclosure has been reviewed in the current period. This review highlighted that certain employee costs had been omitted from this disclosure in the prior period in error. This has now been corrected and has resulted in an additional £940,000 employee costs being included in the prior year disclosure. This correction has no impact on the profit for the prior year as previously reported.

Included in wages and salaries in the prior year was a total expense of £1,200,000 which arose from transactions accounted for as equity-settled share-based awards. The performance award was the entitlement to a proportion of fully diluted issued share capital of Waterstones, or in certain circumstances, to a cash payment. The share-based award was valued based on the anticipated cash entitlement in the absence of an objectively reliable method to value the business. This award has been reassessed in the current year and it is no longer expected to be settled by a proportion of the fully diluted issued share capital of Waterstones. The entitlement is now expected to be settled by a cash payment. As a result, this award is now accounted for as cash-settled. The accounting entries to record the change in accounting from equity to cash settled have been recorded in Waterstones Booksellers Limited. Therefore, the entry to equity has reversed and a liability recorded to reflect that the entitlement is now expected to be settled by a cash payment from Waterstones Booksellers Limited. The prior year entries in the Company's accounts do not reverse, in accordance with IFRS 2.

The monthly average number of people employed by the Group during the period was 3,234 (2017: 3,313).

**8. Finance income**

	2018	2017
	£000	£000
Bank interest receivable	175	484
Interest receivable from related parties	14	-
Other interest receivable	22	476
	<b>211</b>	<b>960</b>

**9. Finance costs**

	2018	2017
	£000	£000
Interest payable to parent company	7,122	9,079
Other interest payable	319	486
	<b>7,441</b>	<b>9,565</b>

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Discontinued operations**

On 25 April 2018, the Company exchanged contracts agreeing the sale of a majority equity stake in all subsidiaries. The sale of the subsidiaries completed on 1 June 2018. As a result, the investment in subsidiary undertakings and results of the subsidiaries has been classified as a disposal group held for sale and as discontinued operations.

**Group**

The results of the subsidiaries for the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017 are presented below:

	2018	2017
	£000	£000
Revenue	401,692	403,788
Cost of sales	(359,014)	(362,060)
Gross profit	42,678	41,728
Administrative expenses	(15,551)	(15,034)
Operating profit	27,127	26,694
Finance income	453	444
Finance costs	(463)	(456)
Profit before taxation from discontinued operations	27,117	26,682
Taxation	(4,126)	(1,908)
Profit after taxation from discontinued operations	22,991	24,774

The major classes of assets and liabilities of the Subsidiaries classified as held for sale as at 28 April 2018 are as follows:

	Notes	2018 £000
<b>Assets</b>		
Plant and equipment	12	46,168
Intangible assets	13	1,091
Deferred tax asset	11	4,980
Inventories	18	59,160
Trade and other receivables	15	37,591
Current income tax receivable		32
Cash and short term deposits		22,602
Assets held for sale		171,624
<b>Liabilities</b>		
Trade and other payables	20	(97,547)
Retirement benefit liabilities	30	(719)
Provisions	23	(2,904)
Current income tax payable		(742)
Liabilities directly associated with assets held for sale		(101,912)
<b>Net assets directly associated with disposal group</b>		<b>69,712</b>

The net cash flows incurred by the subsidiaries are as follows:

	2018	2017
	£000	£000
Operating	44,722	29,837
Investing	(7,868)	(10,174)
Financing	(565)	(565)
Net cash inflow	36,289	19,098

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Discontinued operations (continued)**

*Write-down of plant and equipment*

Immediately before the classification of the subsidiaries as discontinued operations, the recoverable amount was estimated for certain items of plant and equipment and an impairment loss of £306,000 was identified.

Following this classification, a review of the carrying value and the fair value less costs to sell of the subsidiaries was undertaken and no adjustments to carrying value were identified.

As at 28 April 2018, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

**Company**

The investment in subsidiaries has been reclassified as an asset held for sale (see Note 14).

Following the classification, a review of the carrying value and the fair value less costs to sell of the investment in subsidiaries was undertaken and no adjustments to carrying value were identified.

As at 28 April 2018, there was no further write-down as the carrying value of the investment in subsidiaries did not fall below its fair value less costs to sell.

