Company Number: 11309674

Book Retail Midco Limited

Consolidated Annual Report and Financial Statements

52 weeks ended 29 April 2023

COMPANY INFORMATION

DIRECTORS

P Best
A Razmuss
E J Larnaudie De Ferrand
A J Daunt

COMPANY SECRETARY

F Johnston

REGISTERED OFFICE

203-206 Piccadilly
London
W1J 9HD

COMPANY NUMBER

11309674

AUDITORS

Ernst & Young LLP
One Colmore Square
Birmingham
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STRATEGIC REPORT

Introduction

The Directors present the Strategic Report of Book Retail Midco Limited (the "Company")("Midco") for the 52 week period ended 29 April 2023.

The Company, a private limited company incorporated and registered in England and Wales, is the holding company of Book Retail Bidco Limited ("Bidco"), a private limited company incorporated and registered in England and Wales (registered company number: 11284041). Bidco was established as a vehicle to purchase Waterstones Booksellers Limited, a private limited company incorporated and registered in England and Wales (registered company number: 00610095), and its associated group companies ("Waterstones"), in June 2018.

Bidco also acquired the entire issued share capital of W. & G. Foyle Limited ("Foyles") in October 2018.

The Company's indirect parent company, Bookshop Topco Limited ("Topco"), acquired Wordery.com Limited ("Wordery") on 30 April 2020. In addition, Topco acquired Blackwell Limited and its subsidiaries ("Blackwell's") on 28 February 2022. The trade, assets and liabilities of Wordery were transferred to Blackwell's on 2 May 2022.

Wordery is a global online book retailer, trading across a number of leading marketplace platforms as well as its website Wordery.com. Blackwell's is a book retailer, both in shops and online.

Blackwell's was acquired by Waterstones Booksellers Limited ("WBL"), a subsidiary of the Company, on 7 August 2022 for consideration of £1. Following this transaction, Blackwell's transferred its trade and certain of its assets and liabilities to WBL on 7 August 2022 at their book value.

Given Blackwell's and Wordery were previously under the same common control ownership as the Company, then the acquisition has been accounted for under the pooling of interests method. As a result, the income statement reflects the results of Wordery and Blackwell's from the date that they entered the Topco group and the balance sheet at acquisition reflects the fair value of the assets and liabilities determined at the date that Wordery and Blackwell's entered the Topco group, please see Note 3.

The Company, Bidco, Waterstones, Foyles, Wordery and Blackwell's are collectively referred to as the "Group".

Principal activities

Waterstones, Foyles and Blackwell's are a leading retailer of books, stationery and other related products through a chain of bookshops in the United Kingdom, the Republic of Ireland, Isle of Man, Jersey, Holland and Belgium and online through various branded e-commerce websites. The businesses also sell coffee and food from cafés and restaurants within some of its shops, host public and private events and support a large number of literary festivals.

Review of the business

Footfall and sales continue to recover post pandemic, with encouraging growth in London and other metropolitan city centres as tourist numbers increase and workers return to offices. The Group has benefited from the increased popularity of both reading and physical bookshops, supported notably by social media and positive press coverage. During the year, disruptions to the central distribution centre, caused by the implementation of a new warehouse management system, impacted sales and resulted in both the temporary elevation of operating costs and reduction in margin. The Group continues to invest in both our people and our shops to improve the standards of bookselling, and has successfully opened new bookshops.

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 29 April 2023, whilst the comparative period covered the 53 weeks ended 30 April 2022.

Sales have risen to £499.6m from £452.9m (restated) in the prior year, including for the impact of the acquisition of Blackwell's in August 2022. The bookshop portfolio is now over 320 shops located across the UK, Isle of Man, Jersey, Ireland, Holland and Belgium. Profitability has been impacted by system implementation costs and also by the increase in other operational expenses.

The online business continues to deliver a strong performance. Blackwells.co.uk and Wordery.com have been added to the existing online brands and expand book sales to a wider global customer base.

STRATEGIC REPORT (CONTINUED)

Review of the business (continued)

In August 2023, a loan of £79m and a revolving credit facility of £25m (undrawn as at 29 April 2023) held by Book Retail Bidco Limited (a directly held subsidiary) and originally due for repayment in August 2024 and May 2024 respectively, have had their repayment dates extended to August 2025 and May 2025. All other terms remain unchanged.

Sales for the year ended 29 April 2023 were £499.6m (2022 restated: £452.9m) resulting in an operating profit before exceptional items of £26.2m (2022 restated: £57.2m). Exceptional operating charges totalled £13.9m (2022 restated: £2.9m) comprising impairment adjustments of right-of-use assets and tangible fixed assets and the direct and indirect costs attributable to a systems implementation (see note 6). This resulted in an operating profit after exceptional items of £12.2m (2022 restated: £54.4m).

The profit after taxation amounted to £0.8m (2022 restated: £23.3m). No dividend was paid or declared during the period (2022: £nil).

Section 172(1) Statement

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018 amendments to the Companies Act 2006, the Directors are required to set out how they have had regard to the matters in section 172 (1):

a) the likely consequences of any decision in the long term;
b) the interests of the Group's employees;
c) the need to foster the Group's business relationships with suppliers, customers and others;
d) the impact of the Group's operations on the community and the environment;
e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
f) the need to act fairly between members of the Group.

We have adopted the Wates Corporate Governance Principles for Large Private Companies which provides a framework for the Group to demonstrate how the Group satisfies the requirements of s172(1) duty to promote the success of the Group as well as setting out how the Group engages with key stakeholders and employees. This is set out on the following pages.

STRATEGIC REPORT (CONTINUED)

Wates corporate governance statement

The Company's corporate governance arrangements are consistent with the Wates Principles and the Company is not aware of any departures.

Purpose and leadership

The Board remains focused on the long term sustainability of the business, including generating value for shareholders and contributing to the wider communities in which the business operates. Our vision is to continue to champion good books through our interesting bookshops and good bookselling through the excellence of our booksellers.

The board meets on a quarterly basis, at which shareholder representatives are updated on the performance of the business and key operational issues. Important strategic decisions are discussed and approved at the Board.

We have implemented policies and tools to support the execution of our vision. Bookselling proficiency and career progression is a central focus, supported by such initiatives as our Bookseller Development Programme. We work to improve employee engagement including support for mental well-being, training and communication around equality, diversity and inclusiveness and continued refinement of our Code of Conduct.

We continue also to build our online presence so that the very essence of Waterstones (and its group companies) is available online and through our mobile app.

Board composition

As the parent of Book Retail Bidco, our long-term strategy and objectives are determined at this operational board level.

The size and composition of our Board is appropriate for the scale of the business. Diversity of thought is encouraged through open debate and challenge.

The Board is supported by senior management who govern the day-to-day aspects of the business and ensure information is accurate and is conveyed in a timely manner to the board. The Board is committed to supporting an inclusive business and recognise this to be an area of continual improvement. Regular communication is made to employees via multiple channels, including email, company Intranet, team meetings, etc.

The Directors undertake training, as required, to ensure they are kept abreast of legal and regulatory changes.

Director responsibilities

The appointed Directors have the appropriate skill set and relevant experience to discharge their responsibilities. The Board delegates certain responsibility to senior executives in the Company and regular management meetings are held; following these, information is collated and cascaded up to the Board, including sales and financial information, operational and employee matters.

The Chairman, with support from the Company Secretary, assumes responsibility for the accuracy and timely submission of information to the Board. Key information is verified by external independent groups where appropriate, with our annual financial statements audited by Ernst & Young.

Opportunity and risk

The Board meets regularly to take decisions intended to promote the ongoing success of the Company. Key decisions are communicated as necessary following such board meetings to all relevant stakeholders including for example in relation to the health and safety of employees and customers, wider group acquisitions and the Company's investment plans.

Strategic opportunities are highlighted at management level and discussed at the board level. Risk management is delegated to management and considered at board level. A summary of our principal risks is included on page 6. The Board actively seeks to mitigate and manage the risks identified.

The Board manages risk through internal systems and controls, with rigorous approval processes in place for contracts and expenditure. Focus is given to data protection and security and the integrity of IT systems across the Group.

STRATEGIC REPORT (CONTINUED)

Wates corporate governance statement (continued)

Remuneration

In determining remuneration policies, the Group's primary objective is to attract and retain talent as this is recognised to be the foundation of the Group's success. Authority for remuneration is delegated to the senior management, with oversight by the Board where appropriate.

The Group continues to invest in the career rewards available at all levels. In setting our remuneration policy we ensure we operate in accordance with the law and that our approach adheres to principles of equality and fairness. The Board is committed to the continued improvement in reducing the gender pay gap within the Group. Our functions keep abreast of market trends and benchmark as appropriate.

Stakeholder relationships and engagement

The Chairman of the board acts as the primary interface between the Company and the Shareholders.

Meaningful engagement with its customer base is core to the purpose of the Group, from the service given by booksellers in shops to the central customer service functions and social media presence. The Board ensures that the Group has the requisite policies in place to continually improve this relationship.

Employee engagement and consultations are conducted regularly through delegated authority, with email communications sent daily and by means of the Company intranet. The Group continually seeks to improve this engagement, notably through training and improving employee benefits.

The Group seeks to preserve excellent and collaborative relationships with its suppliers. It abides by agreed commercial terms and works proactively to drive efficiencies to the mutual benefit of all parties.

The Group is committed to social responsibility and community engagement. As part of community investment, we partner with local and national charities and actively encourage our employees to promote these partnerships.

There has been increasing interest from stakeholders as to how climate change will impact companies. As a retail business, the Group's activities have a relatively small impact on the environment when compared to companies that operate in more resource intensive industries.

The Group has determined that the most significant future impacts from climate change on its operations will be from energy prices as the Group and global economy transition to greener sources. The Group is committed to improving its impact on climate change by adopting energy efficiency measures and has made considerable investment to improve energy consumption. An Environment and Sustainability working group has been created in 2023, involving employees across the business, to address the issue of environmental sustainability. This group meet quarterly and engage with employees around current environmental initiatives being carried out across the Group, provides a forum to share best practice both internally and externally and drive forward collaboration and cooperation to drive forward a range of environmental improvements across the business. Waterstones has also recently signed up the to the British Retail Consortium's climate action roadmap and are working with the Booksellers Association of the United Kingdom & Ireland around its Sustainable Bookselling Manifesto.

We consider that given the nature of the group's activities and locations that physical climate change presents a relatively low risk to the Group's future business operations. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

STRATEGIC REPORT (CONTINUED)

Key performance indicators ("KPIs")

The Directors consider the key indicators of the performance of the Group to be turnover, operating profit and EBITDA and EBITDA % (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting.

The KPIs are set out below:

	2023	2022
		Restated
	£000	£000
Turnover	**499,593**	452,937
Operating profit	**12,239**	54,352
EBITDA (Pre IFRS 16 lease accounting and exceptional items)	**36,369**	65,877
	%	%
EBITDA % (Pre IFRS 16 lease accounting)	**7.3%**	14.5%

A reconciliation of EBITDA to EBITDA (pre IFRS 16 lease accounting and exceptional items) detail is set out below:

	2023	2022
	£000	£000
EBITDA	**61,560**	103,150
IFRS 16 adjustments	**(39,116)**	(40,133)
Exceptional items	**13,925**	2,860
EBITDA (Pre IFRS 16 lease accounting and exceptional items)	**36,369**	65,877

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

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

(i) the longer term impact of Covid-19 on customers' behaviour, particularly in relation to city centres;

(ii) the competitive nature of its markets, with particular emphasis on the e-commerce strength of Amazon and developing methods of digital delivery of products and content;

(iii) the general sensitivity of customer confidence and spending in an economic downturn;

(iv) the ongoing risk that Brexit causes disruption and cost within the supply chain, and further damages consumer confidence;

(v) the seasonality of the business, with the reliance on Christmas performance for a high percentage of annual profitability;

(vi) maintaining appropriate commercial agreements with key suppliers;

(vii) maintaining the investment value of the group's subsidiaries and group cash flow to ensure payment of debt obligations as they fall due;

(viii) the reliability of the Group's and key suppliers' supply chains and increasing costs;

(ix) a failure to sustain or protect the Group's reputation and brand;

(x) the maintenance and development of information technology and logistics systems; and

(xi) attracting, motivating and retaining key staff, with the ongoing impact of Brexit on retention of European staff in the UK a particular consideration.

