

Company Registration No. 471941

WH Smith Retail Holdings Limited

Annual Report and Financial Statements

31 August 2019



WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2019 Officers and professional advisers

Officers and professional advisers	1
Directors' report	2
Strategic report	4
Independent auditors' report	8
Profit and loss account	10
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2019

Officers and professional advisers

Directors

C Cowling (appointed 19 September 2019)

R J Moorhead

I Houghton

S Clarke (resigned 31 October 2019)

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 2019.

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 10, the Company's profit for the financial year to 31 August 2019 was £121,469,000 (2018: £120,115,000). The Company is expected to continue to trade profitably in the foreseeable future.

The Company paid dividends in the year amounting to £109,000,000 to its immediate parent company, WH Smith PLC (2018: £125,000,000). During the year, the Company received dividends of £141,000,000 from subsidiary undertakings (2018: £130,000,000).

Future developments

Details on the future developments of the Company are given in the Strategic report on page 7.

Going concern and financial risk management

Disclosures in respect of going concern and financial risk management are given in the Strategic report on pages 4 to 7.

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.

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.

WH Smith Retail Holdings Limited

Directors' report (continued)

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

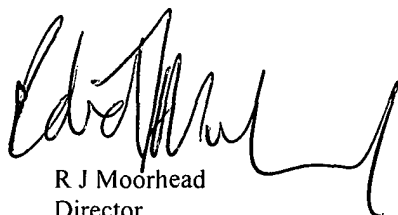
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, will continue in office as auditors to the Company.

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 6 March 2020.

On behalf of the Board



R J Moorhead
Director

WH Smith Retail Holdings Limited

Strategic report

The Strategic report is prepared in accordance with s414c(11) 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 10, the Company's profit for the financial year to 31 August 2019 was £121,469,000 (2018: £120,115,000).

The balance sheet on page 11 of the financial statements shows that during the year, the Company's net assets have increased by £173,332,000 to £614,113,000 (2018: £440,781,000) reflecting the newly issued shares of £163,360,000 and profit for the year offset by dividends paid. In October 2018, the Company invested £163,360,000 in a newly incorporated subsidiary, WH Smith US Group Holdings Limited, to facilitate the acquisition of InMotion Entertainment LLC. Details of the amounts owed by and owed to other Group undertakings are shown in Notes 15 and 16 on pages 29 and 30.

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 2019, which does not form part of this Report.

Post balance sheet events

After the balance sheet date, certain transactions occurred to facilitate the acquisition of Marshall Retail Group by the WH Smith Group of companies. On 20th December 2019, the Company issued new ordinary shares to its parent, WH Smith PLC, for consideration of £315,379,243. On the same date, the Company subscribed for additional shares in its subsidiary, WH Smith US Group Holdings Limited for consideration of £315,379,243.

Environmental matters

The Group recognises that good environmental management also makes good business sense. The directors are committed to reducing the environmental impact of our business, and measure our performance each year. A copy of our Environmental Policy is available at www.whsmithplc.co.uk/corporate_responsibility/our_policies/ and further information with regard to environmental matters is given in the WH Smith PLC Annual Report and Accounts 2019.

Employee matters

The Company employs approximately 11,695 people in the UK, and is proud of its long history of being regarded as a responsible and respected employer. Further information on equal Opportunities and employee involvement is given in the Directors' report and information on the Group's Employee policies is available at www.whsmithplc.co.uk/corporate_responsibility/our_policies/.

Social, Community and Human rights issues

As a leading bookseller and stationer, the Group focuses our community investment on supporting education and life-long learning. Over the year we invested over £1.2m into local communities (2018: over £1.5m). Included in this figure are cash donations, staff time and gifts in kind. The full extent of our community investment activity, measured according to the London Benchmarking Group model, is outlined in the Group's CR report, available at www.whsmithplc.co.uk/cr/.

The WHSmith Group Charitable Trust, an independent registered charity, actively supports employees that are involved with charitable organisations in their local communities, as well as working in partnership with the Group to support literacy projects.

The Group is committed to good labour standards and respecting the environment in our supply chain. Our Ethical Trading Code of Conduct and Human Rights Policy outlines our expectations of our suppliers. A copy of our Ethical Trading Code of Conduct and Human Rights Policy is available at www.whsmithplc.co.uk/corporate_responsibility/our_policies/.