**11. Taxation**

Taxation recognised in the income statement:

	2018	2017
	£000	£000
<b>Discontinued operations</b>		
UK tax, current year	1,834	-
UK tax, prior period	104	-
Overseas tax, current year	533	464
Overseas tax, prior period	(18)	(68)
Total current tax	2,453	396
Deferred tax, current year	1,943	(448)
Deferred tax, prior period	(270)	1,960
Total taxation charge in the income statement	4,126	1,908

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

	2018	2017
	£000	£000
Current tax relating to defined benefit pension scheme	(25)	(26)
Deferred tax relating to defined benefit pension scheme	81	52
Total taxation charge in the statement of comprehensive income	56	26

The standard rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017. Further, the Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. Current tax has therefore been provided at 19% (2017: 19.92%) and deferred tax at 17% or 19% (2017: 17% or 19%), the rates expected to be effective when the deferred tax assets are anticipated to be utilised.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Taxation (continued)**

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

	2018 £000	2017 £000
Accounting loss before taxation from continuing operations	(10,292)	(8,688)
Profit before tax from a discontinued operation	27,117	26,682
Accounting profit before income tax	16,825	17,994
Corporation tax at UK average statutory rate of 19.00% (2017: 19.92%)	3,197	3,584
Effects of:		
Expenses not deductible for tax purposes	1,315	1,380
Short term timing differences	(54)	3
Adjustments in respect of prior periods	(184)	1,892
Utilisation of previously unrecognised tax losses	-	(4,001)
Recognition of deferred tax	-	(1,473)
Tax rate differences	(148)	523
At the effective tax rate of 24.5% (2017: 10.6%)	4,126	1,908
Income tax expense reported in the income statement	-	-
Income tax attributable to a discontinued operation	4,126	1,908
	4,126	1,908

**Deferred tax**

**Group**

*Provided deferred tax*

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

	2018 £000	2017 £000
Accelerated depreciation for tax purposes	4,887	5,160
Temporary differences relating to defined benefit pension scheme	93	162
Other temporary differences	-	228
Tax losses	-	1,175
	4,980	6,725
Reported in the statement of financial position as follows:		
Continuing operations	-	6,725
Discontinued operations	4,980	-
	4,980	6,725



LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Taxation (continued)**

**Deferred tax (continued)**

**Group (continued)**

*Provided deferred tax (continued)*

The movement on the deferred tax asset account is as shown below:

	Accelerated tax depreciation	Pensions	Other temporary differences	Tax losses	Total
	£000	£000	£000	£000	£000
At 29 April 2017	5,160	162	228	1,175	6,725
Prior year adjustment	(98)	-	-	368	270
Charged (credited) to the income statement	(175)	12	(228)	(1,543)	(1,934)
Taken to equity	-	(81)	-	-	(81)
<b>At 28 April 2018</b>	<b>4,887</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>4,980</b>

There are no provided deferred tax liabilities in the current or the prior year.

*Unprovided deferred tax*

There are no unprovided deferred tax assets or liabilities in the current or the prior year.

**Company**

*Provided deferred tax*

There are no provided deferred tax assets or liabilities in the current or the prior year.

*Unprovided deferred tax*

There are no unprovided deferred tax assets or liabilities in the current or the prior year.

**Factors that may affect future tax charges**

The Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Plant and equipment**

**Group**

	Plant and equipment £000
Cost at 30 April 2016	112,808
Disposals	(2,319)
Additions	9,436
Exchange differences	142
Cost at 29 April 2017	120,067
Disposals	(6,467)
Additions	8,769
Exchange differences	92
Transfer to disposal group	(122,461)
<b>Cost at 28 April 2018</b>	<b>-</b>
Depreciation at 30 April 2016	59,727
Charge for period	12,076
Disposals	(1,506)
Exchange differences	85
Depreciation at 29 April 2017	70,382
Charge for period	11,742
Impairment	306
Disposals	(6,196)
Exchange differences	59
Transfer to disposal group	(76,293)
<b>Depreciation at 28 April 2018</b>	<b>-</b>
<b>Net book value at 28 April 2018</b>	<b>-</b>
Net book value at 29 April 2017	49,685

Plant and equipment was written down by £306,000 following an impairment review based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated five-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10%. Key assumptions for the value in use calculations were 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 reasonable possible change in assumptions would have resulted in further impairment. The total recoverable amount of the assets impaired was £nil.