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

On behalf of the Board

A J Daunt
Director
6 March 2024

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 29 April 2023, which were approved on behalf of the Board.

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 below:

P Best
A Razmuss
E J Larnaudie De Ferrand
A J Daunt

Company Secretary

E Sullivan resigned as Company Secretary on 10 June 2022. F Johnston was appointed Company Secretary on 5 December 2022.

Directors' liabilities

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

Dividends

No dividend was paid or declared during the period (2022: £nil).

Foreign branches

The Group continues to operate a number of overseas shops.

Future developments

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

Subsequent events

In August 2023, a loan of £77.9m and a revolving credit facility of £25m (undrawn as at 29 April 2023) held by Book Retail Bidco Limited (a directly held subsidiary) and originally due for repayment in August 2024 and May 2024 respectively, have had their repayment dates extended to August 2025 and May 2025. Interest is charged at SONIA plus 5.25% and all other terms remain unchanged.

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 27. Further information about liquidity risk is also included under going concern section within the Directors' Report.

Employee policies

The Waterstones, Blackwell's and Foyles businesses operate 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, Blackwell's and Foyles trade 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.

The business 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. They also aspire to be employers of choice and aim to provide opportunities for individuals to develop and contribute through employee forums and focus groups.

DIRECTORS' REPORT (CONTINUED)

Employee policies (continued)

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.

Streamlined energy and carbon reporting ("SECR")

Summary

The greenhouse gas emissions for the Group for the period 1 May 2022 to 30 April 2023 are 4,752 tCO_2e (period from 1 May 2021 to 30 April 2022: 4,872 tCO_2e). This figure includes all material Scope 1 and 2 emissions, plus Scope 3 emissions for employees' own vehicles used for business, as required to be disclosed by the legislation.

In accordance with the legislation an intensity ratio has been calculated, this expresses the businesses' annual emissions in relation to a quantifiable factor or normaliser. The intensity ratio calculated for the Group is 2.9 (2022: 3.4) tonnes CO_2e per 1,000 square feet of retail floorspace, this ratio enables the impact of changes in the estate to be reflected in the reporting.

Greenhouse gas emissions

Figure 1 Greenhouse gas emissions by year (as defined above) (tonnes CO_2e)

	2022/2023	% Share	2021/2022	% Share
Fuel combustion: Natural gas	**70**	**1%**	**76**	**1%**
Fuel combustion: Transport	**113**	**2%**	**99**	**2%**
Purchased electricity	**4,569**	**97%**	**4,697**	**97%**
Total emissions (tCO_2e)	**4,752**	**100%**	**4,872**	**100%**
Square feet of retail floorspace (ft^2)	**1,632,028**		**1,449,551**	
Intensity: (tCO_2e per 1,000 ft^2)	**2.90**		**3.40**	

It is a standard protocol to define greenhouse gas emissions by scope. The scope items included in the calculation of the carbon footprint for the Group are listed by scope item:

- Scope 1: direct emissions arising from activities on site - combustion of fuels to heat buildings and the use of fuel in company owned vehicles.
- Scope 2: indirect energy emissions - purchased electricity
- Scope 3: indirect emissions - private vehicles used for business travel.

The split of emissions by scope is shown in the table below:

Figure 2 Greenhouse gas emissions by scope (tonnes CO_2e)

	2022/2023	% Share	2021/2022	% Share
Emissions source:				
Scope 1	**99**	**2%**	**105**	**2%**
Scope 2	**4,569**	**96%**	**4,697**	**96%**
Scope 3	**113**	**2%**	**70**	**2%**
Total emissions (tCO_2e)	**4,752**	**100%**	**4,872**	**100%**

DIRECTORS' REPORT (CONTINUED)

Streamlined energy and carbon reporting ("SECR") (continued)

Energy consumption

Figure 3 Energy consumption (kWh)

	2022/2023	% Share	2021/2022	% Share
Emissions source:				
Natural gas for heating	**384,908**	**2%**	**266,363**	**1%**
Purchased electricity	**23,628,801**	**96%**	**22,122,638**	**97%**
Transport fuel	**454,145**	**2%**	**402,050**	**2%**
Total	**24,467,854**	**100%**	**22,791,051**	**100%**

The period covered by this report is May 2022 to April 2023 (prior year: May 2021 to April 2022) to ensure a full year of reporting of carbon emission data. Due to a limitation of information available, Blackwells and Wordery consumption data is included from 7 August 2022 and is not included within the 2021/2022 comparatives.

The data and information contained in this document is calculated and reported in line with the methodology set out in the UK Government's Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary[1]. For the Group, this captures emissions associated with the operation of offices, retail stores, warehouses and distribution sites, plus transport; company-owned, leased and private vehicles used for business travel. There are no material omissions from the mandatory scope 1, 2 and 3 emissions.

The regulatory requirement for SECR is to report United Kingdom energy consumption for companies which qualify as large only. However, the guidance provides for voluntary reporting of any carbon emission that are associated with the operation of the Group. Accordingly, this report comprises data from the British Isles for Waterstones Booksellers Limited.

An Environment and Sustainability working group has been created in 2023, involving employees across the business, to address the issue of environmental sustainability. This group meet quarterly and engage with employees around current environmental initiatives being carried out across the Group, provides a forum to share best practice both internally and externally and drive forward collaboration and cooperation to drive forward a range of environmental improvements across the business.

Waterstones has also recently signed up the to the British Retail Consortium's climate action roadmap and are working with the Booksellers Association of the United Kingdom & Ireland around its Sustainable Bookselling Manifesto.

Energy efficiency initiatives

The Group continues to look to implement energy efficiency measures throughout its estate, e.g.:

- we have continued the installation of smart meters into stores;
- we have energy monitoring and alarms in place for shops that have high usage. When an alarm is received, the cause is investigated and rectified;
- we have instructed TM44 surveys, which will investigate efficiency of our heating, ventilation and air conditioning ("HVAC") systems and we have invested in the replacement of older, less efficient HVAC with increased efficiency;
- our internal electricians carry out six monthly checks which include investigating and rectifying phase imbalances, ensuring water heaters are on time clocks and checking HVAC settings are correct;
- we are upgrading our lighting to energy efficient LEDs this year;
- our internal technicians are advised to collate their jobs to avoid any unnecessary journeys, with their time planned based on geographical location to keep travel to a minimum;
- we have invested in the refurbishment and replacement of inefficient lift gear; and
- with the recent acquisition of Blackwell's, a comprehensive investment programme of energy efficiency initiatives continues to take place over the next 12 months.

[1]An operational control approach to GHG emissions boundary is defined as: "an organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

DIRECTORS' REPORT (CONTINUED)

Donations

The Group made charitable donations of £865,000 (2022: £298,000) in the period. During the period under review, it was the Group's policy not to make donations to political parties and therefore no political donations were made.

Auditors

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

(i) to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and

(ii) each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

A statement of the Directors' responsibilities for the financial statements can be found on page 12, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report.

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

Going concern

In the years ended April 2022 and April 2023, cash was sufficient to meet liabilities as they fell due and the Group did not require any additional funding.

The Directors have reviewed cashflow forecasts for the period to 26 April 2025 ("the going concern period"), along with cashflow sensitivities at each of the operating companies. Due to the size of Waterstones Booksellers Limited relative to the other operating companies within the group, the review of cashflow forecasts considers the sales decline required for Waterstones Booksellers Limited to run out of cash or breach the Group's debt covenant. The base forecast assumes shop sales for most stores to improve on pre-Covid levels in the year ending April 2024 with further sales improvement in the following year, along with growth in online sales throughout the going concern period. For the going concern period, under the base forecast, the Group would have sufficient cash to meet their liabilities as they fall due and will not breach the covenant associated with the debt. In August 2023, an extension of the group's borrowing facilities was agreed with these now repayable in May and August 2025. We have considered events occurring just outside the going concern period including expiry of current facilities and are satisfied of a reasonable prospect of securing future financing. As at 27 January 2024, group net cash (excluding IFRS 16 balances) was £13.6m (£92.1m cash less £77.9m term facility and £0.6m accrued interest).

Severe and plausible downside scenarios have been modelled to understand the impact on the liquidity of the Group and debt covenant compliance. The scenarios reviewed include a severe and highly unlikely scenario, where company sales are down 15% on base budget where liquidity remained sufficient to meet liabilities as they fall due. EBITDA within a 12 month period prior to a quarterly testing date would have to fall by more than £40m against that forecast within the going concern period for the covenant to be breached, a situation which was not experienced even when the Group was impacted by COVID. In addition, a reverse stress test has been modelled and Waterstones Booksellers Limited sales would need to decline by over 20% compared to base budget to require additional financing or to undertake mitigating actions wholly within management's control. This decline is significantly below current performance and, when considered alongside the mitigating actions within management's control that would be available, is considered implausible.

The level of uncertainty brought on by COVID-19 has dwindled, with future lockdowns judged to be improbable. The most significant further impacts on the Group may be on sales and overheads in relation to inflationary pressures, including increased energy costs, along with any potential reductions in consumer spending. Several key economic factors have also been considered as part of the going concern review, including rising purchase and employment costs, exchange rate and interest rate fluctuations, the current conflict in Ukraine and longer-term consumer spending patterns, with no significant impact expected on the liquidity of the business.

DIRECTORS' REPORT (CONTINUED)

Going concern (continued)

The Directors have concluded from their analysis of current performance, forecasts, cashflows and scenario tests that the Group will continue to trade at levels which mean that they are able to meet their liabilities as they fall due throughout the going concern period and also maintain sufficient headroom in relation to the Group's debt covenant.

For these reasons, the accounts are prepared on a going concern basis.

By order of the Board

A J Daunt
Director
6 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Parent Company and 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 have elected to prepare the Group and Parent Company financial statements in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 Group and Company and the financial performance and the cash flows of the Group and Company 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 accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 Group and the Company has complied with International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

A J Daunt
Director
6 March 2024

P Best
Director
6 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOK RETAIL MIDCO LIMITED

Opinion

We have audited the financial statements of Book Retail Midco Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 29 April 2023 which comprise Group Income Statement, the Group statement of comprehensive income, the Group and Parent company Balance Sheets, the Group and Parent company statement of changes in equity, Group and Parent company cash flows, 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 UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 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 29 April 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We draw attention to note 2 in the financial statements which describes the impact of current macro-economic matters on the Group and the Company.

The Group and Company prepares it financial statements on a going concern basis as the directors consider there to be no plausible scenario that could result in the Company breaching covenants or having insufficient liquidity to continue as a going concern for the period through to 26 April 2025 ("the going concern period"). Book Retail Bidco Limited ('Bidco') is a directly held subsidiary of the Company. Bidco has a financing arrangement including an undrawn revolving credit facility and a debt facility of £77.9m as at 29 April 2023. These facilities have financial covenants attached. In August 2023, an extension of the group's borrowing facilities was agreed with these now repayable in May and August 2025, respectively.