WH Smith Retail Holdings Limited

Strategic report (continued)

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
- International expansion
- 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 2019, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

All principal business functions compile risk registers and summary risk maps to identify key risks, assess them in terms of their likelihood and potential impact, and determine appropriate control strategies to mitigate the impact of these risks taking account of risk appetite. The ongoing monitoring of this framework is overseen by the respective Business Risk Committees and the Group Audit Committee. During the year, the Group Board reviewed the effectiveness of the Group's risk management and internal controls systems. This review included the discussion and review of the risk registers and the internal controls across all business functions, as part of an annual exercise facilitated by the Internal Audit team. During the year, the Group Board also received presentations from management on specific risk areas such as cyber risk, international expansion, and the ongoing risk monitoring processes and appropriate mitigating controls.

Brexit

Following the UK referendum to leave the EU, there will be a period of uncertainty until an agreement on exit has been agreed between the UK and the EU. The extent to which our operations and financial performance are likely to be affected in the longer term should therefore become clearer as details of this agreement emerge.

Where the consequences of Brexit may impact the business, we have incorporated these considerations into our assessment in relation to each of the principal risk headings listed above.

Our Brexit Working Party continues to review and monitor these issues, as part of our ongoing Risk Management framework. This includes consideration of those risks that could arise in the event of a possible 'no deal' outcome, where we continue to work closely with our suppliers to manage the impact of any amendments in tariff and duty rates, changes to import procedures for EU imports, and availability.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of foreign exchange rate risk and interest rate risk. The Company is subject to the WH Smith PLC Group policies to ensure proper monitoring and control of financial risk. The policies are set by the Group and are implemented by the Company's finance department.

The Group's treasury function seeks to reduce exposures to interest rate, foreign exchange and other financial risks, and to ensure liquidity is available to meet the foreseeable needs of the Group and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Group's Audit Committee and are subject to regular Group Internal Audit review. Further information on the Group's financial risk management policies and procedures are given in the WH Smith PLC Annual Report and Accounts 2019, which does not form part of this report.

Liquidity risk

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts. The Group has a five-year committed multi-currency revolving credit facility with a number of financial institutions which is available to be drawn for general corporate purposes including working capital.

WH Smith Retail Holdings Limited

Strategic report (continued)

Financial Risk Management (continued)

Liquidity risk (continued)

The Group has a policy of pooling cash flows in order to optimise the return on surplus cash and also to utilise cash within the Group to reduce the costs of external short-term funding.

Credit risk

Credit risk is the risk that a counterparty may default on their obligation to the Company in relation to lending, hedging, settlement and other financial activities. The Company's principal financial assets are trade and other receivables and bank balances and cash.

The Company has credit risk attributable to its trade and other receivables including a number of sale or return contracts with suppliers. The amounts included in the balance sheet are net of allowances for doubtful receivables. The Group has no significant concentration of credit risk, with the exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is considered to be low, as the Board approved Group treasury policy limits the value that can be placed with each approved counterparty to minimise the risk of loss. These limits are based on a short-term credit rating of P-1.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company does not hold collateral over any of these financial assets.

Interest rate risk

The Company is exposed to cash flow interest rate risk on floating rate intercompany loans, bank loans and overdrafts.

At 31 August 2019, the Company had drawn down £15m (2018: £33m) from the Group's committed revolving credit facility. The Company draws down on its facility, but does not view any draw down as long-term in nature and therefore does not enter into interest rate derivatives to mitigate this risk.

Foreign currency risk

Foreign exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. As an intermediate holding company in a group of companies which engage in retailing with overseas operations the Company is indirectly exposed to foreign currency risk. The Group's foreign currency exposures are principally to the US dollar, euro and Australian dollar.

The Group uses forward foreign exchange contracts to hedge significant future transactions and cash flows denominated in currencies other than pounds sterling. The hedging instruments have been used to hedge purchases in US dollars and to minimise foreign exchange risk in movements of the USD/GBP exchange rates. These are designated as cash flow hedges. At 31 August 2019, the Group had no material un-hedged currency exposures.

The Group's euro and Australian dollar exposure is principally operational and arises mainly through the operation of retail stores in France, Ireland, Spain, Italy, Germany and Australia. The Group does not use derivatives to hedge balance sheet and profit and loss translation exposure. Forward foreign exchange contracts have been used to hedge Ireland retail stores purchases in GBP to minimise foreign exchange risk in movements of the GBP/EUR exchange rates. These are designated as cash flow hedges.

Payment policy for suppliers

The Company's policy for the payment of suppliers, which complies with the CBI Code of Practice for Buyers, is to agree the terms of payment in advance in line with normal trade practice and, provided a supplier performs in accordance with the agreement, to abide by such terms.