**Company**

The Company holds no plant and equipment.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Intangible assets**

**Group**

	Website costs £000	Software costs £000	Total £000
Cost at 30 April 2016	965	2,464	3,429
Additions	-	186	186
Cost at 29 April 2017	965	2,650	3,615
Additions	-	57	57
Disposals	-	(5)	(5)
Transfer to disposal group	(965)	(2,702)	(3,667)
<b>Cost at 28 April 2018</b>	-	-	-
Depreciation at 30 April 2016	234	1,283	1,517
Charge for period	193	287	480
Depreciation at 29 April 2017	427	1,570	1,997
Charge for period	194	390	584
Disposals	-	(5)	(5)
Transfer to disposal group	(621)	(1,955)	(2,576)
<b>Depreciation at 28 April 2018</b>	-	-	-
<b>Net book value at 28 April 2018</b>	-	-	-
Net book value at 29 April 2017	538	1,080	1,618

**Company**

The Company holds no intangible assets.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. Investment in subsidiaries**

**Company**

	£000
Cost at 29 April 2017	25,331
Transfer to assets held for sale	(25,331)
<b>Cost at 28 April 2018</b>	<b>-</b>
Provision at 29 April 2017	24,131
Reversal of impairment	(24,131)
<b>Provision at 28 April 2018</b>	<b>-</b>
<b>Net book value at 28 April 2018</b>	<b>-</b>
Net book value at 29 April 2017	1,200

On 25 April 2018, the Company exchanged contracts agreeing the sale of a majority equity stake in all subsidiaries. The sale of the subsidiaries completed on 1 June 2018. As a result, the investment in subsidiaries has been classified as a disposal group held for sale.

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

<b>Name of undertaking</b>	<b>Country of incorporation</b>	<b>Status</b>
Waterstones Booksellers Limited	England & Wales*	Trading
Waterstones Booksellers Ireland Limited	Ireland #	Trading
Waterstone's Booksellers Belgium SA	Belgium@	Trading
Waterstone's Booksellers Amsterdam B.V.	Holland~	Trading

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

<b>Name of undertaking</b>	<b>Country of incorporation</b>	<b>Status</b>
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
The Waterstones Pension Trustee (Ireland) Limited	Ireland#	Non-trading

\* registered address: 203-206 Piccadilly, London, W1J 9HD

# registered address: 6th Floor, 2 Grand Canal Square, Dublin 2

@ registered address: Boulevard Adolphe Max 71-75, 1000 Brussels

~ registered address: Kalverstraat 152, 1012 XE Amsterdam

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Trade and other receivables**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Current:				
Trade receivables	-	1,125	-	-
Other receivables	-	3,899	-	-
Amounts owed by other related parties	<b>5,010</b>	-	<b>5,010</b>	-
Prepayments and accrued income	-	30,272	-	-
	<b>5,010</b>	<b>35,296</b>	<b>5,010</b>	-

Trade and other receivables classified as held for sale (see Note 10) are as follows:

	<b>Group 2018 £000</b>
Current:	
Trade receivables	<b>1,021</b>
Other receivables	<b>6,131</b>
Prepayments and accrued income	<b>30,439</b>
	<b>37,591</b>

**Group**

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

Trade receivables are stated net of a provision for impairment of £nil (2017: £26,000). Trade receivables are non-interest bearing and are generally settled on 30 day terms. Other receivables are also non-interest bearing.

Amounts owed by other related parties comprises an interest bearing deposit of £5,010,000. 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 25 for a discussion of credit risk.

**Company**

Amounts owed by other related parties comprises an interest bearing deposit of £5,010,000. The deposit is repayable on demand and interest is due at not less than 4% per annum.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Amounts due from group undertakings**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Non-current:				
Amounts owed by subsidiary undertaking	-	-	<b>33,831</b>	<b>72,734</b>
	-	-	<b>33,831</b>	<b>72,734</b>
Current:				
Amounts owed by immediate parent undertaking	-	7,520	-	-
	-	7,520	-	-

**Group**

During the year, the amounts owed by immediate parent undertaking were novated from the immediate parent undertaking to a subsidiary undertaking. The interest rate charged was unchanged and interest continues to accrue on this balance at the base rate of Barclays Bank plc at date of advance plus 4%, or 7% per annum, whichever is higher. This balance is repayable on demand.