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Obtaining the directors' documented going concern assessment for the Group covering the going concern period to 26 April 2025, which includes details of facilities available, the results of management's downside sensitivity scenarios and reverse stress testing and their assessment of the current macro economic pressures including but not limited to the cost of living crisis, rising purchase and employment costs, exchange rate and interest rate fluctuations, the impact of the Ukraine conflict on energy prices and wider supply chains and consumer spending expectations to understand their key assumptions applied to the cash flow forecasts.
- Obtaining the agreements in respect of Bidco's financing arrangements to confirm the extension of the maturity of the facilities and covenants that are required to be met within the going concern assessment period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOK RETAIL MIDCO LIMITED

Conclusions relating to going concern (continued)

- Obtaining the management's financial forecast for the period to 26 April 2025 and checking its arithmetical accuracy and integrity.
- Challenging the forecasts and assumptions made, such as comparing the expected sales growth rates against current results as well as pre-Covid-19 given period since shops have been fully open. These challenges primarily included assessing consumer confidence and spending patterns given the current macro–economic pressures as listed above and considering any contra-indicators which could supress future sales, such as supply chain issues and decreases in disposable income.
- Assessing the achievability of the revenue projections in management's scenarios in relation to the Group's current performance, comparison with historical forecasting accuracy and consideration of whether these remain achievable given other the macro-economic pressures listed above.
- Evaluating the results of management's reverse stress test scenario and assessing whether the changes to key assumptions which resulted in the Group exhausting all of its liquidity or breaching covenants were plausible.
- Assessing mitigating factors available to management should downside scenarios be worse than anticipated, including challenging whether these are realistic and within management's control.
- Enquiring of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to forecast market conditions and other information acquired through our audit that could impact liquidity, such as the profiling of debt repayments.
- Assessing management's assumption that there is a reasonable prospect of obtaining replacement financing given the Revolving Credit Facility and term loan expire one month and four months respectively after the end of the stated going concern period.
- Reading the going concern disclosures in the financial statements in order to assess they are appropriate and in conformity with the relevant standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 26 April 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOK RETAIL MIDCO LIMITED

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 13, 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.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOK RETAIL MIDCO LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and The Wates Corporate Governance Principles for Large Private Companies) and compliance with the relevant direct and indirect tax regulation in the countries which the Company operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to its operations including health and safety, employee matters and data protection regulations.
- We understood how the Group and Parent Company are complying with those frameworks by making enquiries of management, primarily those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes.
- We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and challenging the assumptions in relation to revenue recognition for gift cards and loyalty schemes and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business. Additionally, we undertook a review of payments to detect unrecorded liabilities. We also reviewed reports from management's tax and legal advisors and involved EY internal specialists to ensure our audit procedures considered laws and regulations in relation to certain tax matters.

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 auditor's report.

Use of our report

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

DocuSigned by:
Ernst & Young LLP
3F6AC67DD4154E5

Helen McLeod-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

07 March 2024

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022

	Notes	Before exceptional items 2023 £000	Exceptional items 2023 £000	Total 2023 £000
Revenue	**4**	**499,593**	**-**	**499,593**
Cost of sales		**(443,070)**	**(13,924)**	**(456,994)**
Gross profit		**56,523**	**(13,924)**	**42,599**
Administrative expenses		**(30,360)**	**-**	**(30,360)**
Operating profit	**5**	**26,163**	**(13,924)**	**12,239**
Finance costs	**10**	**(16,280)**	**-**	**(16,280)**
Finance income	**11**	**255**	**-**	**255**
Profit / (loss) before taxation		**10,138**	**(13,924)**	**(3,786)**
Income tax credit	**12**	**1,579**	**3,036**	**4,615**
Profit for the period attributable to equity holders of the parent company		**11,717**	**(10,888)**	**829**

	Notes	Before exceptional items 2022 Restated £000	Exceptional items 2022 £000	Total 2022 Restated £000
Revenue	4	452,937	-	452,937
Cost of sales		(368,435)	(2,860)	(371,295)
Gross profit		84,502	(2,860)	81,642
Administrative expenses		(27,290)	-	(27,290)
Operating profit	5	57,212	(2,860)	54,352
Finance costs	10	(21,251)	-	(21,251)
Finance income	11	32	-	32
Profit before taxation		35,993	(2,860)	33,133
Income tax (charge) / credit	12	(10,392)	543	(9,849)
Profit for the period attributable to equity holders of the parent company		25,601	(2,317)	23,284

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 29 April 2023 and the comparative period covered the 53 weeks ended 30 April 2022.

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

Further details of the restatement are given in Note 3.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022

	Notes	2023 £000	2022 Restated £000
Profit for the period		**829**	23,284
Other comprehensive income / (expense) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**948**	(609)
Net other comprehensive income / (expense) that may be reclassified to profit or loss in subsequent periods		**948**	(609)
Other comprehensive income / (expense) that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain / (loss) on defined benefit plans	**22**	**884**	(157)
Income tax effects of other comprehensive income / (expense) that will not be reclassified to profit or loss in subsequent periods	**12**	**(110)**	19
Net other comprehensive income / (expense) that will not be reclassified to profit or loss in subsequent periods		**774**	(138)
Other comprehensive income / (expense) for the period		**1,722**	(747)
Total comprehensive income for the period		**2,551**	22,537

Further details of the restatement are given in Note 3.

BALANCE SHEETS

	Notes	**Group as at 29 April 2023 £000**	Group as at 30 April 2022 Restated £000	**Company as at 29 April 2023 £000**	Company as at 30 April 2022 £000
Assets					
Non-current assets					
Plant and equipment	13	**39,250**	36,288	-	-
Intangible assets	14	**161,377**	167,062	-	-
Right-of-use assets	26	**127,187**	132,963	-	-
Trade and other receivables	18	**2,251**	3,230	-	-
Investments in subsidiaries	15	-	-	**152,932**	152,932
Net employee defined benefit asset	22	**558**	-	-	-
		330,623	339,543	**152,932**	152,932
Current assets					
Inventories	16	**90,299**	74,533	-	-
Right of return assets	17	**156**	147	-	-
Income tax receivable		**24**	161	-	-
Trade and other receivables	18	**31,394**	30,136	-	-
Cash at bank and on hand	19	**39,172**	69,042	-	-
		161,045	174,019	-	-
Total assets		**491,668**	513,562	**152,932**	152,932
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	20	**(210,317)**	(216,901)	-	-
Net employee defined benefit liabilities	22	-	(269)	-	-
Deferred tax liabilities	12	**(6,119)**	(11,795)	-	-
Provisions	21	-	(100)	-	-
		(216,436)	(229,065)	-	-
Current liabilities					
Trade and other payables	23	**(77,404)**	(83,320)	-	-
Amounts due to group undertakings	25	-	(2,450)		
Contract liabilities	24	**(24,412)**	(23,248)	-	-
Income tax payable		**(643)**	(1,502)	-	-
Interest-bearing loans and borrowings	20	**(33,148)**	(38,214)	-	-
Provisions	21	**(191)**	(591)	-	-
		(135,798)	(149,325)	-	-
Total liabilities		**(352,234)**	(378,390)	-	-
Net assets		**139,434**	135,172	**152,932**	152,932
Equity					
Issued share capital	29	-	-	-	-
Share premium	29	**152,932**	152,932	**152,932**	152,932
Merger reserve	29	**5,596**	3,885		
Foreign currency translation reserve		**100**	(848)	-	-
Accumulated losses		**(19,194)**	(20,797)	-	-
Total equity		**139,434**	135,172	**152,932**	152,932

BALANCE SHEETS (CONTINUED)

Further details of the restatement are given in Note 3.

The Directors have taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company's individual income statement and related notes. The Company's profit for the 52 week period ended 29 April 2023 was £nil (2022: £nil).

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

A J Daunt
Director
6 March 2024

P Best
Director
6 March 2024

STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022

Group

	Issued share capital	Share premium	Merger reserve Restated	Foreign currency translation reserve	Retained earnings Restated	Total Restated
	£000	£000	£000	£000	£000	£000
At 24 April 2021 as previously stated	-	65,820	-	(239)	(43,806)	21,775
Common control transaction (Note 3)	-	-	510	-	(137)	373
At 24 April 2021 (restated)	**-**	**65,820**	**510**	**(239)**	**(43,943)**	**22,148**
Profit for the period (restated)	-	-	-	-	23,284	23,284
Other comprehensive expense	-	-	-	(609)	(138)	(747)
Total comprehensive (expense) / income (restated)	-	-	-	(609)	23,146	22,537
Issue of shares	-	87,112	-	-	-	87,112
Contribution from parent company	-	-	3,375	-	-	3,375
At 30 April 2022 (restated)	**-**	**152,932**	**3,885**	**(848)**	**(20,797)**	**135,172**
Profit for the period	-	-	-	-	**829**	**829**
Other comprehensive income	-	-	-	**948**	**774**	**1,722**
Total comprehensive income	-	-	-	**948**	**1,603**	**2,551**
Contribution from parent company	-	-	**1,711**	-		**1,711**
At 29 April 2023	**-**	**152,932**	**5,596**	**100**	**(19,194)**	**139,434**

Further details of the restatement are given in Note 3.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Company

	Notes	Issued capital £000	Share premium £000	Retained earnings £000	Total £000
At 24 April 2021		**-**	**65,820**	**-**	**65,820**
Profit / loss for the period		-	-	-	-
Total comprehensive income		-	-	-	-
Issue of shares		-	87,112	-	87,112
At 30 April 2022		**-**	**152,932**	**-**	**152,932**
Profit / loss for the period		-	-	-	-
Total comprehensive income		-	-	-	-
At 29 April 2023		**-**	**152,932**	**-**	**152,932**

CASH FLOW STATEMENTS

For the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022

	Notes	Group 2023 £000	Group 2022 Restated £000	Company 2023 £000	Company 2022 £000
Cash flows from operating activities					
(Loss) / profit before tax		**(3,786)**	33,133	-	-
Adjustments to reconcile (loss) / profit before tax to net cash flows:					
Depreciation and impairment of plant and equipment	13	**10,204**	9,838	-	-
Depreciation and impairment of right-of-use assets	26	**33,365**	32,871	-	-
Amortisation of intangible assets	14	**6,149**	6,122	-	-
(Profit)/loss on disposal of plant and equipment, intangible assets and right-of-use assets	5	**(21)**	51	-	-
Net foreign exchange loss		**739**	107	-	-
Finance income	11	**(255)**	(32)	-	-
Finance costs	10	**16,280**	21,251	-	-
Movement in provisions and pensions		**(454)**	(257)	-	-
Non-cash reduction in lease liabilities recognised in the income statement	26	**(420)**	(3,977)	-	-
Working capital adjustments:					
Increase in trade and other receivables and right of return assets		**(2,034)**	(5,486)	-	-
Increase in inventories		**(15,702)**	(556)	-	-
(Decrease) / increase in trade and other payables and contract liabilities		**(3,449)**	30,762	-	-
Movement in amounts due to group undertakings		-	2,300	-	-
		40,616	126,127	-	-
Income tax paid		**(1,894)**	(3,998)	-	-
Net cash flows from operating activities		**38,722**	122,129	-	-
Investing activities					
Purchase of plant and equipment		**(14,046)**	(7,058)	-	-
Purchase of intangible assets		**(501)**	(343)	-	-
Purchase of additional shares in subsidiary undertakings		-	-	-	(87,112)
Receipt of principal portion of finance lease assets		**936**	-		
Cash flows arising from the inception of new lease contracts included in right-of-use assets		**(405)**	(141)	-	-
Interest received		**250**	-	-	-
Net cash flows used in investing activities		**(13,766)**	(7,542)	-	(87,112)

CASH FLOW STATEMENTS (CONTINUED)

For the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022

	Notes	**Group 2023 £000**	Group 2022 Restated £000	**Company 2023 £000**	Company 2022 £000
Financing activities					
Proceeds from issue of shares		-	87,112	-	87,112
Contribution from parent company		-	1,000		
Payment of principal portion of lease liabilities		**(37,889)**	(43,771)	-	-
Repayment of borrowings		-	(112,112)	-	-
Interest paid		**(16,033)**	(25,466)	-	-
Net cash flows (used in) / from financing activities		**(53,922)**	(93,237)	-	87,112
Net (decrease) / increase in cash and cash equivalents		**(28,966)**	21,350	-	-
Opening cash and cash equivalents		**68,357**	46,122	-	-
Cash contribution from parent undertaking		-	1,000	-	-
Net foreign exchange difference		**(219)**	(115)	-	-
Closing cash and cash equivalents	19	**39,172**	68,357	-	-

Further details of the restatement are given in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements of Book Retail Midco Limited (the "Company") and its subsidiaries (collectively the "Group") for the 52 week period ended 29 April 2023 were authorised for issue by the Board. The Company is a limited company, incorporated and resident in England and Wales. Its registered office is at 203-206 Piccadilly, London, W1J 9HD.

2. Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the 52 week period ended 29 April 2023.

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 29 April 2023, whilst the comparative period covered the 53 weeks ended 30 April 2022. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

The consolidated financial statements have been prepared on a historical cost basis, except for the Group's defined benefit pension obligations and assets and liabilities acquired following a business combination. The consolidated financial statements are prepared in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic Report on page 2, the principal risks and uncertainties section of the Strategic Report on page 6 and the financial risk section of the Directors' Report on page 7.

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the Section 172 Statement within the Strategic Report. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address global warming. The Group considers physical climate change presents a relatively low risk to the Group's future business operations. As outlined in the Section 172 Statement, the Group has determined the most significant future impacts from climate change on its operations will be from energy prices. The SECR on pages 8 and 9 provides details of the Group's energy efficiency initiatives taken to counteract this risk. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Going concern

In the years ended April 2022 and April 2023, cash was sufficient to meet liabilities as they fell due and the Group did not require any additional funding.

The Directors have reviewed cashflow forecasts for the period to 26 April 2025 ("the going concern period"), along with cashflow sensitivities at each of the operating companies. Due to the size of Waterstones Booksellers Limited relative to the other operating companies within the group, the review of cashflow forecasts considers the sales decline required for Waterstones Booksellers Limited to run out of cash or breach the Group's debt covenant. The base forecast assumes shop sales for most stores to improve on pre-Covid levels in the year ending April 2024 with further sales improvement in the following year, along with growth in online sales throughout the going concern period. For the going concern period, under the base forecast, the Group would have sufficient cash to meet their liabilities as they fall due and will not breach the covenant associated with the debt. In August 2023, an extension of the group's borrowing facilities was agreed with these now repayable in May and August 2025. We have considered events occurring just outside the going concern period including expiry of current facilities and are satisfied of a reasonable prospect of securing future financing. As at 27 January 2024, group net cash (excluding IFRS 16 balances) was £13.6m (£92.1m cash less £77.9m term facility and £0.6m accrued interest).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Basis of preparation (continued)

Going concern (continued)

Severe and plausible downside scenarios have been modelled to understand the impact on the liquidity of the Group and debt covenant compliance. The scenarios reviewed include a severe and highly unlikely scenario, where company sales are down 15% on base budget where liquidity remained sufficient to meet liabilities as they fall due. EBITDA within a 12 month period prior to a quarterly testing date would have to fall by more than £40m against that forecast within the going concern period for the covenant to be breached, a situation which was not experienced even when the Group was impacted by COVID. In addition, a reverse stress test has been modelled and Waterstones Booksellers Limited sales would need to decline by over 20% compared to base budget to require additional financing or to undertake mitigating actions wholly within management's control. This decline is significantly below current performance and, when considered alongside the mitigating actions within management's control that would be available, is considered implausible.

The level of uncertainty brought on by COVID-19 has dwindled, with future lockdowns judged to be improbable. The most significant further impacts on the Group may be on sales and overheads in relation to inflationary pressures, including increased energy costs, along with any potential reductions in consumer spending. Several key economic factors have also been considered as part of the going concern review, including rising purchase and employment costs, exchange rate and interest rate fluctuations, the current conflict in Ukraine and longer-term consumer spending patterns, with no significant impact expected on the liquidity of the business.

The Directors have concluded from their analysis of current performance, forecasts, cashflows and scenario tests that the Group will continue to trade at levels which mean that they are able to meet their liabilities as they fall due throughout the going concern period and also maintain sufficient headroom in relation to the Group's debt covenant.

For these reasons, the accounts are prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 29 April 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Business combinations are accounted for using the acquisition method unless the combining entities are ultimately controlled by the same party (or parties) both before and after the combination and common control is not transitory, in this case the combination is accounted for under the pooling of interests method. The prior year financial statements have been restated to include companies acquired during the year ended 29th April 2023, that were previously under common control, from the date they became under common control in the Topco Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method unless the combining entities are ultimately controlled by the same party (or parties) both before and after the combination and common control is not transitory, in this case the combination is accounted for under the pooling of interests method.

Acquisition method

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Pooling of interests

The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The income statement reflects the results of the combining entities for the period of common control.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue

Revenue represents the value of the consideration received or receivable for goods sold to customers, net of discounts given and returns expected, excluding value added tax ("VAT") and similar sales-related taxes. It includes book, related product and coffee shop income.

Sales of goods

The sale of goods to customers in store represents the majority of the Group's revenue. For goods sold in store, revenue is recognised at the point of sale. For goods sold on the internet, revenue is recognised on delivery to/ collection by the customer when the customer is deemed to have control of the goods. Deferred revenue relating to goods in transit at the period end is recognised as a contract liability.

A refund liability is recognised for expected refunds due to customers arising from returns and a right of return asset recognised for the Group's right to recover the goods from the customer. Returns are estimated based on expected value.

Gift cards

Sales of gift cards are treated as contract liabilities with the revenue recognised when the gift cards are redeemed.

The Group recognises breakage, being the amount attributable to customers' rights to future goods that is expected will never be exercised, in proportion to customers' pattern of redemption.

Loyalty schemes

The Group issues loyalty rewards to customers when they purchase goods which entitles them to a future discount. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on their relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of loyalty points by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group annually reviews the estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

During the prior periods, government grants were received to support certain expenses during the Covid-19 pandemic. All conditions attached to the government grants were complied with before recognition in the consolidated income statement. The UK Coronavirus Job Retention Scheme ("furlough") and the Irish Temporary Wage Subsidy Scheme ("TWSS") operate on a claims basis, where cash is received after the expense has been incurred. The amount received under these schemes has been netted off the relevant wages and salaries expense within the consolidated income statement.

Taxes

Current income 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 other comprehensive income and equity is recognised in other comprehensive income or 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.

The Group offsets current income tax assets and current income tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the current income tax assets and current income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of income tax liabilities or assets are expected to be settled or recovered.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxes (continued)

Deferred tax (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 profit 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 period 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 directly in other comprehensive income and equity is recognised in other comprehensive income or equity and not in the income statement.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Taxes (continued)

Sales tax

Amounts reported are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item; or
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Foreign currency translation

The Group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's 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 translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the income statement.

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into 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. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

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 accumulated 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$^1/_3$%

An item of plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Leases

The Group assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right-of-use assets</u>

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the most reasonably certain lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Where lease payments are inclusive of other charges, for example, service charges, the Company has elected to combine the charge allocated to the non-lease component with the lease component and account for the combined charge as a single lease component.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

For rent concessions arising as a direct result of the pandemic, the Group has elected not to assess whether eligible rent concessions are lease modifications. Instead, the concessions have been accounted for as variable lease payments in the period in which the concession is agreed provided that all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group's lease liabilities are included in interest-bearing loans and borrowings (see Notes 20 and 26).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Contingent rents are recognised in the income statement in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

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 computer 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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Website costs, software costs and trademarks are determined to have a finite useful life and are amortised over their estimated useful lives.

The annual rates used are:

Website and software costs	20%
Trademarks	5% to 10%

Goodwill

Goodwill is recognised based on the excess of the consideration given for the original acquisition over the fair value of assets acquired. Subsequent to initial measurement, goodwill is not amortised but is reviewed annually for impairment or whenever there is an indicator of impairment. This is a departure from the requirement of the Companies Act which requires the amortisation of goodwill. Hence, the company has invoked a true and fair override in order to overcome the Companies Act requirement to write off goodwill over its useful economic life. It is not practicable to reliably estimate the impact of non-amortisation in the profit and loss account because the useful economic life and pattern of diminishment of the goodwill cannot be determined.' 5% to 10%

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. Historical sales performance statistics are used in the formulation of these judgements.

A proportion of costs incurred by the central distribution centre are capitalised into inventory to reflect the cost of handling and delivering inventory to the various locations across the shop portfolio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions - Note 2
- Plant and equipment - Note 13
- Intangible assets - Note 14
- Goodwill and intangible assets with indefinite lives - Note 14
- Right-of-use assets – Note 26

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value, less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the income statement.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions

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

Defined benefit pension plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss 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.

A defined benefit pension asset is recognised only when the Group has the right to a refund or reduction in future contributions in accordance with the terms and conditions of the plan.

Defined contribution plan

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

Exceptional items

The Group presents as exceptional items, on the face of the income statement, those material items of income and expense which, because of the nature, expected infrequency or quantum of the events giving rise to them, merit separate presentation. This allows shareholders to understand the elements of underlying financial performance in the period, so as to facilitate comparison with prior periods and to assess trends in underlying financial performance.

Exceptional items recognised in arriving at operating profit include (but are not limited to) those costs associated with impairment losses, reversal of impairments and the direct and indirect costs associated with implementing new systems within a cloud computing arrangement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Financial assets

The Group's financial assets comprise trade and other receivables.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Group's financial assets at amortised cost include trade and other receivables. This category includes finance lease receivables which are measured at amortised cost.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the asset.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and loans and borrowings.

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings 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 method. The effective interest method amortisation is included as finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Insurance

During the pandemic, and in line with other retailers, the Group claimed for compensation related to business interruption under its insurance policies. This compensation has been recognised as a credit within Cost of sales only where there is an unconditional contractual right to receive such amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

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 period. The nature of estimation means that actual outcomes could differ from those estimates.

Significant judgements made in the preparation of the consolidated financial statements are set out below:

- Revenue recognition in respect of customer loyalty schemes - revenue recognition is based on the fair value of loyalty rewards, the calculation of which is based on expected redemption rates. This calculation requires judgements to be made regarding future redemption rates, however, the Group launched a new loyalty scheme on 20 August 2018 and therefore there is limited historical information available. As a result, expected redemption rates are based on current run rates and are regularly monitored.
- Lease accounting – incremental borrowing rates and expected lease terms are estimated and reviewed each year. This estimation requires judgements to be made about the expected lease length taking into account the likelihood of exercising termination and extension options.
- Impairment of plant and equipment, intangible assets, right-of-use assets and investments - plant and equipment, intangible assets, right-of-use assets 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 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.
- Trade and other payables - given the nature of the group's operations, liabilities for indirect taxes may arise of which some elements may need to be estimated. These are included within "Trade and other payables". Whilst it is clear the group has a liability, the exact economic outflow may not be certain. The range of outcomes is not considered material.
- 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 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.
- Provisions – provisions for store closures 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 provisions are those regarding future costs, the timing of those costs and discount rates.

