

Company Registration No. 471941

WH Smith Retail Holdings Limited

Annual Report and Financial Statements

31 August 2015



WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2015

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WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2015

Officers and professional advisers

Directors

S Clarke
R J Moorhead
I Houghton

Company Secretary

I Houghton

Registered Office

Greenbridge Road
Swindon
Wiltshire
SN3 3RX

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
1 Embankment Place,
London
WC2N 6RH
United Kingdom

WH Smith Retail Holdings Limited

Directors' report

The directors present their annual report to shareholders together with the audited financial statements for the year ended 31 August 2015.

Directors

The Directors of the Company who were in office during the year and up to the date of signing are shown on page 1.

Directors' indemnities

The Company has qualifying third party indemnity provisions for the benefit of its directors which remained in force throughout the year and at the date of this report.

Results and dividends

As shown in the Company's profit and loss account on page 7, the Company's profit for the financial year to 31 August 2015 was £67,911,000 (2014: £107,821,000). The Company is expected to continue to trade profitably in the foreseeable future.

The Company paid dividends in the year amounting to £60,000,000 to its immediate parent company, WH Smith PLC (2014: £80,000,000). During the year, the Company received dividends of £80,000,000 from subsidiary undertakings (2014: £107,000,000).

Going concern and financial risk management

Disclosures in respect of going concern and financial risk management are given in the Strategic report on page 4.

Elective resolutions

At an Extraordinary General Meeting of the Company held on 26 July 2001, Elective Resolutions were passed dispensing with:

- i) the laying of financial statements before the Company in general meeting;
- ii) the holding of Annual General Meetings; and
- iii) the obligation to appoint auditors annually.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

WH Smith Retail Holdings Limited

Directors' report (continued)

Equal Opportunities

The Directors believe in creating throughout the Company a culture that is free from discrimination and harassment and will not permit or tolerate discrimination in any form. The Company gives full and fair consideration to applications for employment when these are received from disabled people and employs disabled people whenever suitable vacancies arise. Should an employee become disabled when working for the Company, we will endeavour to adapt the work environment and provide retraining if necessary so that they may continue their employment and maximise their potential.

Employee involvement

Employee engagement is supported through clear communication of the Group's performance and objectives. This information is cascaded through team briefings, large employee events, intranet sites and regular e-newsletters. This approach and the Group's open management style encourages employees to contribute to business development. The Company, when appropriate, consults directly with employees and/or employee representatives so that their views can be taken into account when decisions are made which are likely to affect them.

Disclosure of information to auditors

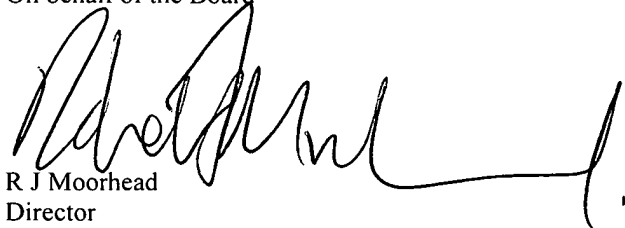
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the Board of Directors on 27 May 2016.

On behalf of the Board



R J Moorhead
Director

WH Smith Retail Holdings Limited

Strategic report

The Strategic report is prepared in accordance with s414(c) of the Companies Act 2006.

Business review, principal activities and key performance indicators

The Company is a holding company for a group of trading companies. In addition, the Company is the principal employer of the Group's defined benefit pension trust, WHSmith Pension Trust, and also operates central functions of the WH Smith PLC group.

As shown in the Company's profit and loss account on page 7, the Company's profit for the financial year to 31 August 2015 was £67,911,000 (2014: £107,821,000).

The balance sheet on page 8 of the financial statements shows that during the year, the Company's net assets have increased by £5,564,000 to £472,209,000 (2014: £466,645,000). Details of the amounts owed by other Group undertakings are shown in notes 13 and 14 on pages 22 and 23.

The Company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, of which this Company is a part, is discussed in the WH Smith PLC Annual Report and Accounts 2015, which does not form part of this Report.

Principal risks and uncertainties

The WH Smith PLC group manages its operations, including WH Smith Retail Holdings Limited on a divisional basis and has identified the following factors as major potential risks to the successful performance of the business of the Group. Many of these factors are applicable to WH Smith Retail Holdings Limited.

- Economic, political, competitive and market risks
- Brand and reputation
- Key suppliers and supply chain management
- Store portfolio
- Business interruption
- Reliance on key personnel
- Treasury, financial and credit risk management
- Cyber risk and data security

Group risks are discussed in further detail within the Principal risks and uncertainties section of the Strategic report of the Group's Annual Report and Accounts 2015, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

Going concern

The Company's business activities, together with factors that are likely to affect its future developments, performance and position are detailed within this Strategic Report. The financial position of the Company and its liquidity position are described in the financial statements and notes. The WH Smith PLC Annual Report and Accounts 2015 includes further information regarding the Group's financial position, cash flows and borrowing facilities, as well as its policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Strategic report of the WH Smith PLC Annual Report and Accounts 2015 also highlights the main risks and uncertainties facing the Group, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure and borrowing facilities. The directors also confirm that they have the ability to determine the timing of repayment of balances due to the Company's subsidiaries. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

This report was approved by the Board on 27 May 2016.