**Company**

At the year-end, the amounts owed by subsidiary undertaking were repayable by no later than 22 June 2021. Interest was chargeable on £25,867,000 (2017: £38,118,000) of this balance at 7.28% and on £7,964,000 (2017: £34,616,000) of this balance at 7%. However, during the period under review, an exercise to sell a majority equity stake in the subsidiaries of the Company was undertaken (see Note 34). The sale completed shortly after year-end on 1 June 2018 and on this date these loans were repaid.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Other financial assets**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Other current financial assets:				
Held at fair value through profit and loss account	<b>691</b>	<b>707</b>	<b>691</b>	<b>707</b>
	<b>691</b>	<b>707</b>	<b>691</b>	<b>707</b>

Held at fair value through profit and loss account comprises a structured leverage note which incorporates a fixed advance of \$600,000 (2017: \$586,000) and the financial instrument itself with a fair value of \$1,552,000 (2017: \$1,501,000). This is included in the balance sheet on a net basis because leverage is embedded in the instrument (when the structured product is sold the proceeds will first cover the fixed advance).

**18. 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.

**19. Cash and short-term deposits**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Cash at bank and in hand	<b>337</b>	<b>57,827</b>	<b>337</b>	<b>29,165</b>
	<b>337</b>	<b>57,827</b>	<b>337</b>	<b>29,165</b>

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

For the purpose of the cash flow statement, cash and short-term deposits comprise the following:

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Cash at bank and in hand	<b>337</b>	<b>57,827</b>	<b>337</b>	<b>29,165</b>
Cash at bank and in hand attributable to discontinued operations	<b>22,602</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>22,939</b>	<b>57,827</b>	<b>337</b>	<b>29,165</b>

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Trade and other payables**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
Current:				
Trade payables	-	29,472	-	-
Other payables	-	38,295	-	-
Accruals and deferred income	<b>2,300</b>	<b>19,945</b>	<b>2,300</b>	<b>19</b>
	<b>2,300</b>	<b>87,712</b>	<b>2,300</b>	<b>19</b>

Trade and other payables classified as held for sale (see Note 10) are as follows:

	<b>Group 2018 £000</b>
Current:	
Trade payables	<b>31,882</b>
Other payables	<b>43,442</b>
Accruals and deferred income	<b>22,223</b>
	<b>97,547</b>

**Group and Company**

The carrying value of trade and other payables approximates to fair value. Trade payables are non-interest bearing and are generally settled on 30-60 day terms. Other payables and accruals are non-interest bearing.



LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21. Amounts due to group undertakings**

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Non-current:				
Amounts owed to immediate parent undertaking	38,365	87,844	38,365	87,844
	<b>38,365</b>	<b>87,844</b>	<b>38,365</b>	<b>87,844</b>
Current:				
Amounts owed to immediate parent undertaking	34,895	51,333	34,895	43,813
	<b>34,895</b>	<b>51,333</b>	<b>34,895</b>	<b>43,813</b>

The repayment terms for the amounts owed to immediate parent undertaking are as follows:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Due:				
Not later than one year	35,000	51,538	35,000	44,018
Later than one year and not later than five years	38,365	87,953	38,365	87,953
	<b>73,365</b>	<b>139,491</b>	<b>73,365</b>	<b>131,971</b>

**Group**

Interest is chargeable on £65,261,000 (2017: £78,985,000) of this balance at 7.0%, on £8,104,000 (2017: £52,986,000) of this balance at 7.28% and on £nil (2017: £7,520,000) of this balance at the base rate of Barclays Bank plc at date of advance plus 4%, or 7% per annum, whichever is higher.

Amounts owed to immediate parent undertaking are stated net of charges arising from loan amendments and extensions, which are being amortised over the term of the amendments.

**Company**

Interest is chargeable on £65,261,000 (2017: £78,985,000) of this balance at 7.0% and on £8,104,000 (2017: £52,986,000) of this balance at 7.28%.

Amounts owed to immediate parent undertaking are stated net of charges arising from loan amendments and extensions, which are being amortised over the term of the amendments.

**22. Interest bearing loans and borrowings**

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Current:				
Obligations under finance leases (see Note 31)	-	528	-	-
	<b>-</b>	<b>528</b>	<b>-</b>	<b>-</b>

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

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23. Provisions**

	<b>Group 2018 £000</b>
At 29 April 2017	2,482
Provisions created in the period	1,619
Provisions utilised	(923)
Provisions released	(274)
Transfer to disposal group	(2,904)
<b>At 28 April 2018</b>	<b>-</b>
Analysed as:	
Current	-
Non-current	-

Provisions almost entirely consist of amounts in respect of onerous leases and store closures. Of the total provisions, £nil (2017: £320,000) is expected to be utilised after 5 years from the balance sheet date.