The only key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period is the expected redemption rate for customer loyalty schemes. A 5% change in expected redemption rates would have an impact of approximately £2,584,000 on the revenue recognised for the year ended 29 April 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

New accounting standards

The Group has adopted the following amended accounting standards which were mandatory for the first time for the financial period ended 29 April 2023. They have no material impact on the Group.

- IFRS 3 Business Combinations: Amendments updating a reference to the conceptual framework, effective for annual periods beginning on or after 1 January 2022;
- IFRS 9 Financial Instruments: Disclosures: Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 percent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- IAS 16 Property, plant and equipment: Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022; and
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Amendments regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022.

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 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions; effective for annual periods beginning on or after 1 January 2024;
- IFRS 17 Insurance Contracts: Original issue and Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published, effective for annual periods beginning on or after 1 January 2023;
- IAS 1 Presentation of financial statements: Amendments regarding the classification of liabilities, effective for annual periods beginning on or after 1 January 2024;
- IAS 1 Presentation of financial statements: Amendments regarding the disclosure of accounting policies, effective for annual periods beginning on or after 1 January 2023;
- IAS 1 Presentation of financial statements: Amendments regarding the classification of debt with covenants, effective for annual periods beginning on or after 1 January 2024;
- IAS 8 Accounting policies, changes in accounting estimates and errors: Amendments regarding the definition of accounting estimates, effective for annual periods beginning on or after 1 January 2023; and
- IAS 12 Income Taxes: Amendments resulting from deferred tax related to assets and liabilities arising from a single transaction, effective for annual periods beginning on or after 1 January 2023.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Business combinations and resulting prior year restatement

Online Books Bidco Limited ("OBBL") (a subsidiary of Bookshop Topco Limited ("Topco"), the Company's indirect parent company) acquired Wordery.com Limited ("Wordery") on 30 April 2020 for total consideration of £4,000,000. Wordery is a global online book retailer, trading across a number of leading marketplace platforms as well as its website Wordery.com.

Blackwell Limited and its subsidiaries ("Blackwell's") were acquired by Oxford Booksellers Limited ("OBL") (a subsidiary of Topco) on 28 February 2022 for total consideration of £2,375,000. Blackwell's is a book retailer, both in shops and online.

The trade, assets and liabilities of Wordery were transferred to Blackwell's on 2 May 2022. The consideration for this transfer was £1 plus assumption of the liabilities.

Waterstones Booksellers Limited ("WBL"), a subsidiary of the Company, acquired Blackwell's from OBL on 6 August 2022 for consideration of £1.

Blackwell's transferred its trade and certain of its assets and liabilities to WBL on 7 August 2022 at their book value.

As the combining companies were ultimately controlled by the same parties both before and after the business combination, that common control was not transitory and further, as the transaction had no substance from the perspective of the ultimate parent company, the acquisition has been accounted for under the pooling of interests method. As a result, the income statement reflects the results of Wordery and Blackwell's from the date that they entered the Topco group and the balance sheet at acquisition reflects the fair value of the assets and liabilities determined at the date that Wordery and Blackwell's entered the Topco group.

The fair values of the identifiable assets and liabilities of Wordery and Blackwell's as at the date of acquisition by OBBL and OBL respectively were:

	Fair value recognised on acquisition - Wordery £000	Fair value recognised on acquisition – Blackwell's £000
Assets		
Plant and equipment	**259**	**1,310**
Intangible assets	**684**	**1,736**
Right-of-use assets	**-**	**9,882**
Cash and cash equivalents	**444**	**1,481**
Trade and other receivables	**842**	**7,228**
Inventories	**12**	**4,124**
	2,241	**25,761**
Liabilities		
Trade and other payables	**(1,497)**	**(14,085)**
Contract liabilities	**(234)**	**(1,459)**
Amounts owed to group undertakings	**-**	**(128)**
Provisions	**-**	**(207)**
Interest bearing loans and borrowings	**-**	**(15,042)**
	(1,731)	**(30,921)**
Total identifiable net assets / (liabilities) at fair value	**510**	**(5,160)**
Goodwill arising on acquisition (see Note 14)	**-**	**7,535**
Contribution from parent company	**510**	**2,375**

The goodwill of £7,535,000 comprises the value of the cash flows delivered by Blackwell's customers that do not meet the definition of an intangible asset under IFRS and the assembled workforce of Blackwell's.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Business combinations and resulting prior year restatement (continued)

Impact on the income statement

	53 weeks ended 30 April 2022 As previously reported £000	Impact of of restatement £000	53 weeks ended 30 April 2022 Restated £000
Revenue	431,011	21,926	452,937
Cost of sales	(349,990)	(21,305)	(371,295)
Gross profit	81,021	621	81,642
Administrative expenses	(24,834)	(2,456)	(27,290)
Operating profit	56,187	(1,835)	54,352
Finance costs	(21,101)	(150)	(21,251)
Finance income	34	(2)	32
Profit before taxation	35,120	(1,987)	33,133
Income tax (charge) / credit	(9,867)	18	(9,849)
Profit for the period attributable to equity holders of the parent company	25,253	(1,969)	23,284

The restated income statement above includes the results for Wordery for the full period as it has now been accounted for within the Group from 30 April 2020. Wordery contributed £13,282,000 of revenue and a loss of £1,292,000 to profit before tax from continuing operations of the Group.

The restated income statement also includes Blackwell's from 28 February 2022. Blackwell's contributed £8,644,000 of revenue and a loss of £695,000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the 53 week period ending on 30 April 2022, its contribution towards revenue from continuing operations would have been £54,453,000 and contribution towards profit before tax would have been a loss of £2,006,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Business combinations and resulting prior year restatement (continued)

Impact on the balance sheet

	At 30 April 2022 As previously reported	Impact of of restatement	At 30 April 2022 Restated
	£000	£000	£000
Assets			
Non-current assets			
Plant and equipment	35,022	1,266	36,288
Intangible assets	157,310	9,752	167,062
Right-of-use assets	123,324	9,640	132,964
Trade and other receivables	500	2,730	3,230
	316,156	23,388	339,544
Current assets			
Inventories	69,937	4,596	74,533
Right of return assets	147	-	147
Income tax receivable	161	-	161
Trade and other receivables	25,220	4,916	30,136
Cash at bank and on hand	69,027	15	69,042
	164,492	9,527	174,019
Total assets	480,648	32,915	513,563
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	(205,235)	(11,665)	(216,900)
Net employee defined benefit liabilities	(269)	-	(269)
Deferred tax liabilities	(11,813)	18	(11,795)
Provisions	-	(100)	(100)
	(217,317)	(11,747)	(229,064)
Current liabilities			
Trade and other payables	(70,990)	(12,330)	(83,320)
Amounts due to group undertakings	-	(2,450)	(2,450)
Contract liabilities	(21,908)	(1,340)	(23,248)
Income tax payable	(1,664)	162	(1,502)
Interest-bearing loans and borrowings	(34,892)	(3,324)	(38,216)
Provisions	(484)	(107)	(591)
	(129,938)	(19,389)	(149,327)
Total liabilities	(347,255)	(31,136)	(378,391)
Net assets	133,393	1,779	135,172
Equity			
Issued share capital	-	-	-
Share premium	152,932	-	152,932
Merger reserve	-	3,885	3,885
Foreign currency translation reserve	(848)	-	(848)
Accumulated losses	(18,691)	(2,106)	(20,797)
Total equity	133,393	1,779	135,172

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Business combinations and resulting prior year restatement (continued)

Impact on the cash flow statement

	53 weeks ended 30 April 2022 As previously reported £000	Impact of of restatement £000	53 weeks ended 30 April 2022 Restated £000
Cash flows from operating activities			
Profit before tax	35,120	(1,987)	33,133
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of plant and equipment	9,772	66	9,838
Depreciation and impairment of right-of-use assets	32,628	243	32,871
Amortisation of intangible assets	5,831	291	6,122
Loss on disposal of plant and equipment, intangible assets and right-of-use assets	51	-	51
Net foreign exchange differences	57	50	107
Finance income	(34)	2	(32)
Finance costs	21,101	150	21,251
Movement in provisions and pensions	(257)	-	(257)
Non-cash reduction in lease liabilities recognised in the income statement	(3,954)	(23)	(3,977)
Working capital adjustments:		-	
Increase in trade and other receivables and right of return assets	(5,413)	(73)	(5,486)
Increase in inventories	(233)	(323)	(556)
Increase in trade and other payables and contract liabilities	33,630	(2,868)	30,762
Movement in amounts due to group undertakings	-	2,300	2,300
	128,299	(2,172)	126,127
Income tax paid	(3,992)	(6)	(3,998)
Net cash flows from / (used in) operating activities	124,307	(2,178)	122,129
Investing activities			
Purchase of plant and equipment	**(7,045)**	(13)	(7,058)
Purchase of intangible assets	**(117)**	(226)	(343)
Cash flows arising from the inception of new lease contracts included in right-of-use assets	**(141)**	-	(141)
Interest received	**34**	(34)	-
Net cash flows used in investing activities	**(7,269)**	(273)	(7,542)
Financing activities			
Proceeds from issue of shares	**87,112**	-	87,112
Contribution from parent company	-	1,000	1,000
Payment of principal portion of lease liabilities	**(43,536)**	(235)	(43,771)
Repayment of borrowings	**(112,112)**	-	(112,112)
Interest paid	**(25,341)**	(125)	(25,466)
Net cash flows (used in) / from financing activities	**(93,877)**	640	(93,237)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Business combinations and resulting prior year restatement (continued)

Impact on the cash flow statement

	53 weeks ended 30 April 2022 As previously reported	Impact of of restatement	53 weeks ended 30 April 2022 Restated
	£000	£000	£000
Net increase in cash and cash equivalents	23,161	(1,811)	21,350
Opening cash and cash equivalents	45,981	141	46,122
Cash contribution from parent undertaking	-	1,000	1,000
Net foreign exchange difference	(115)	-	(115)
Closing cash and cash equivalents	69,027	(670)	68,357

4. Revenue

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

	2023	2022 Restated
	£000	£000
Sale of goods – UK	**470,614**	432,202
Sale of goods – rest of world	**28,979**	20,735
	499,593	452,937

5. Operating profit

Operating profit is stated after charging / (crediting):

	2023	2022 Restated
	£000	£000
Depreciation and amortisation (see Notes 13, 14 and 26)	**49,321**	48,150
Impairment charges (see Notes 13 and 26)	**397**	681
(Profit) / loss on disposal of plant and equipment, intangible assets and right-of-use assets	**(21)**	51
Cost of inventories recognised as an expense	**244,856**	207,477
Increase / (decrease) in inventory provision	**662**	(165)
Net foreign exchange loss	**739**	107

In the prior period, in line with other retail companies, the Group utilised the government support available in the UK including Job Retention Scheme, Business rates relief and Government business grants and other local support in Ireland, Holland and Belgium. None was utilised in the current year (2022: £8,338,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Exceptional items

Charged in arriving at operating profit:

	2023 £000	2022 £000
Included in Cost of sales:		
Impairment of right-of-use assets and tangible fixed assets	**397**	681
Direct and indirect costs attributable to system implementation	**13,527**	2,179
	13,924	2,860

Further details of the exceptional impairment charges are provided in Note 13 and 26.

Direct and indirect costs attributable to systems implementation relate to the additional costs of implementing a warehouse management system.

A tax credit of £3,036,000 (2022: £543,000) arose in respect of the exceptional charges.

The cash flow impact of these exceptional costs is a cash outflow of £13,604,000 (2022: £2,015,000) from operating activities.