On behalf of the Board


R J Moorhead
Director

Independent auditors' report to the members of WH Smith Retail Holdings Limited

Report on the financial statements

Our opinion

In our opinion, WH Smith Retail Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 31 August 2015;
- the Profit and loss account and Statement of total recognised gains and losses for the year then ended;
- the Reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of WH Smith Retail Holdings Limited (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 May 2016

WH Smith Retail Holdings Limited

Profit and loss account

Year ended 31 August 2015

	Note	2015 £'000	2014 £'000
Turnover	2	169,626	164,447
Cost of sales		<u>(167,107)</u>	<u>(162,669)</u>
Gross profit		2,519	1,778
Administrative expenses		(19,384)	(2,987)
Other operating income	6	296	981
Income from shares in group undertakings	8	<u>80,000</u>	<u>107,000</u>
Operating profit before interest		63,431	106,772
Interest payable and similar charges	7	<u>(1,039)</u>	<u>(834)</u>
Profit on ordinary activities before taxation	3	62,392	105,938
Tax on profit on ordinary activities	9	<u>5,519</u>	<u>1,883</u>
Profit for the financial year		<u><u>67,911</u></u>	<u><u>107,821</u></u>

All results are derived from continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.


WH Smith Retail Holdings Limited

Balance Sheet 31 August 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investment in subsidiary undertakings	10	602,137	602,137
Investments	11	21,159	20,979
Tangible assets	12	19,966	10,347
		<u>643,262</u>	<u>633,463</u>
Current assets			
Debtors	13	571,025	518,988
Cash at bank and in hand		5,680	10
		<u>576,705</u>	<u>518,998</u>
Creditors: amounts falling due within one year	14	<u>(736,406)</u>	<u>(682,399)</u>
Net current liabilities		<u>(159,701)</u>	<u>(163,401)</u>
Total assets less current liabilities		<u>483,561</u>	<u>470,062</u>
Creditors: amounts falling due after more than one year	15	(7,867)	-
Provisions for liabilities	17	(3,485)	(3,417)
		<u>472,209</u>	<u>466,645</u>
Net assets excluding pension surplus		<u>472,209</u>	<u>466,645</u>
Net pension surplus	6	-	-
Net assets		<u><u>472,209</u></u>	<u><u>466,645</u></u>
Capital and reserves			
Called up share capital	19	3,952	3,952
Share premium account		22,474	22,474
Capital redemption reserve		371,423	371,423
Revaluation reserve		7,349	5,214
Merger reserve		34,000	34,000
Profit and loss account		33,011	29,582
Total shareholders' funds		<u><u>472,209</u></u>	<u><u>466,645</u></u>

These financial statements of WH Smith Retail Holdings Limited, registered number 471941, on pages 7 to 28, were approved by the Board of Directors and authorised for issue on 27 May 2016.

Signed on behalf of the Board of Directors


R J Moorhead
Director

WH Smith Retail Holdings Limited

Statement of total recognised gains and losses Year ended 31 August 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		67,911	107,821
Actuarial loss on pension scheme	6	(4,482)	(14,851)
Total recognised gains for the financial year		63,429	92,970

Reconciliation of movements in shareholders' funds Year ended 31 August 2015

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders funds £'000
At 1 September 2014	3,952	22,474	371,423	5,214	34,000	29,582	466,645
Total recognised gains for the year	-	-	-	-	-	63,429	63,429
Dividends paid	-	-	-	-	-	(60,000)	(60,000)
Revaluation of non- current investments	-	-	-	2,135	-	-	2,135
At 31 August 2015	3,952	22,474	371,423	7,349	34,000	33,011	472,209

WH Smith Retail Holdings Limited

Notes to the financial statements Year ended 31 August 2015

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of Investments, and are in compliance with the Companies Act 2006 and applicable United Kingdom law and accounting standards.

All accounting policies have been applied consistently in the current year and the prior year.

Basis of preparation

The financial statements are for the year ended 31 August 2015. The prior period financial statements were for the year ended 31 August 2014.

In accordance with FRS1 'Cash Flow Statements' (Revised), a statement of cash flows has not been prepared as the Company is included in the publicly available financial statements of the ultimate parent company.

The Company is exempt from producing consolidated financial statements under section 400 of the Companies Act 2006. The financial statements have been prepared on the going concern basis as explained in the Strategic report on page 4.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for the provision of employees and other central services to other companies within the WH Smith PLC Group.