WH Smith Retail Holdings Limited

Strategic report (continued)

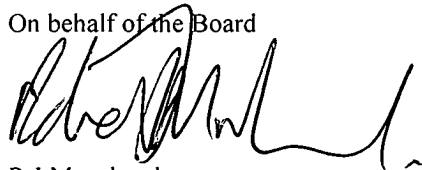
Going concern and future developments

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 2019 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 2019 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. No changes in its principle activities is foreseen

This report was approved by the Board on 6 March 2020.

On behalf of the Board



R J Moorhead
Director

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

Report on the audit of the financial statements

Opinion

In our opinion, WH Smith Retail Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 August 2019; the Profit and Loss account, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2020

WH Smith Retail Holdings Limited

Profit and loss account

For the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Turnover	3	187,524	180,610
Cost of sales		(183,434)	(175,968)
Gross profit		4,090	4,642
Administrative expenses		(29,360)	(17,718)
Other operating income	4	2,157	-
Operating loss	4	(23,113)	(13,076)
Income from shares in group undertakings	8	141,000	130,000
Profit before interest and taxation		117,887	116,924
Net interest payable and similar expenses	9	(1,232)	(1,158)
Profit before taxation		116,655	115,766
Tax on profit	10	4,814	4,349
Profit for the financial year		121,469	120,115

All results are derived from continuing operations.

Statement of comprehensive income

For the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		121,469	120,115
Other comprehensive (expense)/income:			
Remeasurements of net defined benefit obligations	7	(2,549)	(2,888)
Revaluation of non-current investments		52	(2,172)
Other comprehensive expense for the year		(2,497)	(5,060)
Total comprehensive income for the year		118,972	115,055

WH Smith Retail Holdings Limited

Balance Sheet

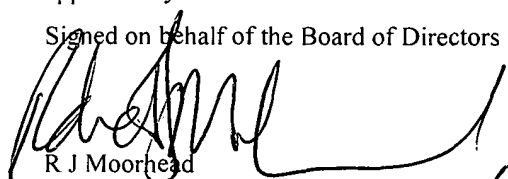
As at 31 August 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	11	163	468
Tangible assets	12	19,726	21,585
Investment in subsidiary undertakings	13	765,498	602,137
Investments	14	6,173	5,471
Deferred tax assets	10	2,053	2,317
		<u>793,613</u>	<u>631,978</u>
Current assets			
Trade and other receivables: amounts falling due within one year	15	364,339	567,841
		<u>364,339</u>	<u>567,841</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	16	(534,474)	(749,113)
Net current liabilities		<u>(170,135)</u>	<u>(181,272)</u>
Total assets less current liabilities		<u>623,478</u>	<u>450,706</u>
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	17	(9,365)	(8,929)
Provisions for liabilities	19	(-)	(996)
Net assets		<u><u>614,113</u></u>	<u><u>440,781</u></u>
Capital and reserves			
Called up share capital	21	167,312	3,952
Share premium account		22,474	22,474
Revaluation reserve		278	226
Capital redemption reserve		371,423	371,423
Merger reserve		34,000	34,000
Retained earnings		18,626	8,706
Total shareholders' funds		<u><u>614,113</u></u>	<u><u>440,781</u></u>

The notes on pages 13 to 34 are an integral part of these financial statements.

These financial statements of WH Smith Retail Holdings Limited, registered number 471941, on pages 10 to 34, were approved by the Board of Directors and authorised for issue on 6 March 2020.

Signed on behalf of the Board of Directors


R J Moorhead
Director

WH Smith Retail Holdings Limited

Statement of changes in equity Year ended 31 August 2019

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 September 2017	3,952	22,474	371,423	2,398	34,000	16,479	450,726
Profit for the financial year	-	-	-	-	-	120,115	120,115
Other comprehensive expense for the year	-	-	-	(2,172)	-	(2,888)	(5,060)
Total comprehensive income for the year	-	-	-	(2,172)	-	117,227	115,055
Dividends paid (Note 20)	-	-	-	-	-	(125,000)	(125,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(125,000)	(125,000)
Balance as at 31 August 2018	3,952	22,474	371,423	226	34,000	8,706	440,781
Balance as at 1 September 2018	3,952	22,474	371,423	226	34,000	8,706	440,781
Profit for the financial year	-	-	-	-	-	121,469	121,469
Other comprehensive expense for the year	-	-	-	52	-	(2,549)	(2,497)
Total comprehensive income for the year	-	-	-	52	-	118,920	118,972
Dividends paid (Note 20)	-	-	-	-	-	(109,000)	(109,000)
Shares issued in the year	163,360	-	-	-	-	-	163,360
Total transactions with owners, recognised directly in equity	163,360	-	-	-	-	(109,000)	54,360
Balance as at 31 August 2019	167,312	22,474	371,423	278	34,000	18,626	614,113

Share premium account represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

The Merger reserve represents reserves created as a result of historical demergers, being the difference between the value of consideration and the nominal value of shares issued as consideration.