7. Fees to auditors

	2023 £000	2022 £000
Audit of the Group financial statements	**55**	36
Audit of the subsidiary financial statements	**643**	547
Audit of pension related arrangements	**10**	-
	708	583

8. Directors' emoluments

Aggregate amounts paid by the Group to all Directors during the period were as follows:

	2023 £000	2022 £000
Directors' emoluments	**186**	179
Company contributions to defined contribution pension schemes	**-**	-
	186	179

P Best, E Larnaudie de Ferrand, and A Razmuss consider the time spent on qualifying services to the Group is not material to their wider roles and hence no apportionment of their remuneration is disclosed in these accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Employee costs

	2023	2022 Restated
	£000	£000
Employee costs, including Directors' emoluments:		
Wages and salaries	**77,701**	61,898
Social security costs	**7,048**	5,460
Other pension costs	**3,494**	2,695
	88,243	70,053

	2023	2022 Restated
	No.	No.
Monthly average number of people employed by the Group:		
Stores	**3,200**	3,174
Head office	**315**	309
	3,515	3,483

Company

The Company does not operate a payroll.

10. Finance costs

	2023	2022 Restated
	£000	£000
Interest on lease liabilities (see Note 26)	**9,181**	9,487
Defined benefit pension scheme interest expense (see Note 22)	**7**	1
Interest payable to group and related parties	**7,077**	11,763
Other interest payable	**15**	-
	16,280	21,251

11. Finance income

	2023	2022 Restated
	£000	£000
Bank interest receivable	**88**	-
Interest on finance lease receivable	**162**	32
Interest receivable from related parties	**5**	-
	255	32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax

The major components of income tax expense for the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022 are:

Income statement

	2023	2022 Restated
	£000	£000
UK current income tax, current period	**293**	5,344
UK current income tax, prior period	**510**	-
Overseas current income tax, current period	**380**	410
Overseas current income tax, prior period	**(3)**	(21)
Total current income tax	**1,180**	5,733
Deferred tax, current period	**(4,042)**	827
Deferred tax, effect of change in rates	**(770)**	3,288
Deferred tax, prior period	**(983)**	1
Total deferred tax	**(5,795)**	4,116
Total income tax (credit) / expense reported in the income statement	**(4,615)**	9,849

The tax charge includes a credit of £3,043,000 (2022: £543,000) in relation to the exceptional charge of £13,957,000 (2022: £2,860,000), details of which can be found in Note 6.

Statement of other comprehensive income

	2023	2022
	£000	£000
Deferred tax related to items recognised in other comprehensive income:		
Remeasurement gain / (loss) on defined benefit plans	**110**	(19)
Deferred tax charged / (credited) to other comprehensive income	**110**	(19)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax (continued)

The reconciliation of tax expense and the accounting profit multiplied by the Group's tax rate for the 53 weeks ended 30 April 2022 and the 52 weeks ended 24 April 2021 is as follows:

	2023	2022 Restated
	£000	£000
Accounting (loss) / profit before income tax	**(3,786)**	33,133
At the Group's statutory income tax rate of 19.5% (2022: 19%)	**(738)**	6,296
Effects of:		
Expenses not deductible for tax purposes	**738**	305
Income not taxable	**(386)**	-
Losses brought forward (no deferred tax recognised)	**-**	290
Other timing differences (no deferred tax recognised)	**-**	(75)
Effect of changes in tax rates	**(770)**	3,288
Amounts chargeable on controlled foreign companies	**136**	-
Difference between UK and overseas tax rate	**(195)**	(123)
Movement on deferred tax not provided	**(3,185)**	-
Write off non-recoverable tax debtor	**261**	-
Deferred tax not previously recognised	**-**	(111)
Adjustments in respect of prior periods	**(476)**	(21)
At effective tax rate of 121.9% (2022: 29.7%)	**(4,615)**	9,849

Group

Provided deferred tax

Deferred tax relates to the following:

	Balance sheet		Income statement	
	2023	2022 Restated	2023	2022 Restated
	£000	£000	£000	£000
Temporary differences relating to defined benefit pension scheme	**(70)**	37	**(3)**	(7)
Short term timing differences	**20**	301	**281**	(22)
Fixed assets	**4,782**	5,486	**695**	(374)
Tax losses	**4,666**	480	**(4,186)**	(126)
Fair value adjustments at acquisition	**(20,313)**	(21,875)	**(1,562)**	3,852
Corporate Interest Restriction interest disallowance carried forward	**2,509**	1,452	**(1,057)**	1,097
IFRS Leases	**2,287**	2,324	**37**	(304)
Deferred tax (credit) / expense	**-**	-	**(5,795)**	4,116
Net deferred tax liability	**(6,119)**	(11,795)	**-**	-

Reflected in the balance sheet as:		
Deferred tax asset	-	-
Deferred tax liability	**(6,119)**	(11,795)
Deferred tax liability, net	**(6,119)**	(11,795)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax (continued)

Deferred tax (continued)

Group (continued)

Provided deferred tax (continued)

The movement in the deferred tax balance is set out below:

		Restated
	£000	£000
Balance at 30 April 2022 / 24 April 2021	**(11,795)**	(7,696)
Tax credit / (charge) for the period recognised in the income statement	**5,795**	(4,118)
Tax (charge) / credit recognised in the statement of other comprehensive income	**(110)**	19
Exchange differences	**(9)**	-
Balance at 29 April 2023 / 30 April 2022	**(6,119)**	(11,795)

Unprovided deferred tax

A deferred tax asset has not been recognised on the following balances:

	2023	2022 Restated
	£000	£000
Tax losses	**54,933**	65,115
Non-trading losses	**232**	12,570
Fixed asset timing differences	**10,695**	10,732
Capital losses	**366**	566
	66,226	88,983

A deferred tax asset has not been recognised on these balances due to uncertainty over the timing of their recoverability.

Company

Provided and unprovided deferred tax

There are no provided or unprovided deferred tax assets or liabilities at the current or prior period end.

Factors that may affect future tax charges

In the budget on 3 March 2021, HM Government announced that legislation was to be introduced to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. This legislation was substantively enacted on 23 May 2021. The deferred tax balances have been measured at the tax rate of 25% at the balance sheet date.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. Since the legislation was not substantively enacted at the balance sheet date, its effect is not reflected in the computation of current and deferred tax in the year ended 29 April 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Plant and equipment

Group

	Plant and equipment Restated £000
Cost at 24 April 2021 as previously stated	67,830
Common control transaction (Note 3)	9
Cost at 24 April 2021 – restated	67,839
Disposals	(1,614)
Additions – restated	8,359
Additions – Common control transaction (Note 3)	1,310
Exchange differences	(114)
Cost at 30 April 2022 – restated	75,780
Disposals	(2,467)
Additions	13,204
Exchange differences	146
Cost at 29 April 2023	**86,663**
Depreciation at 24 April 2021	31,339
Charge for period – restated	9,491
Impairment	347
Disposals	(1,596)
Exchange differences	(89)
Depreciation at 30 April 2022 – restated	39,492
Charge for period	10,014
Impairment	190
Disposals	(2,398)
Exchange differences	115
Depreciation at 29 April 2023	**47,413**
Net book value at 29 April 2023	**39,250**
Net book value at 30 April 2022	36,288

Plant and equipment 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 CGU is based on the value in use calculation prepared using management assumptions and estimates. Identification of a CGU involves significant judgement regarding largely independent cash flows and geographical proximity of stores.

An impairment review of plant and equipment was carried out based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 0.78% (2022: 2.40%) thereafter, discounted at an appropriate pre-tax discount rate of 14.0% (2022: 14.0%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions reflect management's best estimates of revenue, margin, operating costs and discount rate over the forecast period and do not assume that there will be any further enforced lockdowns. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions. The impairment totalled £190,000 (2022: £347,000) and the total recoverable amount of the assets impaired was £1,527,000 (2022: £nil).

Company

The Company holds no plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

Group

	Goodwill Restated	Trademarks	Website costs Restated	Software costs Restated	Total Restated
	£000	£000	£000	£000	£000
Cost at 24 April 2021 as previously stated	71,507	106,230	1,085	913	179,735
Common control transaction (Note 3)	-	-	532	14	546
Cost at 24 April 2021 (restated)	71,507	106,230	1,617	927	180,281
Additions (restated)	-	-	298	34	332
Additions – Common control transaction (Note 3)	7,535	-	1,619	117	9,271
Disposals	-	-	(53)	(87)	(140)
Cost at 30 April 2022 (restated)	79,042	106,230	3,481	991	189,744
Additions	-	-	445	56	501
Disposals	-	-	-	(38)	(38)
Cost at 29 April 2023	**79,042**	**106,230**	**3,926**	**1,009**	**190,207**
Amortisation at 24 April 2021	-	15,603	564	478	16,645
Charge for period (restated)	-	5,491	434	197	6,122
Disposals	-	-	(37)	(48)	(85)
Amortisation at 30 April 2022 (restated)	-	21,094	961	627	22,682
Charge for period	-	5,388	532	229	6,149
Disposals	-	-	-	(1)	(1)
Amortisation at 29 April 2023	**-**	**26,482**	**1,493**	**855**	**28,830**
Net book value at 29 April 2023	**79,042**	**79,748**	**2,433**	**154**	**161,377**
Net book value at 30 April 2022	79,042	85,136	2,520	364	167,062

Goodwill

For impairment testing, goodwill acquired through business combinations is allocated to the Waterstones CGU, the Foyles CGU and the Blackwell's CGU. The amounts allocated to the CGUs are £67,374,000 (2022: £67,374,000), £4,133,000 (2022: £4,133,000) and £7,535,000 (2022: £7,535,000) respectively.

An impairment test was performed for each CGU during the current period.

The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 0.78% (2022: 2.40%) thereafter, discounted at an appropriate pre-tax discount rate of 14.0% (2022: 14.0%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions reflect management's best of revenue, margin, operating costs and discount rate over the forecast period. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions.

The headroom for the Foyles CGU impairment test under the current assumptions used is £3.3m. The discount rate would need to rise by +2.4% or forecast sales would need to fall by 4.1% for the impairment test to result in £nil headroom for this CGU.

The headroom for the Blackwell's CGU impairment test under the current assumptions used is £6.4m. The discount rate would need to rise by +4.5% or forecast sales would need to fall by 5.4% for the impairment test to result in £nil headroom for this CGU.

On the basis of the above, the review indicated that no impairment arose in either CGU (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (continued)

Group (continued)

Trademarks predominantly comprise the Waterstones and Foyles trademarks. Trademarks are being amortised over their useful economic lives of 10 to 20 years on a straight-line basis.

Company

The Company holds no intangible assets.

15. Investment in subsidiaries

Company

	£000
Cost at 29 April 2023 and 30 April 2022	152,932
Net book value at 29 April 2023 and 30 April 2022	**152,932**

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

Name of undertaking	Country of incorporation	Status
Direct subsidiary undertakings		
Book Retail Bidco Limited	England and Wales	Holding company
Indirect subsidiary undertakings		
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
W. & G. Foyle Limited	England & Wales*	Trading
Waterstones Overseas Limited	England & Wales*	Dormant
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
Blackwell Limited	England & Wales*	Non-trading
Blackwell UK Limited	England & Wales*	Non-trading
W. Heffer & Sons Limited	England & Wales*	Dormant
Blackwell (Scotland) Limited	Scotland&	Dormant
Blackwell (Trustees) Limited	England & Wales*	Dormant
BH Blackwell Limited	England & Wales*	Dormant

* 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
& registered address: Blackwell Bookshop, 53 - 62 South Bridge, Edinburgh, EH1 1YS

The principal activity of all trading subsidiaries is to operate as a bookseller through a chain of bookshops and through their e-commerce websites.