Leases

Rental costs under operating leases held in the name of WH Smith Retail Holdings are settled by other Group companies over the length of the lease.

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the Company's accounting policy for that class of asset. The capital element of future lease payments is included in creditors. The interest cost is allocated to accounting periods based on the outstanding capital element of the lease.

Share-based payments

Employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares in WH Smith PLC. These are accounted for as cash-settled share-based payments and a liability equal to the portion of services received is recognised at current fair value determined at each balance sheet date.

Depreciation

Freehold and long leasehold properties are amortised on a straight-line basis over 20 years. Short leasehold properties and leased assets are amortised over the period of the lease. Equipment is depreciated on a straight line basis over its estimated useful economic life of 8 years.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the balance sheet date or, where applicable, at forward contracted rates. Profit and loss account items denominated in foreign currencies are translated at the average exchange rates for the year.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

1. Accounting policies (continued)

Deferred taxation

In accordance with FRS 19 'Deferred taxation' the Company provides deferred tax in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not provided on timing differences arising from the sale or revaluation of fixed assets unless, at the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will qualify for rollover relief. Deferred taxation is measured on a non-discounted basis.

Investments in subsidiary undertakings

Investments in equity and long terms loans in subsidiary undertakings are individually valued at historical cost less provision for impairments in value.

Investments

WH Smith Employee Share Trust 1999 and the WH Smith Employee Benefit Trust

As a result of the demerger of Smiths News PLC from WH Smith PLC on 1 September 2006, the WH Smith's Employees' Share Trust 1999 was split in proportion to the Trust's obligation to the Retail business and the News business. This involved segregating the assets of the trust relating to each of the Retail Group and the News Group. From 1 September 2006, WH Smith PLC has accounted for the section of the trust allocated from the segregation, which is called the WH Smith Employee Benefit Trust.

The WH Smith Employee Benefit Trust holds ordinary shares in WH Smith PLC, which may be used to satisfy awards and options granted under the Group share schemes. Full details of the Trust and the share schemes are disclosed in the consolidated financial statements of WH Smith PLC for the year ended 31 August 2015.

After initial recognition, WH Smith PLC shares are measured at fair value with temporary gains or losses being recognised within equity until the investment is disposed or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Tangible fixed assets

As permitted by FRS 15 "Tangible Fixed Assets", the Company has adopted a policy of not revaluing fixed assets. The carrying values of tangible fixed assets previously revalued have been retained at their book amount in accordance with the transitional provisions of FRS 15, which are reviewed on a periodic basis to ensure there is no impairment in their value.

Retirement benefit costs

The Company's main UK pension fund is a defined benefit scheme. In accordance with FRS 17 "Retirement benefits", the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service if the benefits have vested, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the year), are included in the profit and loss account under net finance charges.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any differences between the actual and expected return on assets during the year are recognised in the Statement of Total Recognised Gains and Losses along with differences arising from experience or assumption changes.

Costs in respect of the Company's defined contribution pension schemes are charged to the profit and loss account on an accruals basis as contributions become payable.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

1. Accounting policies (continued)

Dividends payable and receivable

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Dividends receivable from subsidiary undertakings are recorded in profit or loss in the period in which they are received.

Financial instruments

Cash in the balance sheet comprises cash at bank and in hand and short-term deposits.

2. Turnover

All of the Company's turnover and profit before taxation arose in the United Kingdom and from its principal activity.

3. Profit on ordinary activities before taxation is stated after charging:

	2015 £'000	2014 £'000
Depreciation and impairment of owned fixed assets	882	818
Depreciation and impairment of leased fixed assets	1,049	-
Share-based payments charge / (credit)	5,744	(16,950)
Auditor's fees		
- fees payable to Company's auditors for the audit of the Company's financial statements	2	2
- non-audit fees including taxation and other services	45	105
	<u> </u>	<u> </u>

4. Directors' remuneration

The remuneration of S Clarke and R J Moorhead is disclosed in the consolidated financial statements for WH Smith PLC for the year ended 31 August 2015 and no allocation of their services, as directors of WH Smith Retail Holdings Limited and other Group companies, is made.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

5. Employees and staff costs

	2015 £'000	2014 £'000
Staff costs		
Wages and salaries	152,629	146,923
Social security costs	10,545	10,885
Employee share schemes	5,744	(16,950)
Other pension costs	2,882	2,836
	<u>171,800</u>	<u>143,694</u>
	2015 No.	2014 No.
Monthly average number of employees		
Retailing	12,726	13,172
Central functions	28	29
Total average number of employees	<u>12,754</u>	<u>13,201</u>

Employees are utilised by other Group companies for the provision of retailing services.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

6. Pension arrangements

The Company is the principal employer of the Group's defined benefit pension trust, WHSmith Pension Trust and the Group's defined contribution plan. The most significant is WHSmith Pension Trust, which is described in Note 6 (a).