The Capital redemption reserve represents reserves arising from historical purchases of own share capital.

The revaluation reserve represents revaluation of investments to fair value. Gains and losses are deferred in this reserve until such time as the underlying asset is sold.

WH Smith Retail Holdings Limited

Notes to the financial statements

Year ended 31 August 2019

1. Accounting policies

The principal accounting policies are summarised below. All accounting policies have been applied consistently in the current year and the prior year, except as noted below and under “new standards adopted in the year.”

General information and basis of preparation

WH Smith Retail Holdings Limited is a private company limited by shares incorporated and domiciled in England and Wales. The address of the registered office is given in Note 26 on page 34.

The financial statements of WH Smith Retail Holdings Limited have been prepared in accordance with Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102) issued by the Financial Reporting Council.

The financial statements have been prepared under the historical cost basis as modified to include the revaluation of certain fixed assets, and are in compliance with the Companies Act 2006 as applicable to companies applying FRS 102 and applicable United Kingdom law and accounting standards.

The functional currency of WH Smith Retail Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is a wholly owned subsidiary of WH Smith PLC and of its ultimate parent, WH Smith PLC. It is included in the consolidated financial statements of WH Smith PLC which are publicly available. Therefore 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 7.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following disclosure exemptions:

- (a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).
- (b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- (c) The requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29 providing the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.
- (d) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23, provided that for a qualifying entity that is a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity, provided that the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.
- (e) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

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

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Rental costs under operating leases held in the name of WH Smith Retail Holdings Limited are settled by other Group companies over the length of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Leases of assets that transfer substantially all of the risk and rewards incidental to ownership are classified as finance leases.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2019

1. Accounting policies (continued)

Leases (continued)

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.

In accordance with the transitional provisions of FRS 102, lease incentives on operating leases which were in existence prior to the date of transition have been spread over the shorter of the lease term and the period to the first review date on which the rent is first expected to be adjusted to the prevailing market rate.

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. A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pounds Sterling (GBP), which is WH Smith Retail Holdings Limited's functional and presentation currency.

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of profit or loss and other comprehensive income for the period.

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2019

1. Accounting policies (continued)

Deferred taxation (continued)

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) 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.

Investments in subsidiary undertakings

Investments in equity and long terms loans in subsidiary undertakings are 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 2019.

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 profit or loss account. The fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Intangible assets

Intangible fixed assets are stated at cost, net of accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful economic life of up to five years.

Tangible assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows. Depreciation is recorded in the Profit and loss account in Administrative expenses.

Freehold properties	-	20 years
Long term leasehold properties	-	20 years
Fixtures and fittings	-	up to 10 years
Equipment	-	8 years

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2019

1. Accounting policies (continued)

Provisions for liabilities

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts – property provisions

The Company's property provisions represent the present value of future net lease obligations and related costs of leasehold property (net of estimated sublease income and adjusted for certain risk factors) where the space is vacant or currently not planned to be used for ongoing operations. The unwinding of the discount is treated as an imputed interest charge and is disclosed in Note 9 as 'Unwinding of discount on provisions'.

Retirement benefit costs

The Company's main UK pension fund is a defined benefit scheme. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account.

The net interest cost on the net defined benefit liability is shown within finance costs.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

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.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

1. Accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

1. Accounting policies (continued)

Financial instruments (continued)

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Significant items subject to such assumption and estimate include the useful economic life of assets; the measurement and recognition of provisions; the recognition of deferred tax assets; and the liabilities for potential corporation tax. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting policies in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgement. These relate to valuation of provisions for taxation, onerous leases and discontinued operations exit costs, and retirement benefit obligations.

a) Provisions

Provisions have been estimated for taxation (see note 10), onerous leases (see note 9) and discontinued operation exit costs. These provisions represent the best estimate of the liability at the time of the balance sheet date, the actual liability being dependent on future events such as economic environment and marketplace demand. Expectations will be revised each period until the actual liability arises, with any difference accounted for in the period in which the revision is made.

b) Retirement benefit obligation

The Company recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of FRS 102. The calculations include a number of judgements and estimations in respect of the discount rate, inflation assumptions, the rate of increase in salaries, and life expectancy, amongst others (see note 7). Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation.