For all trading subsidiaries, the principal place of business is the country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Investment in subsidiaries (continued)

The subsidiary undertakings, Blackwell UK Limited and Blackwell Limited, are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

16. 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.

17. Right of return assets

Right of return assets comprise the Group's right to recover goods from the customer under its returns policy.

The Group uses the expected value method to estimate the value of goods that will be returned. The revenue relating to expected returns is deferred and recorded in trade and other payables. The carrying value of the stock expected to be returned is recorded as a right of return asset.

18. Trade and other receivables

	Group 2023	Group 2022 Restated	**Company 2023**	Company 2022
	£000	£000	**£000**	£000
Non-current:				
Finance lease receivable (Note 26)	**2,251**	3,230	-	-
	2,251	3,230	-	-
Current:				
Trade receivables	**2,469**	2,497	-	-
Finance lease receivable (Note 26)	**796**	753		
Amounts due from other related parties	**122**	157	-	-
Other receivables	**11,971**	10,691	-	-
Prepayments	**16,036**	16,038	-	-
	31,394	30,136	-	-

Group

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

Trade receivables are stated net of a provision for impairment of £262,000 (2022: £194,000). Trade receivables are non-interest bearing and are generally settled on 30 day terms.

The amounts due from other related parties have no fixed repayment date and do not accrue interest.

Other receivables include VAT and are non-interest bearing.

Credit risk is limited as the Group has minimal levels of trade receivables due to the nature of its retailing business. See Note 27 for a discussion of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Cash at bank and on hand

	Group 2023	Group 2022 Restated	**Company 2023**	Company 2022
	£000	£000	**£000**	£000
Cash at bank and on hand	**39,172**	69,042	-	-
	39,172	69,042	-	-

20. Interest-bearing loans and borrowings

	Group 2023	Group 2022 Restated	**Company 2023**	Company 2022
	£000	£000	**£000**	£000
Non-current:				
Lease liabilities	**132,429**	139,013	-	-
Loans from related parties	**77,888**	77,888	-	-
	210,317	216,901	-	-
Current:				
Lease liabilities	**32,565**	37,139	-	-
Bank overdrafts	-	685		
Loans from related parties	**583**	390	-	-
	33,148	38,214	-	-

As at 29 April 2023, loans available to draw down from related parties comprise: (i) a £78m loan, repayable in August 2024, upon which interest is charged at SONIA plus 5.25%, and (ii) a revolving credit facility of £25m, repayable in May 2024, upon which interest is charged at SONIA plus 5.25%.

In August 2023, the loan and revolving credit facility noted above have had their repayment dates extended to August 2025 and May 2025. All other terms remain unchanged.

The financial covenant associated with the Group's debt facility is based on EBITDA (earnings before interest, tax, depreciation, amortisation, foreign exchange movements on intercompany loans and any one-off exceptional costs) pre IFRS 16 lease accounting / Net debt for the 12 months to the test date.

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

Further information about the lease liabilities is provided in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Provisions

Group

	Provisions
	£000
At 30 April 2022 - restated	691
Provisions created in the period	241
Provisions utilised	(592)
Provisions released	(149)
At 29 April 2023	**191**

Provisions comprise amounts in respect of store closures and are expected to be utilised within 12 months.

Company

The Company has no provisions.

22. Pension arrangements

At the period 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.

Details of the main schemes at the period end are given below.

UK pension saver plan (the Waterstones Group Personal Pension Plan ("the Plan"))

The Waterstones Group Personal Pension Plan, a defined contribution scheme offered by Waterstones to all employees in the UK, 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 4% of qualifying earnings 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 pay, with the members' contributions matched by Waterstones up to a maximum of 6.5% of pensionable pay. Employer contributions to the scheme during the period were £3,180,000 (2022: £2,498,000).

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 2022 and at that date the market value of the assets was sufficient to cover 103% of the value of the liabilities of the Scheme, representing a funding surplus of €87,000 (£76,000). The future service contribution rate was increased to 34.9% of pensionable salaries, made up of an employer rate of 27.4% and an employee rate of 7.5%. The next actuarial review will take place with an effective date no later than 30 June 2025.

Employer contributions to the Scheme for the period ended 29 April 2023 were €79,000 (£69,000) (2022: €114,000 / £100,000). The total employer contributions to the defined benefit plan for the financial period commencing on 30 April 2023 are expected to be €107,000 / £94,000.

Amounts reflected in the financial statements in respect of the Scheme are determined with the advice of independent qualified actuaries, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Pension arrangements (continued)

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

The major assumptions used in the calculations are as follows:

	As at 29 April 2023 % per annum	As at 30 April 2022 % per annum
Rate of price inflation	**2.60**	2.60
Rate of salary increase	**2.15**	2.15
Rate of increase for pensions in payment	**2.60**	2.60
Rate of increase for deferred benefits	**2.60**	2.60
Rate used to discount scheme liabilities	**2.50**	2.50

The mortality assumption used at 29 April 2023 and 30 April 2022 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 retirement date.

On the basis of these assumptions, the amounts charged or credited to the income statement and statement of comprehensive income for the 52 weeks ended 29 April 2023 and 53 weeks ended 30 April 2022 are set out below:

	2023 £000	2022 £000
Recognised in the income statement		
Current service cost	**(114)**	(119)
Total recognised in arriving at operating profit	**(114)**	(119)
Interest on Scheme liabilities	**(217)**	(104)
Interest on Scheme assets	**210**	103
Total recognised in finance costs	**(7)**	(1)
Total income statement charge before deduction for taxation	**(121)**	(120)
Taken to the statement of comprehensive income		
Return on plan assets, excluding amounts included in interest	**(939)**	(461)
Actuarial gains / (losses) arising from changes in:		
Financial assumptions	**1,749**	590
Experience adjustments	**74**	(286)
Total gain / (loss) recognised in the statement of comprehensive income	**884**	(157)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. 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 29 April 2023	As at 30 April 2022
	£000	£000
Quoted securities:		
Securities	**3,836**	3,641
Debt securities	**3,276**	4,104
Cash/alternatives	**288**	24
Unquoted securities:		
Real estate/property	**382**	341
Total market value of assets	**7,782**	8,110
Actuarial value of Scheme liabilities	**(7,224)**	(8,379)
Surplus / (deficit) in the Scheme	**558**	(269)
Deferred tax (Note 12)	**(70)**	37
Net pension asset / (liability)	**488**	(232)

The pension plan has not invested in any financial instruments issued by the wider Elliott funds, nor in properties or other assets used by the Company.

The following table shows the expected contributions to the defined benefit plan in future years:

	2023	2022
	£000	£000
Within the next 52 weeks	**104**	90
Between 2 and 5 years	**438**	378
Between 5 and 10 years	**407**	421
Beyond 10 years	**41**	75
Total expected payments	**990**	964

The average duration of the defined benefit plan obligation at the end of the reporting period is 20.5 years. This number can be subdivided into the duration related to:

Type of member	Average duration
Active members	20.5 years (2022: 22.2 years)
Pensioners	11.4 years (2022: 12.3 years)
Deferred members	22.0 years (2022: 23.8 years)

Changes in the fair value of the Scheme assets are analysed as follows:

	2023	2022
	£000	£000
Total market value of assets at the beginning of the period	**8,110**	8,765
Benefits paid	**(60)**	(105)
Employer contributions	**68**	97
Employee contributions	**20**	20
Interest on Scheme assets	**210**	103
Return on plan assets, excluding amounts included in interest	**(939)**	(461)
Exchange differences	**373**	(309)
Total market value of assets at the end of the period	**7,782**	8,110

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Pension arrangements (continued)

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

Changes in the present value of the Scheme liabilities are analysed as follows:

	2023 £000	2022 £000
Defined benefit pension obligation at the beginning of the period	**(8,379)**	(8,858)
Benefits paid	**60**	105
Current service cost	**(114)**	(119)
Interest on Scheme liabilities	**(217)**	(104)
Employee contributions	**(20)**	(20)
Actuarial loss	**1,823**	304
Exchange differences	**(377)**	313
Defined benefit pension obligation at the end of the period	**(7,224)**	(8,379)

History of experience gains and losses

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

	2023 €000	2022 €000	2021 €000	2020 €000
Fair value of Scheme assets	**8,865**	9,672	10,081	9,114
Present value of defined benefit obligation	**(8,229)**	(9,993)	(10,188)	(10,178)
Surplus / (deficit) in the Scheme	**636**	(321)	(107)	(1,064)
Experience adjustments arising on Scheme assets	**(1,081)**	(544)	790	(217)
Gain / (loss) on assumptions	**2,014**	696	(575)	(170)
Experience adjustments arising on Scheme liabilities	**85**	(338)	856	15

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

(i) the assets may grow more slowly than expected, or even fall in value, depending on the performance of underlying markets and the securities chosen; and

(ii) the liabilities may grow faster than expected due to higher salary or pension increases, or due to unfavourable movements in interest rates, or due to mortality and other elements of the Scheme's experience varying from the assumptions made.

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

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase by 0.25%	Decrease of £361,000
Price inflation	Increase by 0.25%	Increase of £361,000
Salary increase	Increase by 0.25%	Increase of £72,000
Post-retirement mortality	Life expectancy increase by one year	Increase of £289,000

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Trade and other payables

	Group 2023 £000	Group 2022 Restated £000	Company 2023 £000	Company 2022 £000
Current:				
Trade payables	**33,848**	41,544	-	-
Other payables	**21,412**	23,741	-	-
Accruals and deferred income	**22,144**	18,035	-	-
	77,404	83,320	-	-

Group

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

24. Contract liabilities

Group

Contract liabilities comprise consideration received for performance obligations that have not been satisfied by the Group at the period end arising from loyalty schemes, the sale of gift cards and internet sales.

Loyalty schemes

The Group issues loyalty rewards to customers when they purchase goods which entitles them to a future discount. The total transaction price is allocated between the fair value of the goods sold and the rewards issued based on their standalone fair values. The fair value of the loyalty rewards is adjusted for expected breakage, being the amount attributable to a customer's rights to future goods that is expected will never be exercised. The amount attributed to the loyalty rewards is deferred within the contract liabilities balance.

Gift cards

Sales of gift cards are treated as contract liabilities with the revenue recognised when the gift cards are redeemed.

The Group recognises breakage, being the amount attributable to a customer's rights to future goods that is expected will never be exercised, in proportion to the customers' pattern of redemption.

Internet sales

For goods sold on the internet, the sale is recognised on delivery to/ collection by the customer when the customer is deemed to have control of the goods. Deferred revenue relating to goods in transit at the period end is recognised as a contract liability.

Balances and movement in the period

	2023 £000	2022 Restated £000
Contract liabilities	**24,412**	23,248
Revenue recognised in the period from:		
Amounts recognised in contract liabilities at the beginning of the period	**8,849**	8,676
	8,849	8,676

The Group expects to recognise the revenue arising from contract liabilities over a period of 17 years (2022: 17 years).

Company

The Company has no contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Amounts owed to group undertakings

	Group 2023	Group 2022 Restated	Company 2023	Company 2022
	£000	£000	£000	£000
Current:				
Loan from ultimate parent undertaking	-	630	-	-
Loan from fellow subsidiary undertakings	-	1,820	-	-
	-	2,450	-	-

The amounts due to fellow subsidiary undertaking in the prior year restated balance arose as a result of the common control transaction referred to in Note 3. The loan accrued interest at 8% and was repayable within 12 months of the prior period end date.

The amounts due to ultimate parent undertaking in the prior year restated balance arose as a result of the common control transaction referred to in Note 3. The loan accrued interest at 6% and was repayable on demand.