(a) The WHSmith Pension Trust

The WHSmith Pension Trust is independent of the Company and is administered by a Trustee. The scheme has been closed to new members since 1996 and was closed to defined benefit service accrual on 2 April 2007. The amounts recognised in the balance sheet at 31 August 2015 in relation to the aggregate fair values of the assets and liabilities of the WHSmith Pension Trust were:

	2015 £'000	2014 £'000
LDI Cash Fund	941,307	969,287
Inflation swaps	166,160	65,986
Loan fund	54,043	51,434
Fair value of plan assets	1,161,510	1,086,707
Present value of the obligations	(948,029)	(931,492)
Surplus in the scheme	213,481	155,215
Amounts not recognised	(213,481)	(155,215)
Surplus recognised in the balance sheet	-	-
Related deferred tax asset	-	-
Net defined benefit scheme surplus	-	-

In accordance with FRS 17 paragraph 42 and paragraph 67(d), no FRS 17 surplus has been recognised on the balance sheet at 31 August 2015.

A full actuarial valuation of the Scheme is carried out at least every three years with interim reviews in the intervening years. As at the balance sheet date on 31 August 2015, the latest full actuarial valuation of the Pension Trust was carried out as at 31 March 2014 by independent actuaries using the projected unit credit method. The March 2014 deficit was £24m, and a revised deficit funding schedule of approximately £3m per annum with effect from 1 October 2014 for the following nine years, was agreed with the Trustee. With effect from 1 September 2015 the Group agreed to pay certain investment management costs on behalf of the Trustee. The annual deficit funding agreement is around £1m per annum with effect from 1 September 2015.

The amounts recognised in the profit and loss account were as follows:

	2015 £'000	2014 £'000
Current service cost	(83)	(121)
Interest cost	(35,086)	(37,897)
Expected return on scheme assets	35,169	38,018
Settlement credit	296	981
Total recognised to profit and loss account	296	981
Actual return on plan assets	107,654	142,951

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

6. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

Following a change to the trivial commutation limit from £18,000 to £30,000 announced in the 2014 Budget, members of the WHSmith Pension Trust were given the opportunity to take a trivial commutation payment. The result of this exercise was the recognition of a gain on settlement of £296,000, as a result of £1,768,000 of liabilities being removed from the Trust compared to £1,472,000 of assets paid out for trivial commutation. This is disclosed in the Profit and loss account on page 7 in Other income.

Movements in the present value of the defined benefit scheme obligations in the current year were as follows:

	2015 £'000	2014 £'000
At 1 September	931,492	856,165
Current service cost	83	121
Settlement of liabilities	(1,768)	(6,569)
Interest cost	35,086	37,897
Actuarial losses	18,701	72,225
Benefits paid	(35,565)	(28,347)
At 31 August	948,029	931,492

Movements in the fair value of defined benefit scheme assets in the year were as follows:

	2015 £'000	2014 £'000
At 1 September	1,086,707	963,821
Expected return on scheme assets	35,169	38,018
Settlement of liabilities	(1,472)	(5,588)
Actuarial gains	72,485	104,933
Contributions from the sponsoring companies	4,186	13,870
Benefits paid	(35,565)	(28,347)
At 31 August	1,161,510	1,086,707

The weighted average principal long-term assumptions used in the actuarial valuation were:

	2015	2014
Discount rate	3.75%	3.84%
Rate of increase in pensions payments	3.22%	3.17%
Rate of increase in deferred pensions	2.20%	2.37%
RPI inflation assumptions	3.30%	3.27%
CPI inflation assumptions	2.20%	2.37%
Expected return on plan assets at 31 August	3.05%	3.35%

The expected rate of return is calculated as a weighted average of the expected return on the LDI fund and the equity call option.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

6. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

Amounts for the current and previous years are as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Defined benefit obligation	(948,029)	(931,492)	(856,165)	(776,083)	(716,151)
Plan assets	1,161,510	1,086,707	963,821	888,928	785,154
Surplus	213,481	155,215	107,656	112,845	69,003
<i>Experience adjustment on plan liabilities</i>					
Amount (£'000)	(14,659)	(1,924)	2,209	(7,006)	7,866
Percentage of scheme liabilities	2%	-%	-%	1%	(1%)
<i>Experience adjustment on plan assets</i>					
Amount (£'000)	71,775	101,727	55,935	76,558	(31,062)
Percentage of scheme assets	6%	9%	6%	9%	(4%)
<i>Total amount recognised in the statement of total recognised gains and losses</i>					
Amount (£'000)	(4,482)	(14,851)	(12,011)	(13,361)	(13,509)
Percentage of present value of the scheme liabilities	-%	(2%)	(1%)	(2%)	(2%)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £81,111,000 (2014: £76,629,000).