**Company**

The Company has no provisions.

**24. 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 28 April 2018 was £nil (2017: £nil).

**25. 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.

**Liquidity risk**

During the period under review the Group had sufficient funds and facilities, through the continuing support of the immediate parent undertaking and A L Mamut, available to satisfy its current requirements.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. Financial risk factors (continued)**

**Liquidity risk (continued)**

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 28 April 2018 and 29 April 2017 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
Trade and other payables	-	2,300	-	-	-	2,300
Amounts due to group undertakings	-	-	35,000	38,365	-	73,365
<b>At 28 April 2018</b>	-	2,300	35,000	38,365	-	75,665

	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	-	-	560
Trade and other payables	13,853	73,859	-	-	-	87,712
Amounts due to group undertakings	-	-	51,538	87,953	-	139,491
<b>At 29 April 2017</b>	13,853	73,999	51,958	87,953	-	227,763

**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	-	2,300	-	-	-	2,300
Amounts due to group undertakings	-	-	35,000	38,365	-	73,365
<b>At 28 April 2018</b>	-	2,300	35,000	38,365	-	75,665

	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	19	-	-	-	-	19
Amounts due to group undertakings	-	-	44,018	87,953	-	131,971
<b>At 29 April 2017</b>	19	-	44,018	87,953	-	131,990

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

---

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. Financial risk factors (continued)**

**Interest rate risk**

The Group is exposed to interest rate risk from its borrowings and cash deposits. 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.

**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 24).

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, from both continuing and discontinued operations, and shareholders' equity.

*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, from both continuing and discontinued operations, by approximately £0.6m (2017: £0.1m).

*Foreign exchange rate sensitivity*

A 10% change in the value of Euro against sterling would affect the Group's result before tax by approximately £0.8m (2017: £0.7m) and the Group's comprehensive income by £1.7m (2017: £1.3m).

A 10% change in the value of Dollar against sterling would affect the Group's result before tax by approximately £nil (2017: £0.2m) and the Group's comprehensive income by £nil (2017: £0.2m).

The Group has no cash flow hedges in place, as detailed in Note 24.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. Financial risk factors (continued)**

**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 short-term deposits (see Note 19), loans payable and receivable through its intra-group facilities (see Notes 16 and 21) and from external sources (see Note 22) and equity attributable to the parent undertaking (see Note 27).

**26. Additional cash flow information**

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

**Group**

	At 29 April 2017 £000	Cash flow £000	Reclassified to disposal group £000	Other non- cash changes £000	At 28 April 2018 £000
Cash at bank and in hand	57,827	(35,034)	(22,602)	146	337
Loans and borrowings – current	(528)	528	-	-	-
Net funds	57,299	(34,506)	(22,602)	146	337

	At 30 April 2016 £000	Cash flow £000	Reclassified to disposal group £000	Other non- cash changes £000	At 29 April 2017 £000
Cash at bank and in hand	33,132	24,489	-	206	57,827
Loans and borrowings – non current	(528)	-	-	528	-
Loans and borrowings – current	(528)	528	-	(528)	(528)
Net funds	32,076	25,017	-	206	57,299

Other non-cash changes represent movements in finance lease funding and foreign exchange movements.

Net funds are shown exclusive of interest bearing amounts owed from and to the parent undertaking included in Notes 16 and 21.

**Company**

	At 29 April 2017 £000	Cash flow £000	Reclassified to disposal group £000	Other non- cash changes £000	At 28 April 2018 £000
Cash at bank and in hand	29,165	(28,767)	-	(61)	337
Net funds	29,165	(28,767)	-	(61)	337

	At 30 April 2016 £000	Cash flow £000	Reclassified to disposal group £000	Other non- cash changes £000	At 29 April 2017 £000
Cash at bank and in hand	12,140	17,025	-	-	29,165
Net funds	12,140	17,025	-	-	29,165

Other non-cash changes represent foreign exchange movements.

Net funds are shown exclusive of interest bearing amounts owed by subsidiary undertakings and owed to the parent undertaking included in Notes 16 and 21.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. Share capital**

	2018 Number	2018 £000	2017 Number	2017 £000
<b>Authorised</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	12,675,501	12,676	12,675,501	12,676

The Company has one class of share capital, namely £1 ordinary shares, of which there are 12,675,501 allotted, all fully paid. There are no special rights or preferences attaching to the shares, and there are no restrictions on the distribution of dividends and the repayment of capital.