26. Leases

Group as a lessee

The Group leases stores, motor vehicles and IT equipment for use in its operations.

Right-of-use assets

	Leasehold properties Restated	Motor vehicles	IT equipment	Total Restated
	£000	£000	£000	£000
As at 24 April 2021	**146,059**	**319**	**-**	**146,378**
Additions	9,718	7	329	10,054
Additions Common control transaction (Note 3)	9,882	-	-	9,882
Disposal	(322)	-	-	(322)
Charge for period (restated)	(32,320)	(176)	(41)	(32,537)
Impairment	(334)	-	-	(334)
Exchange differences	(158)	-	-	(158)
As at 30 April 2022	**132,525**	**150**	**288**	**132,963**
Additions	27,415		650	28,065
Disposal	(686)	-	-	(686)
Charge for period	(32,956)	(110)	(92)	(33,158)
Impairment	(207)	-	-	(207)
Exchange differences	210	-	-	210
As at 29 April 2023	**126,301**	**40**	**846**	**127,187**

Right-of-use assets 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 CGU is based on the value in use calculation prepared using management assumptions and estimates. Identification of a CGU involves significant judgement regarding largely independent cash flows and geographical proximity of stores.

An impairment review of leasehold property right-of-use assets was carried out based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated cash flow forecasts covering a 3 year period, with an inflation rate of 0.78% (2022: 2.40%) thereafter, discounted at an appropriate pre-tax discount rate of 14.0% (2022: 14.0%). Key assumptions for the value in use calculations were those regarding revenue, margin, operating costs and discount rate. The forecast assumptions reflect management's best estimates of revenue, margin, operating costs and discount rate over the forecast period. The cash flow also includes assumptions on operating cost savings based on management experience and assumptions. The impairment totalled £207,000 (2022: £334,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Leases (continued)

Group as a lessee (continued)

Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2023	2022 Restated
	£000	£000
Balance at 30 April 2022 / 24 April 2021	**176,152**	200,039
Additions (restated)	**27,660**	9,913
Additions - Common control transaction (Note 3)	**-**	14,561
Accretion of interest (restated)	**9,181**	9,487
Payments (restated)	**(47,070)**	(53,258)
Non-cash reduction in lease liabilities arising from Covid-19 concessions (restated)	**(404)**	(3,357)
Other non-cash reduction in lease liabilities (restated)	**(829)**	(964)
Exchange differences	**304**	(269)
As at 29 April 2023 / 30 April 2022	**164,994**	176,152
Current (Note 20)	**32,565**	37,139
Non-current (Note 20)	**132,429**	139,013

The maturity analysis of lease liabilities is disclosed in Note 27.

The following are the amounts recognised in profit or loss for the 52 weeks ended 29 April 2023 and the 53 weeks ended 30 April 2022:

	2023	2022 Restated
	£000	£000
Depreciation expense of right-of-use assets	**33,158**	32,537
Impairment expense of right-of-use assets	**207**	334
Interest expense on lease liabilities	**9,181**	9,487
Expense related to rent payments (included in cost of sales)	**(36)**	(55)
Variable lease payments (included in cost of sales)	**(699)**	(1,145)
Total amount recognised in profit or loss	**41,811**	41,158

The Group had total cash outflows for leases of £47,946,000 (2022: restated £56,203,000) in the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Leases (continued)

Group as a lessee (continued)

Lease liabilities

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term.

	Within 5 years	More than 5 years	Total
	£000	£000	£000
2023			
Termination options expected to be exercised	**6,682**	**700**	**7,382**
	6,682	**700**	**7,382**
2022			
Termination options expected to be exercised	10,824	2,781	13,605
	10,824	2,781	13,605

Group as a lessor

The Group leases out certain of its leased property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has treated as a finance sub-lease.

As a result of the transaction detailed in Note 3, the Group sub-leases a building that is presented as a right of use asset. On conversion to IFRS the Group recognised the right-of-use asset arising from the head-lease and de-recognised the right-of-use asset pertaining to the sub-lease. The finance lease receivables were discounted and recognised within trade and other receivables.

During the period the Group recognised interest income on lease receivables of £162,000 (2022: restated £32,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2023	2022 Restated
	£000	£000
Less than one year	**916**	916
One to two years	**1,098**	1,098
Two to three years	**1,098**	1,098
Three to four years	**161**	1,098
Four to five years	**-**	161
Total undiscounted lease receivable	**3,273**	4,371
Unearned finance income	**(226)**	(388)
Net investment in the lease	**3,047**	3,983

Company as a lessee

The Company is not party to any lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial risk factors

The Group's business exposes it to certain financial risks, such as liquidity risk, interest rate risk, credit risk and foreign exchange risk. Further information about liquidity risk is also included in the going concern section within the Directors' Report.

Liquidity risk

During the period under review, the Group had sufficient funds and facilities available to satisfy its current requirements at that time, through the financial support of its ultimate owners, the Elliott funds, which are advised directly and indirectly by Elliott Investment Management, L.P.

Analysis of the maturity profile of undiscounted financial liabilities at 29 April 2023 and 30 April 2022 is shown below:

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Trade and other payables	**392**	**77,012**	**-**	**-**	**-**	**77,404**
Lease liabilities	**860**	**9,990**	**29,970**	**95,306**	**70,715**	**206,841**
Loans	**-**	**583**	**7,463**	**79,754**	**-**	**87,800**
At 29 April 2023	**1,252**	**87,585**	**37,433**	**175,060**	**70,715**	**372,045**
Trade and other payables - restated	376	82,944	-	-	-	83,320
Amounts owed to group undertakings - restated	25	-	2,425	-	-	2,450
Lease liabilities - restated	5,072	10,309	30,976	97,034	79,362	222,753
Loans	-	390	5,237	84,434	-	90,061
At 30 April 2022	5,473	93,643	38,638	181,468	79,362	398,584

Company

The Company has no financial liabilities at either the current or prior period end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. 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 dates.

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

Sensitivity analysis

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

Interest rate sensitivity

Based on the Group's net interest bearing assets and liabilities position at the period end, excluding fixed interest rate borrowings, a 100 basis points movement in interest rates would affect the Group's result before tax and shareholders' equity by approximately £0.8m (2022: £1.4m).

Foreign exchange rate sensitivity

A 10% change in the value of Euro against sterling would affect the Group's result before tax by approximately £1.3m (2022: £0.9m) and the Group's comprehensive income by £3.6m (2022: £2.6m).

A 10% change in the value of Dollar against sterling would affect the Group's result before tax by approximately £0.7m (2022: £0.1m) and the Group's comprehensive income by £0.7m (2022: £0.1m).

Capital management

During the period 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 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 and related party facilities (see Notes 18 and 25), interest bearing loans and borrowings (see Note 20) and equity attributable to the parent undertaking (see Note 29). Further details are also given under the going section within the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Changes in liabilities arising from financing activities

Group

	At 30 April 2022 £000	Lease additions £000	Cash flow £000	Foreign exchange movements £000	Other non-cash changes £000	At 29 April 2023 £000
Current lease liabilities	**(37,139)**	**(8,161)**	**47,070**	**(81)**	**(34,254)**	**(32,565)**
Current loans	**(390)**	**-**	**390**	**-**	**(583)**	**(583)**
Non-current lease liabilities	**(139,013)**	**(18,686)**	**-**	**(223)**	**25,493**	**(132,429)**
Non-current loans	**(77,888)**	**-**	**-**	**-**	**-**	**(77,888)**
Total liabilities from financing activities	**(254,430)**	**(26,847)**	**47,460**	**(304)**	**(9,344)**	**(243,465)**

	At 24 April 2021 £000	Lease additions £000	Cash flow £000	Foreign exchange movements £000	Other non-cash changes £000	At 30 April 2022 £000
Current lease liabilities - restated	(50,676)	(1,880)	53,258	77	(37,918)	(37,139)
Current loans	(194,631)	-	128,076	-	66,165	(390)
Non-current lease liabilities - restated	(149,363)	(7,689)	-	192	17,847	(139,013)
Non-current loans	-	-	-	-	(77,888)	(77,888)
Total liabilities from financing activities - restated	(394,670)	(9,569)	181,334	269	(31,794)	(254,430)

The 'Other non-cash changes' column includes the effect of the reclassification of the non-current portion of lease liabilities to current lease liabilities due to the passage of time, the non-cash reduction in lease liabilities arising from Covid-19 lease concessions and other changes, the effect of accrued interest, and the reclassification of the loan due to the covenant breach in the period ended 24 April 2021 and subsequent waiver from Elliott International, L.P. in the period ended 30 April 2022. It also includes the impact of the common control transaction detailed in Note 3.

Company

The Company had no changes in liabilities arising from financing activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Issued share capital and reserves

Share capital

	2023 Number	2022 Number	2023 £000	2022 £000
Authorised	**Unlimited**	Unlimited	**Unlimited**	Unlimited
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	**108**	108	**-**	-

The Company has one class of share capital, namely £0.01 ordinary shares, all of which were allotted to, issued to and fully paid by Book Retail Holdco Limited. There were no special rights or preferences attaching to the shares, and there were no restrictions on the distribution of dividends and the repayment of capital.

Share premium

	£000	£000
Balance at 30 April 2022 / 24 April 2021	**152,932**	65,820
Share premium associated with £0.01 ordinary shares issued on 25 April 2022	**-**	87,112
Balance at 29 April 2023 / 30 April 2022	**152,932**	152,932

On 25 April 2022, the Company issued 100 £0.01 ordinary shares, all of which were allotted to and fully paid by Book Retail Holdco Limited for a cash consideration of £87,112,079.

Merger reserve

The merger reserve arose following the transactions detailed in Note 3.

30. Distributions made and proposed

No distributions have been made or proposed during the current or prior period.

31. Contingent liabilities

The management of Book Retail Midco 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Goods and services rendered to related party	Net interest payable / receivable during the period Restated	Amounts due from related party Restated	Amounts due to related party Restated
	£000	£000	£000	£000
Elliott International, L.P.				
2023	-	(7,030)	-	**(78,471)**
2022	-	(11,723)	-	(78,278)
Barnes & Noble, Inc				
2023	**43**	-	**43**	-
2022	-	-	78	-
Waterstones Employee Benefit Trust				
2023	-	-	**79**	-
2022	-	-	79	-
Bookshop Topco Limited - restated				
2023	-	**(10)**	-	-
2022	-	(15)	-	(630)
Oxford Booksellers Limited - restated				
2023	-	**(37)**	-	-
2022	-	(25)	-	(1,820)

Company

The Company had no transactions with related parties.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below.

	2023	2022
	£000	£000
Short term employment benefits	**1,498**	1,452
Post employment benefits	**52**	46
Total compensation paid to key management personnel	**1,550**	1,498

33. Subsequent events

In August 2023, a loan of £77.9m and a revolving credit facility of £25m (undrawn at 29 April 2023), held by Book Retail Bidco Limited (a directly held subsidiary) and originally due for repayment in August 2024 and May 2024 respectively, have had their repayment dates extended to August 2025 and May 2025. All other terms remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Book Retail Holdco Limited (incorporated in Jersey) and the ultimate parent company is Book Retail Investco Limited (incorporated in Jersey). Book Retail Investco Limited is wholly owned and controlled by the Elliott funds. The Elliott funds receive investment advice from their investment manager Elliott Investment Management, L.P., incorporated in Delaware, U.S.A., and its affiliates.

This set of financial statements comprises the largest and smallest group, including the Company, for which consolidated accounts are prepared. Copies of the financial statements for Book Retail Midco Limited can be obtained from the Company Secretary, 203-206 Piccadilly, London, W1J 9HD.