Sensitivity to changes in assumptions

Sensitivity has been derived using scenario analysis from the actuarial assumptions as at 31 August 2015, while keeping all other assumptions consistent.

	Effect on liabilities as at 31 August 2015 £'000	
Discount rate + / - 0.1% per annum	-19,000	+19,000
Inflation assumptions + / - 0.1% per annum	-18,000	+17,000
Life expectancy + / - 1 year	+30,000	-30,000

(b) Defined contribution pension scheme

The Group's pension cost charge to its defined contribution scheme for the year amounted to £2,882,000 (2014: £2,836,000). The amount of unpaid contributions as at 31 August 2015 included in other creditors was £215,000 (2014: £195,000).

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

7. Interest payable and similar charges

	2015 £'000	2014 £'000
Investment income:		
Interest receivable from other Group companies	3,535	3,348
Other interest receivable and similar income	54	105
	<u>3,589</u>	<u>3,453</u>
Finance charges:		
Other interest payable and similar charges	(341)	(299)
Unwinding of discount on provisions (note 17)	(67)	(173)
Finance lease interest	(138)	-
Net credit on pension scheme (note 6)	83	121
Interest payable to other Group companies	(4,165)	(3,936)
	<u>(4,628)</u>	<u>(4,287)</u>
Interest payable and similar charges	<u><u>(1,039)</u></u>	<u><u>(834)</u></u>

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

8. Income from shares in group undertakings

During the year the Company received dividends totalling £80,000,000 (2014: £107,000,000) from other Group companies.

9. Tax on profit on ordinary activities

Analysis of tax credit in the year

	2015 £'000	2014 £'000
Current tax:		
Current year credit	(3,440)	(6,276)
Adjustments in respect of prior years	(1,192)	(149)
	<u>(4,632)</u>	<u>(6,425)</u>
Deferred tax: origination and reversal of timing differences		
– current year	(885)	4,110
– prior year	(2)	432
	<u>(887)</u>	<u>4,542</u>
Tax on profit on ordinary activities	<u><u>(5,519)</u></u>	<u><u>(1,883)</u></u>

Reconciliation of the current tax credit

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK (2015: 20.58%, 2014 :22.16%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	62,392	105,938
Tax charge on profit at UK rate of corporation tax – 20.58% (2014: 22.16%)	<u>12,840</u>	<u>23,476</u>
Effect of:		
Depreciation in excess of capital allowances	-	-
Permanent adjustments	(15,321)	(22,498)
Timing differences	(959)	(7,254)
Adjustments in respect of prior years	<u>(1,192)</u>	<u>(149)</u>
Current tax credit for the year	<u><u>(4,632)</u></u>	<u><u>(6,425)</u></u>

The UK corporation tax rate fell to 20 per cent with effect from 1 April 2015 (previously 21 per cent). Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

10. Investment in subsidiary undertakings

	£'000
Cost	
At 1 September 2014	706,357
At 31 August 2015	<u>706,357</u>
Provision for Impairment	
At 1 September 2014	(104,220)
At 31 August 2015	<u>(104,220)</u>
Net book value	
At 31 August 2015	<u>602,137</u>
At 31 August 2014	<u>602,137</u>

At 31 August 2015 the Company directly owned the entire issued share capital of the following companies.

Subsidiaries	Nature of business	Class of share	Country of incorporation
WH Smith Travel Holdings Limited	Holding Company	Ordinary	England and Wales
WH Smith High Street Holdings	Holding Company	Ordinary	England and Wales
WH Smith Jersey Limited	Retailing	Ordinary	Jersey
WH Smith Asia Limited	Sourcing	Ordinary	Hong Kong
WH Smith France S.A.S.	Retailing	Ordinary	France
WH Smith Retirement Savings Plan	Dormant	Ordinary	England and Wales
WH Smith 1955 Limited	Holding Company	Ordinary	England and Wales
WH Smith Promotions Limited	Holding Company	Ordinary	England and Wales

The Directors believe that the carrying value of the investments is supported by their underlying net assets

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

10. Investment in subsidiary undertakings (continued)

At 31 August 2015 the Company also indirectly owned the entire issued equity share capital of the following companies, which are incorporated in Great Britain.