3. Turnover

All of the Company's turnover and profit before taxation arose in the United Kingdom and from provision of services.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

4. Operating loss

Operating loss is stated after charging / (crediting):

	2019	2018
	£'000	£'000
Depreciation and impairment of tangible assets	5,503	4,697
Amortisation of intangible assets	305	304
Share-based payments (credit)	(1,076)	(5,683)
Other operating income	(2,157)	-
Auditors' 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	337	69
	<u> </u>	<u> </u>

Statutory disclosures in respect of non-audit fees are given in the consolidated financial statements of WH Smith PLC. Other operating income is made up of a gain on the disposal of a head office building.

5. Directors' remuneration

S Clarke and R J Moorhead are directors of the parent company, WH Smith PLC, and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. The total remuneration of S Clarke and R J Moorhead is paid by WH Smith Retail Holdings Limited and included within Staff costs. The total remuneration of S Clarke and R J Moorhead is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

I Houghton received no remuneration in respect of his services as a director of the Company during the year (2018: £nil).

6. Employees and staff costs

	2019	2018
	£'000	£'000
Staff costs		
Wages and salaries	188,940	164,382
Social security costs	12,268	11,990
Employee share schemes	(1,076)	(5,683)
Other pension costs	3,515	3,269
	<u>203,647</u>	<u>173,958</u>
	<u> </u>	<u> </u>
	2019	2018
	No.	No.
Monthly average number of employees		
Retailing	11,660	12,161
Central functions	35	32
	<u> </u>	<u> </u>
Total average number of employees	<u>11,695</u>	<u>12,193</u>
	<u> </u>	<u> </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 2019

7. 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 7 (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 2019 in relation to the aggregate fair values of the assets and liabilities of the WHSmith Pension Trust were:

	2019	2018
	£'000	£'000
LDI Cash Fund	932,647	821,309
Inflation swaps	432,029	408,652
Loan fund	475	92
Other	95,470	46,636
	<hr/>	<hr/>
Fair value of plan assets	1,460,621	1,276,689
Present value of the obligations	(1,107,066)	(982,740)
	<hr/>	<hr/>
Surplus in the scheme	353,555	293,949
Amounts not recognised	(353,555)	(293,949)
	<hr/>	<hr/>
Surplus recognised in the balance sheet	-	-
	<hr/>	<hr/>
Net defined benefit scheme surplus	-	-
	<hr/>	<hr/>

In accordance with FRS 102 paragraph 22.22 the defined benefit surplus has not been recognised on the balance sheet at 31 August 2019 as the Company is unable to recover the surplus through reduced contributions and does not have an unconditional right to a refund from the plan.

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 2019, the latest full actuarial valuation of the Pension Trust was carried out as at 31 March 2017 by independent actuaries using the projected unit credit method. The March 2017 deficit was £11m, and a revised deficit funding schedule of approximately £3m per annum with effect from 1 September 2017 for the following six years, was agreed with the Trustee. During the year ending 31 August 2019, the Group made a contribution of £3m to the WH Smith Pension Trust (2018: £3m) in accordance with the agreed pension deficit funding schedule, being £1m of deficit funding payable to the trustee and £2m in relation to investment management costs.

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

	2019	2018
	£'000	£'000
Current service cost	(45)	(58)
Administrative expenses	(190)	(208)
Interest cost	(26,903)	(26,213)
Interest income on scheme assets	26,903	26,213
Settlement credit	-	-
	<hr/>	<hr/>
Total expense recognised to profit and loss account	(235)	(266)
	<hr/>	<hr/>
Actual return on plan assets	225,168	(20,804)
	<hr/>	<hr/>

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

7. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

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

	2019	2018
	£'000	£'000
At 1 September	982,740	1,070,774
Current service cost	45	58
Interest cost	26,903	26,213
Actuarial losses / (gains)	141,208	(69,792)
Benefits paid	(43,830)	(44,513)
At 31 August	1,107,066	982,740

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

	2019	2018
	£'000	£'000
At 1 September	1,276,689	1,339,430
Interest income on scheme assets	26,903	26,213
Actuarial gains/ (losses)	198,265	(47,017)
Contributions from the sponsoring companies	2,594	2,576
Benefits paid	(43,830)	(44,513)
At 31 August	1,460,621	1,276,689