**28. Other reserves**

**Group**

In the prior year, the reserve arose as a result of the anticipated equity-settled share-based award (see Note 6). This award has been reassessed in the current year and is now expected to be settled by a cash payment. As a result, this award is now accounted for as cash-settled. The accounting entries to record the change in accounting from equity to cash settled have been recorded in Waterstones Booksellers Limited. Therefore, the entry to equity has reversed and a liability recorded to reflect that the entitlement is now expected to be settled by a cash payment from Waterstones Booksellers Limited.

**Company**

In the prior year, this reserve arose as a result of the Company's deemed contribution to a subsidiary undertaking. This resulted from a share-based payment award that the subsidiary made to an employee which was anticipated to be settled in equity of the Company (see Note 6). This award has been reassessed in the current year and is now expected to be settled by a cash payment, however, the prior year entries in the Company's accounts do not reverse, in accordance with IFRS 2.

**29. Contingent liabilities**

The management of Lynwood Retail UK Limited (formerly 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 at the year end, are guarantors of a £80m 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.

**30. Pension arrangements**

At the year-end, the subsidiaries of the Group operated a number of pension schemes, the funds of which were held in separate, trustee administered funds. With the exception of a small defined benefit scheme in Ireland, all schemes were defined contribution schemes. However, on 25 April 2018, the Company exchanged contracts agreeing the sale of a majority equity stake in all subsidiaries. The sale of the subsidiaries completed on 1 June 2018. As a result, the results of the subsidiaries have been classified as a disposal group held for sale and as discontinued operations. Further details of this transaction are given in Note 10.

Details of the main schemes at the year-end 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 £1,433,000 (2017: £1,457,000).

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30. 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 2016 and at that date the market value of the assets was sufficient to cover 94% of the value of the liabilities of the Scheme, representing a funding deficit of €475,000. It was agreed to fund this by three additional annual contributions of €170,000 commencing on 1 April 2017 and the second additional payment was made during the year. The future service contribution rate was increased to 29.6% of pensionable salaries made up of an employer rate of 22.1% and an employee rate of 7.5%. The next actuarial review will take place with an effective date no later than 30 June 2019.

Employer contributions to the Scheme for the period ended 28 April 2018 were £231,000 (2017: £209,000). The total employer contributions to the Scheme for the financial year commencing on 29 April 2018 are expected to be £234,000.

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 28 April 2018 % per annum	As at 29 April 2017 % per annum
Rate of price inflation	1.60	1.50
Rate of salary increase	2.10	2.00
Rate of increase for pensions in payment	1.60	1.50
Rate of increase for deferred benefits	1.60	1.50
Rate used to discount scheme liabilities	1.95	1.90

The mortality assumption used at 28 April 2018 is 62% of PNML00 for males and 70% of PNFL00 for females, both with an increase in annuity value of 0.39% p.a. between 2008 and the member's normal pension date.

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 28 April 2018 and the 52 weeks ended 29 April 2017 are set out below:

	2018 £000	2017 £000
<b>Recognised in discontinued operations in the income statement</b>		
Current service cost	(124)	(124)
Interest on Scheme liabilities	(156)	(160)
Interest on Scheme assets	132	127
<b>Total income statement charge before deduction for taxation</b>	<b>(148)</b>	<b>(157)</b>
<b>Taken to the statement of comprehensive income</b>		
Return on plan assets, excluding amounts included in interest	27	338
Actuarial (losses) gains arising from changes in:		
Financial assumptions	(73)	(70)
Experience adjustments	558	57
<b>Total gain recognised in the statement of comprehensive income</b>	<b>512</b>	<b>325</b>

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30. Pension arrangements (continued)**

**Ireland defined benefit scheme ("the Scheme") (continued)**

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

	As at 28 April 2018 £000	As at 29 April 2017 £000
Quoted securities:		
Securities	2,980	2,859
Debt securities	3,116	2,734
Cash/alternatives	804	764
Unquoted securities:		
Real estate/property	280	230
Total market value of assets	7,180	6,587
Actuarial value of Scheme liabilities	(7,899)	(7,841)
Deficit in the Scheme	(719)	(1,254)
Deferred tax	93	162
Net pension liability	(626)	(1,092)

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 24.0 years. This number can be subdivided into the duration related to:

Type of member	Average duration
Active members	23.0 years (2017: 23.0 years)
Pensioners	12.7 years (2017: 12.7 years)
Deferred members	24.6 years (2017: 24.6 years)

Changes in the fair value of the Scheme assets for the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017 are analysed as follows:

	2018 £000	2017 £000
Total market value of assets at the beginning of the period	6,587	5,830
Benefits paid	(112)	(385)
Employer contributions	231	209
Employee contributions	28	30
Interest on pension scheme assets	132	127
Return on plan assets, excluding amounts included in interest	27	338
Exchange differences	287	438
Transfer to disposal group	(7,180)	-
Total market value of assets at the end of the period	-	6,587



LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30. Pension arrangements (continued)**

**Ireland defined benefit scheme ("the Scheme") (continued)**

Changes in the present value of the Scheme liabilities for the 52 weeks ended 28 April 2018 and the 52 weeks ended 29 April 2017 are analysed as follows:

	2018	2017
	£000	£000
Defined benefit pension obligations at the beginning of the period	(7,841)	(7,343)
Benefits paid	112	385
Current service cost	(124)	(124)
Interest on pension scheme liabilities	(156)	(160)
Employee contributions	(28)	(30)
Actuarial gain (loss)	485	(13)
Exchange differences	(347)	(556)
Transfer to disposal group	7,899	-
Defined benefit pension obligations at the end of the period	-	(7,841)

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

*History of experience gains and losses*

	2018	2017	2016	2015	2014
	€000	€000	€000	€000	€000
Fair value of Scheme assets	8,185	7,839	7,462	7,645	5,732
Present value of defined benefit obligation	(9,005)	(9,331)	(9,398)	(11,175)	(7,871)
Deficit in the Scheme	(820)	(1,492)	(1,936)	(3,530)	(2,139)
Experience adjustments arising on Scheme assets	30	398	(504)	1,391	107
Gain (loss) on assumptions	(83)	(83)	1,713	(3,145)	(490)
Experience adjustments arising on Scheme liabilities	631	67	307	242	238
Exchange rate at year end date £'s to €'s	1.14	1.19	1.28	1.39	1.21

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. Obligations under leases**

**Group**

*Obligations under operating leases*

At the year-end the subsidiaries of the Group leased stores under non-cancellable operating lease agreements that were generally subject to periodic rent review. These agreements provided for either, or both, minimum rentals and percentage rentals based on sales performance. No operating lease commitments disclosures were required for percentage rental arrangements, as future lease payments represented contingent rental payments.

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 2018 £000	Other 2018 £000	Land and buildings 2017 £000	Other 2017 £000
Expiry:				
Not later than one year	45,308	138	43,694	174
Later than one year and not later than five years	115,229	209	114,684	97
Later than five years	86,528	-	89,441	-
	<b>247,064</b>	<b>347</b>	<b>247,819</b>	<b>271</b>

The subsidiaries also sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 28 April 2018 was £393,000 (2017: £725,000).

On 25 April 2018, the Company exchanged contracts agreeing the sale of a majority equity stake in all subsidiaries. The sale of the subsidiaries completed on 1 June 2018. As a result, the results of the subsidiaries have been classified as a disposal group held for sale and as discontinued operations. Further details of this transaction are given in Note 10.

*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 2018 £000	Group 2017 £000
Payable:		
Not later than one year	-	560
	-	560
Less: finance charges allocated to future periods	-	(32)
Present value of minimum lease payments	-	528

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

	Group 2018 £000	Group 2017 £000
Payable:		
Not later than one year	-	528
	-	528

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. Obligations under leases (continued)**

**Company**

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

**32. 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			
<b>2018</b>	<b>(7,122)</b>	<b>-</b>	<b>(73,365)</b>
2017	(9,079)	7,520	(139,491)
With related parties: Lynwood Capital Management Fund Limited			
<b>2018</b>	<b>14</b>	<b>5,010</b>	<b>-</b>
2017	-	-	-

*Amounts owed by related party*

During the year the loans owed by the immediate parent undertaking were novated from the immediate parent undertaking to a subsidiary undertaking. As a result these balances now consolidate out within the Group financial statements. Interest was due 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 Lynwood Capital Management Fund Limited comprises an interest bearing deposit of £5,010,000. The deposit is repayable on demand and interest was due at not less than 4% per annum.