Subsidiaries	Nature of business	Class of share	Country of incorporation
WH Smith High Street Limited	Retailing	Ordinary	England and Wales
funkypigeon.com Limited	Retailing	Ordinary	England and Wales
Modelzone Limited	Dormant	Ordinary	England and Wales
Cardmarket Limited	Retailing	Ordinary	England and Wales
Books & Stationers Limited	Retailing	Ordinary	England and Wales
Sussex Stationers Limited	Dormant	Ordinary	England and Wales
Lexicon Book Company Limited	Property Leasing	Ordinary	England and Wales
WH Smith Travel 2008 Limited	Holding Company	Ordinary	England and Wales
WH Smith Hospitals Holdings Limited	Holding Company	Ordinary	England and Wales
WH Smith Hospitals Limited	Retailing	Ordinary	England and Wales
WH Smith Travel Limited	Retailing	Ordinary	England and Wales
WH Smith Ireland Limited	Retailing	Ordinary	Ireland
WH Smith Singapore Pte. Limited	Dormant	Ordinary	Singapore
WH Smith New Zealand Limited	Dormant	Ordinary	New Zealand
WH Smith Australia Pty Limited	Retailing	Ordinary	Australia
Wild Retail Group Pty Limited	Retailing	Ordinary	Australia
WH Smith (Qatar) Limited	Dormant	Ordinary	England and Wales
The Websters Group Limited	Dormant	Ordinary	England and Wales
WH Smith Group Holdings (USA) Inc.	Dormant	Ordinary	USA
WH Smith Music Inc.	Dormant	Ordinary	USA
WH Smith Nevada Enterprises LLC	Dormant	Ordinary	USA

At 31 August 2015 the Company also indirectly owned the 49% of the issued share capital of WH Smith LLC, a retailing company incorporated in Qatar, and 50% of the issued share capital of WH Smith Malaysia SDN BHD, a retailing company incorporated in Malaysia.

11. Investments

	2015 £'000	2014 £'000
Market value		
At 1 September	20,979	38,415
Additions	5,088	9,850
Utilisation	(9,540)	(35,824)
Revaluation	4,632	8,538
At 31 August	21,159	20,979

At 31 August 2015 the number of shares held in WH Smith PLC was 1,401,608 (2104: 1,816,390) and the nominal value was £311,597 (2014: £401,232). The shares are held by an employee trust for the sole purpose of satisfying obligations under the parent company's Employee Share Schemes and are included in non-current investments. Details of the Employee Share Schemes are given in Note 20.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

12. Tangible fixed assets

	Freehold properties £'000	Long term leasehold £'000	Equipment £'000	Total £'000
Cost				
At 1 September 2014	26,176	4	-	26,180
Additions	219	-	11,381	11,600
Transfer from fellow subsidiary	586	-	-	586
Disposals	-	-	-	-
At 31 August 2015	26,981	4	11,381	38,366
Accumulated depreciation				
At 1 September 2014	15,829	4	-	15,833
Depreciation charged	882	-	1,049	1,931
Transfer from fellow subsidiary	636	-	-	636
Disposals	-	-	-	-
At 31 August 2015	17,347	4	1,049	18,400
Net book value				
At 31 August 2015	9,634	-	10,332	19,966
At 31 August 2014	10,347	-	-	10,347

The net book value of assets held under finance leases included above is £10,332,000 (2014: £nil).

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

13. Debtors

	2015 £'000	2014 £'000
Other debtors	6,681	5,321
Corporation tax	3,569	1,345
Amounts owed by group undertakings	560,775	512,322
	<u>571,025</u>	<u>518,988</u>

Included within amounts owed by group undertakings is an unsecured loan of £208,000,000 which bears interest at GBP 6 month LIBOR plus 1%. All other amounts owed by group companies are non-interest bearing and repayable on demand.

Other debtors falling due within one year include a deferred tax asset of £5,060,000 (2014: £4,171,805). Deferred tax assets recognised are as follows:

	2015 £'000	2014 £'000
Share-based payments	4,954	4,068
Short term timing differences	106	104
At 31 August	<u>5,060</u>	<u>4,172</u>

	2015 £'000	2014 £'000
At 1 September	4,172	8,713
Profit and loss account	888	(4,541)
Restatement of closing deferred tax balances to 20% (2014: 20%)	-	-
At 31 August	<u>5,060</u>	<u>4,172</u>

These assets have been recognised in the financial statements as the directors are of the opinion, based on recent and forecast trading, that the level of group profits in the current and next financial year will exceed the losses arising in this entity including those arising on the reversal of these deferred tax assets, and therefore they expect those deferred tax assets to be recovered against those profits via group relief.

The rate of corporation tax changed from 21 per cent to 20 per cent with effect from 1 April 2015. The deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. If these changes had applied to the deferred tax balance at the balance sheet date, there would have been no effect on the deferred tax asset or the tax expense for the period.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

14. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	680,986	606,072
Corporation tax	343	309
Bank overdraft	9,000	38,747
Finance leases (Note 16)	2,173	-
Other creditors including taxation and social security	43,904	37,271
	<u>736,406</u>	<u>682,399</u>

Included within amounts owed to group companies is an unsecured loan note for £4,857,430 which bears interest at GBP 6 month LIBOR; an unsecured loan note of £7,307,805 which bears interest at GBP 6 month LIBOR; an unsecured loan note of £4,895,000 which bears interest at GBP 6 month LIBOR; and an unsecured loan note of £238,000,000 which bears interest at GBP 6 month LIBOR plus 1%. None of the unsecured loan notes have a fixed repayment date. All other amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Finance leases (Note 16)	<u>7,867</u>	<u>-</u>
	<u>7,867</u>	<u>-</u>