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

	2019	2018
Discount rate	1.85%	2.80%
Rate of increase in pensions payments	3.13%	3.17%
Rate of increase in deferred pensions	2.20%	2.15%
RPI inflation assumptions	3.20%	3.25%
CPI inflation assumptions	2.20%	2.15%

(b) Defined contribution pension scheme

The Company's pension cost charge to its defined contribution scheme for the year amounted to £3,280,000 (2018: £3,003,000). The amount of unpaid contributions as at 31 August 2019 included in other creditors was £116,000 (2018: £126,000).

8. Income from shares in group undertakings

During the year the Company received dividends totalling £141,000,000 (2018: £130,000,000) from other Group companies.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

9. Net interest payable and similar expenses

	2019	2018
	£'000	£'000
Finance income:		
Interest receivable from other group companies	4,012	3,487
Other interest receivable and similar income	123	124
	<u>4,135</u>	<u>3,611</u>
Finance costs:		
Other interest payable and similar charges	(336)	(398)
Finance lease interest	(327)	(281)
Interest payable to other Group companies	(4,704)	(4,090)
	<u>(5,367)</u>	<u>(4,769)</u>
	<u>(1,232)</u>	<u>(1,158)</u>

10. Tax on profit

a) Tax on profit

The tax charge comprises:

	2019	2018
	£'000	£'000
Current tax on profit on ordinary activities		
Current year credit	(5,030)	(5,076)
Adjustments in respect of prior years	(48)	(473)
	<u>(5,078)</u>	<u>(5,549)</u>
Deferred tax: origination and reversal of timing differences		
– current year	(210)	1,199
– prior year	473	1
	<u>(4,814)</u>	<u>(4,349)</u>
Tax on profit	<u>(4,814)</u>	<u>(4,349)</u>

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

10. Tax on profit (continued)

a) Tax on profit (continued)

Reconciliation of the tax credit

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK (2019: 19.00%, 2018: 19.00%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit before taxation	116,655	115,766
Tax charge on profit at UK rate of corporation tax – 19.00% (2018: 19.00%)	<u>22,164</u>	<u>21,996</u>
Effect of:		
Non-taxable income	(26,790)	(24,700)
Permanent adjustments	(613)	(1,173)
Adjustments in respect of prior years	<u>425</u>	<u>(472)</u>
Total tax credit for the year	<u><u>(4,814)</u></u>	<u><u>(4,349)</u></u>

The UK corporation tax rate has been 19 per cent with effect from 1 April 2017. The UK corporation tax rate will reduce to 17 per cent from 1 April 2020.

b) Deferred tax

	2019	2018
	£'000	£'000
Share-based payments	2,159	2,435
Depreciation in excess of capital allowances	<u>(106)</u>	<u>(117)</u>
At 31 August	<u><u>2,053</u></u>	<u><u>2,317</u></u>
	2019	2018
	£'000	£'000
At 1 September	2,317	3,517
Profit and loss account	<u>(264)</u>	<u>(1,200)</u>
At 31 August	<u><u>2,053</u></u>	<u><u>2,317</u></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.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

11. Intangible assets

	Software £'000
Cost	
At 1 September 2018 and 31 August 2019	1,524
Accumulated amortisation	
At 1 September 2018	1,056
Amortisation charge	305
At 31 August 2019	1,361
Net book value	
At 31 August 2019	163
At 31 August 2018	468

The net book value of assets held under finance leases included above is £468,000 (2018: £772,000).

12. Tangible assets

	Freehold properties £'000	Long term properties £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost					
At 1 September 2018	27,108	2,454	3,714	18,405	51,681
Additions	-	631	1,081	3,868	5,580
Disposals	(7,486)	-	-	-	(7,486)
At 31 August 2019	19,622	3,085	4,795	22,273	49,775
Accumulated depreciation					
At 1 September 2018	19,678	862	611	8,945	30,096
Depreciation charge	566	490	637	3,689	5,382
Disposals	(5,550)	-	-	-	(5,550)
Impairment	121	-	-	-	121
At 31 August 2019	14,815	1,352	1,248	12,634	30,049
Net book value					
At 31 August 2019	4,807	1,733	3,547	9,639	19,726
At 31 August 2018	7,430	1,592	3,103	9,460	21,585

The net book value of assets held under finance leases included above is £14,919,000 (2018: £14,428,000).