*Amounts owed to related party*

In the prior year the amounts owed to related party included loans totalling £7,520,000 which were owed to the immediate parent undertaking. These loans were novated from the immediate parent undertaking to a subsidiary undertaking during the year. As a result these balances now consolidate out within the Group financial statements.

The capital and interest balance owed to Lynwood Investments CY Limited has reduced significantly during the year. This reduction has occurred as a result of payments made as tranches of the loan matured and also as a result of the utilisation of surplus cash balances to pay down the capital and interest balances which had accrued, where available and permitted by the loan agreement.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**32. Related party transactions (continued)**

**Group (continued)**

The repayment terms for the loans are as follows:

	2018	2017
	£000	£000
Due:		
Not later than one year	35,000	51,538
Later than one year and not later than five years	38,365	87,953
Later than five years	-	-
	<b>73,365</b>	<b>139,491</b>

Interest is chargeable on £65,261,000 (2017: £78,985,000) of these balances at 7.0%, on £8,104,000 (2017: £52,986,000) of these balances at 7.28% and on £nil (2017: £7,520,000) of this balances at the base rate of Barclays Bank plc at date of advance plus 4%, or 7% per annum, whichever is higher.

**Company**

	Net interest accrued during the period	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000
With immediate parent undertaking:			
Lynwood Investments CY Limited			
2018	(7,122)	-	(73,365)
2017	(9,079)	-	(131,971)
With subsidiary undertakings:			
Waterstones Booksellers Limited			
2018	3,653	33,831	-
2017	4,943	72,734	-
With other related parties:			
Lynwood Capital Management Fund Limited			
2018	14	5,010	-
2017	-	-	-

*Amounts owed by related party*

At the year-end the amounts owed by subsidiary undertaking were repayable by no later than 22 June 2021. Interest was chargeable on £25,867,000 (2017: £38,118,000) of this balance at 7.28% and on £7,964,000 (2017: £34,616,000) of this balance at 7%. However, during the period under review, an exercise to sell a majority equity stake in the subsidiaries of the Company was undertaken (see Note 10). The sale completed shortly after year-end on 1 June 2018 and on this date these loans were repaid.

Amounts owed by Lynwood Capital Management Fund Limited comprises an interest bearing deposit of £5,010,000. The deposit is repayable on demand and interest was due at not less than 4% per annum.

*Amounts owed to related party*

The capital and interest balance owed to Lynwood Investments CY Limited has reduced significantly during the year. This reduction has occurred as a result of payments made as tranches of the loan matured and also as a result of the utilisation of surplus cash balances to pay down the capital and interest balances which had accrued, where available and permitted by the loan agreement.

LYNWOOD RETAIL UK LIMITED (FORMERLY WATERSTONES HOLDINGS LIMITED)  
REPORT AND ACCOUNTS 2018

Company Number: 07673642

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**32. Related party transactions (continued)**

**Company (continued)**

The repayment terms for the amounts owed to the immediate parent undertaking are as follows:

	2018	2017
	£000	£000
Due:		
Not later than one year	35,000	44,018
Later than one year and not later than five years	38,365	87,953
Later than five years	-	-
	<b>73,365</b>	<b>131,971</b>

Interest is chargeable on £65,261,000 (2017: £78,985,000) of this balance at 7.0% and on £8,104,000 (2017: £52,986,000) of this balance at 7.28%.

**Remuneration of key management personnel**

The remuneration of the Directors of the Group is set out in Note 6. The Directors comprise the key personnel of the Company.

**33. Ultimate parent undertaking and controlling party**

The immediate parent undertaking of the Company is Lynwood Investments CY Limited, registered in Cyprus and the ultimate parent company is Alpha Global (PTC) Limited, registered in the British Virgin Islands. The ultimate controlling parties of the Company are Alpha Global (PTC) Limited (acting in its capacity as a trustee of the Alpha Trust), Nicolai Mamut (who is currently the sole beneficiary of that trust) and Marina Groenberg who has the right to exercise significant influence or control over the activities of that trust.

**34. Post balance sheet events**

During the period under review, the Company undertook an exercise to sell a majority equity stake in all subsidiaries. The Company exchanged contracts agreeing the sale of the subsidiaries on 25 April 2018 and the sale completed shortly after the year-end on 1 June 2018.

Control of the subsidiaries did not pass to the new owner until completion on 1 June 2018 and therefore the results of the subsidiaries have been included in these financial statements and classified as a disposal group held for sale and as a discontinued operation. Further details of this transaction are given in Note 10.