16. Finance leases

Future minimum payments under finance leases are as follows:

	2015 £'000	2014 £'000
Within one year	2,408	-
In more than one year, but not more than five years	8,187	-
After five years	<u>25</u>	<u>-</u>
Total gross payments	10,620	-
Less finance charges included above	<u>(580)</u>	<u>-</u>
	<u>10,040</u>	<u>-</u>

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

17. Provisions for liabilities

	Deferred tax £'000	Disposal provisions £'000	Non trading property provisions £'000	Total £'000
At 1 September 2014	103	996	2,318	3,417
Utilised during the year	1	-	-	1
Unwinding of discount on provision	-	-	67	67
At 31 August 2015	104	996	2,385	3,485

The disposal provision arose from commitments in respect of the disposal of the USA Travel business.

The non-trading property provision is the estimated future cost of the Group's onerous leases based on known and estimated rental subleases. The costs include provision for required dilapidation costs and any anticipated future rental shortfalls. This provision has been discounted at a risk free rate, and this discount will be unwound over the life of the leases.

A deferred tax liability of £104,000 (2014: £103,000) has been recognised at 31 August 2015. This relates to differences between accounting and tax depreciation.

The rate of corporation tax will change from 21 per cent to 20 per cent from 1 April. The deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, we have restated all deferred tax closing balances using the appropriate rate. The change of rate in the decreased the deferred tax liability by £nil (2014: £4,033).

18. Dividends on equity shares

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year	60,000	80,000
	60,000	80,000

Interim dividend for the year ended 31 August 2015 of 32.8p (2014: 43.7p) per ordinary share.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

19. Called up share capital

	2015		2014	
	Number of shares	Nominal value £'000	Number of shares	Nominal value £'000
Allotted, called up and fully paid				
Ordinary shares of 2 13/81p (2014: 2 13/81p) each	182,940,721	3,952	182,940,721	3,952
Deferred shares of 2 13/81p (2014: 2 13/81p) each	1	-	1	-
	<u>182,940,722</u>	<u>3,952</u>	<u>182,940,722</u>	<u>3,952</u>

Deferred shares of 2 13/81p have no rights to receive a dividend or to attend or vote at any general meeting of the Company. Holders of the deferred shares are entitled to a return of the capital paid up on winding-up, subject to the payment of all other classes of shares of the amount paid up on such shares, but have no further rights of participation in the assets of the Company.

20. Share-based payment

As part of the Group reorganisation on 1 September 2008, the Company became the principal employer of the Group. The Company operates a number of share schemes for employees which are treated as cash-settled share-based payments. The amount recorded in liabilities in relation to these schemes is £25,798,000 (2014: £20,036,000) and the charge to profit and loss was £5,744,000 (2014: credit of £16,950,000). Included in this liability is £1,173,130 (2014: £2,006,881) relating to vested options.

Number of shares	Sharesave Scheme	Executive Share Option Schemes	2010 MIP	2012 CIP	LTIPs	PSPs	Cash settled awards	Total
Balance at 1 September 2014	475,744	302,678	-	830,264	1,235,639	327,020	143,434	3,314,779
Options and awards granted	239,086	-	-	409,351	322,219	136,742	-	1,107,398
Options and awards exercised	(241,236)	(229,231)	-	-	(616,417)	-	(31,351)	(1,118,235)
Options and awards lapsed	(27,988)	-	-	(21,148)	-	(21,608)	-	(70,744)
Balance at 31 August 2015	445,606	73,447	-	1,218,467	941,441	442,154	112,083	3,233,198
Exercisable at 31 August 2015	10,642	73,447	-	-	18,267	-	-	102,356
Balance at 1 September 2013	602,054	1,184,110	2,670,773	478,421	1,675,729	185,721	-	6,796,808
Options and awards granted	-	-	-	411,447	290,711	148,169	143,434	993,761
Options and awards exercised	(81,965)	(881,432)	(2,670,773)	-	(580,469)	-	-	(4,214,639)
Options and awards lapsed	(44,345)	-	-	(59,604)	(150,332)	(6,870)	-	(261,151)
Balance at 31 August 2014	475,744	302,678	-	830,264	1,235,639	327,020	143,434	3,314,779
Exercisable at 31 August 2014	5,009	260,406	-	-	-	-	-	265,415

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

20. Share-based payment (continued)

	2015	2014
Weighted average exercise price of awards:		
- Outstanding at the beginning of the year	108.83	122.66
- Granted in the year	247.68	-
- Exercised in the year	175.07	107.47
- Lapsed in the year	225.69	76.67
- Outstanding at the end of the year	130.92	108.83
- Exercisable at the end of the year	353.87	398.87

Below is a summary of the details of the share schemes. More detailed information relating to these schemes can be found in Note 25 and the Remuneration Report of the WH Smith PLC 2015 Annual Report and Accounts, which does not form part of this report.