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

13. Investments in subsidiary undertakings

	£'000
Cost	
At 1 September 2018	706,357
Additions	163,360
At 31 August 2019	869,717
Provision for impairment	
At 1 September 2018 and 31 August 2019	(104,220)
Net book value	
At 31 August 2019	765,497
At 31 August 2018	602,137

During the financial year, the Company subscribed for shares in WH Smith US Group Holdings Limited for aggregate consideration of £163,360,000. Following the acquisition of shares, the Company owns 100% of the issued ordinary share capital of WH Smith US Retail Holdings Limited.

At 31 August 2019 the Company directly owned the entire issued share capital of the following companies.

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
Held directly by WH Smith Retail Holdings Ltd:						
WH Smith 1955 Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Asia Limited	Hong Kong	2	Ordinary	100	100	Product sourcing for WH Smith Group companies
WH Smith France S.A.S	France	5	Ordinary	100	100	Retailing
WH Smith High Street Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Jersey Limited	Jersey	10	Ordinary	100	100	Retailing
WH Smith Promotions Limited	England & Wales	1	Ordinary	100	100	Retailing
WH Smith Retirement Savings Plan Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith Travel Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith US Group Holdings Limited	England & Wales	19	Ordinary	100	100	Holding Company

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 2019

13. Investments in subsidiary undertakings (continued)

At 31 August 2019 the Company also indirectly owned the issued equity share capital of the following companies.

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
Tree of Hearts Ltd	England & Wales	1	Ordinary	100	100	Retailing
Dotty about Paper Ltd	England & Wales	1	Ordinary	100	100	Retailing
Books & Stationers Limited	England & Wales	1	Ordinary	100	100	Retailing
Card Market Limited	England & Wales	1	Ordinary	100	100	Retailing
funkypigeon.com Limited	England & Wales	1	Ordinary	100	100	Retailing
Modelzone Limited	England & Wales	1	Ordinary	100	100	Dormant
Sussex Stationers Limited	England & Wales	1	Ordinary	100	100	Dormant
The SQL Workshop Limited	England & Wales	1	Ordinary	100	100	Retailing
The Websters Group Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith (Qatar) Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith Australia Pty Limited	Australia	3	Ordinary	100	100	Retailing
WH Smith Austria GmbH	Austria	4	Ordinary	100	100	Retailing
WH Smith - DFA Brasil Cafeteria, Livraria E Conveniencia Eireli	Brazil	18	Ordinary	50	50	Retailing
WH Smith Germany GmbH	Germany	6	Ordinary	100	100	Retailing
WH Smith Group Holdings (USA) Inc.	USA	7	Ordinary	100	100	Dormant
WH Smith High Street Limited	England & Wales	1	Ordinary & Preference	100	100	Retailing
WH Smith Hospitals Holdings Limited	England & Wales	1	Ordinary & Preference	100	100	Holding Company
WH Smith Hospitals Limited	England & Wales	1	Ordinary	100	100	Retailing
WH Smith Ireland Limited	Ireland	8	Ordinary	100	100	Retailing
WH Smith Italia S.R.L.	Italy	9	Ordinary	100	100	Retailing
WH Smith LLC	Qatar	11	Ordinary	49	100	Retailing
WH Smith LLC	Oman	12	Ordinary	50	50	Retailing
WH Smith Malaysia SDN BHD	Malaysia	13	Ordinary	50	50	Retailing
WH Smith Music Inc.	USA	7	Ordinary	100	100	Dormant
WH Smith Nederland B.V.	Netherlands	14	Ordinary	100	100	Dormant
WH Smith Nevada Enterprises LLC	USA	7	Ordinary	100	100	Dormant
WH Smith Singapore Pte. Limited	Singapore	16	Ordinary	100	100	Retailing
WH Smith Spain S.L.	Spain	17	Ordinary	100	100	Retailing
WH Smith Travel 2008 Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Travel Limited	England & Wales	1	Ordinary & Preference	100	100	Retailing
WH Smith US Retail Holdings Limited	England & Wales	19	Ordinary	100	100	Active
WH Smith USA Holdings Inc	USA	19	Ordinary	100	100	Active