2012 Co-Investment Plan (CIP)

Under the terms of the 2012 Co-Investment Plan, executive directors and key senior executives have invested their own money to buy ordinary shares in WH Smith PLC and have been granted matching awards (in the form of nil cost options in WH Smith PLC) to acquire further ordinary shares in proportion to the amount they have invested. These awards will only vest and become exercisable to the extent that the related performance target is met.

LTIP

Under the terms of the current LTIP, approved by shareholders in 2006, executive directors and key senior executives may be granted conditional awards to acquire ordinary shares in the Company (in the form of nil cost options) which will only vest and become exercisable to the extent that the related performance targets are met.

Awards will first become exercisable on the vesting date, which is the date (as soon as practicable after the announcement of WH Smith's results for the final year of the performance period) that participants receive notification of the number of award shares that have vested. Awards are exercisable between November 2014 and November 2024.

Sharesave Scheme

Under the terms of the current Sharesave Scheme, approved by shareholders in 2006, the Board grants options to purchase ordinary shares in the Company to employees with at least one year's service who enter into an HM Revenue & Customs approved Save-As-You-Earn (SAYE) savings contract for a term of three or five years. Options are granted at up to a 20 per cent discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. Options are exercisable between August 2015 and January 2019. The range of exercise prices for SAYE options outstanding at the year end was 400.4p to 1147.2p (2014: 387p to 580.8p).

Performance Share Plan (PSP)

Under the terms of the Performance Share Plan, the Board may grant conditional awards to executives (in the form of nil cost options). The exercise of awards is conditional on the achievement of a performance target, which is determined by the Board at the time of grant. The executive directors do not participate in this Plan.

Executive Share Option Schemes (ESOS)

Under the terms of the current Executive Share Option Scheme, approved by shareholders in 2006, the Board may grant options to executives up to an annual limit of 200 per cent of basic annual salary. The exercise of options is conditional on the achievement of a performance target, which is determined by the Board at the time of grant. The range of exercise prices for ESOS options outstanding at the year end was 381p to 520.17p (2014: 247p to 520.17p).

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2015

20. Share-based payment (continued)

Fair value information

	2015	2014
Weighted average share price at date of exercise of share options exercised during year – pence	1,260.81	963.77
Weighted average share price of outstanding awards at end of year - pence	130.92	108.83
Weighted average remaining contractual life at end of year - years	5	6

All share options which have vested have been valued at WH Smith PLC's share price at year end. The share options outstanding, which have yet to vest, have been valued using a Black-Scholes model. The inputs to the Black-Scholes model for options over WH Smith PLC shares are as follows:

	2015	2014
Share price – pence	1500.0	1155.0
Exercise price - pence	Nil-1147	Nil-581
Expected volatility – per cent	19.81-22.51	19.46-24.14
Expected life – years	0-2.76	0-2.22
Risk free rate – per cent	0.44-0.90	0.31-0.88
Dividend yield – per cent	2.63	3.03

Expected volatility was determined by calculating the historical volatility of the Group's share price

21. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3 of FRS 8, 'Related Party Disclosures', not to disclose transactions with WH Smith PLC Group companies and interest of the Group who are related parties.

22. Contingent liabilities

Potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Company if the lessee defaulted. The Company's 65% share of these leases has an estimated future gross rental commitment at 31 August 2015 of £4 million (2014: £7 million). The movement in the future rental commitment is due to the crystallisation of lease liabilities, lease expiries and the effluxion of time.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued) Year ended 31 August 2015

23. Annual commitments under operating leases

At the year end the Company had the following future commitments in respect of operating leases for the following year:

	2015			2014		
	Land and buildings £'000	Equipment and vehicles £'000	Total £'000	Land and buildings £'000	Equipment and vehicles £'000	Total £'000
Annual net lease commitments expiring:						
Within one year	4,284	45	4,329	3,346	23	3,369
Between two to five years	38,591	261	38,852	39,198	171	39,369
After five years	33,871	-	33,871	37,324	-	37,324
	<u>76,746</u>	<u>306</u>	<u>77,052</u>	<u>79,868</u>	<u>194</u>	<u>80,062</u>

24. Ultimate and immediate parent company

The immediate and ultimate parent company and controlling party is WH Smith PLC, a company incorporated in Great Britain and registered in England and Wales. WH Smith PLC heads the largest and smallest group of companies of which the Company is a member for which consolidated accounts are prepared.

Copies of the Group financial statements are available from:

The Company Secretary
WH Smith PLC
Greenbridge Road
Swindon
Wiltshire
SN3 3RX