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

13. Investments in subsidiary undertakings (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
WH Smith Retail Inc	USA	19	Ordinary	100	100	Active
WH Smith SFO, LLC	USA	19	Ordinary	80	100	Active
InMotion Entertainment Group, LLC	USA	19	Ordinary	100	100	Active
Soundbalance ATL-E, LLC	USA	19	Ordinary	67	100	Active
InMotion ATL-A, LLC	USA	19	Ordinary	64	100	Active
InMotion ATL, LLC	USA	19	Ordinary	80	100	Active
BTS- InMotion Atlanta, LLC	USA	19	Ordinary	100	100	Inactive
BTS - InMotion ATL FAB, LLC	USA	19	Ordinary	64	100	Inactive
InMotion FL ATL, LLC	USA	19	Ordinary	59	100	Inactive
InMotion AUS, LLC	USA	19	Ordinary	88	100	Retailing
InMotion BNA, LLC	USA	19	Ordinary	84	100	Retailing
Soundbalance BOS, LLC	USA	19	Ordinary	67	100	Dormant
InMotion BOS-A, LLC	USA	19	Ordinary	80	100	Dormant
InMotion BOS, LLC	USA	19	Ordinary	70	100	Dormant
InMotion BOS-BCE, LLC	USA	19	Ordinary	80	100	Retailing
InMotion BWI, LLC	USA	19	Ordinary	60	100	Retailing
InMotion CLE, LLC	USA	19	Ordinary	67	100	Retailing
Soundbalance CLT, LLC	USA	19	Ordinary	67	100	Retailing
InMotion - SB DC, LLA	USA	19	Ordinary	75	100	Retailing
InMotion DEN-B, LLC	USA	19	Ordinary	75	100	Retailing
DFW-A Retail Partners, LLC	USA	19	Ordinary	60	100	Retailing
DFW-E Retail Partners, LLC	USA	19	Ordinary	65	100	Retailing
DFW-D/E Retail Partners, LLC	USA	19	Ordinary	70	100	Retailing
Soundbalance DTW, LLC	USA	19	Ordinary	67	100	Retailing
InMotion DTW, LLC	USA	19	Ordinary	67	100	Retailing
InMotion EWR, LLC	USA	19	Ordinary	80	100	Retailing
InMotion EWR-B, LLC	USA	19	Ordinary	85	100	Retailing
InMotion FLL, LLC	USA	19	Ordinary	62	100	Dormant
InMotion FLL-T4, LLC	USA	19	Ordinary	62	100	Dormant
InMotion IAD, LLC	USA	19	Ordinary	75	100	Retailing
Soundbalance IAH, LLC	USA	19	Ordinary	67	100	Retailing
BR InMotion IAH, LLC	USA	19	Ordinary	65	100	Retailing
InMotion LAX, LLC	USA	19	Ordinary	75	100	Retailing
Soundbalance MCO, LLC	USA	19	Ordinary	67	100	Retailing
InMotion MCO, LLC	USA	19	Ordinary	73	100	Retailing
Soundbalance Miami, LLC	USA	19	Ordinary	67	100	Retailing
InMotion MKE, LLC	USA	19	Ordinary	79	100	Retailing
InMotion MSY, LLC	USA	19	Ordinary	64	100	Dormant

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

13. Investments in subsidiary undertakings (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
InMotion ORD, LLC	USA	19	Ordinary	70	100	Retailing
InMotion ORD T2, LLC	USA	19	Ordinary	70	100	Retailing
Soundbalance PDX, LLC	USA	19	Ordinary	67	100	Retailing
Soundbalance PHL, LLC	USA	19	Ordinary	67	100	Retailing
InMotion PHL, LLC	USA	19	Ordinary	65	100	Dormant
InMotion PHX, LLC	USA	19	Ordinary	80	100	Retailing
InMotion PHX T3, LLC	USA	19	Ordinary	90	100	Retailing
Soundbalance SAN, LLC	USA	19	Ordinary	55	100	Retailing
InMotion SAT, LLC	USA	19	Ordinary	75	100	Dormant
InMotion SEA, LLC	USA	19	Ordinary	88	100	Retailing
InMotion SFO-T3, LLC	USA	19	Ordinary	85	100	Dormant
InMotion SFO-IT, LLC	USA	19	Ordinary	90	100	Dormant
Soundbalance SJC, LLC	USA	19	Ordinary	67	100	Dormant
InMotion SLC, LLC	USA	19	Ordinary	80	100	Retailing
InMotion CLT, LLC	USA	19	Ordinary	74	100	Dormant
MSP Innovations, LLC	USA	19	Ordinary	33	100	Dormant
InMotion LGA, LLC	USA	19	Ordinary	75	100	Dormant

Address references:

1	Greenbridge Road, Swindon, Wiltshire SN3 3RX
2	Suites 13A01-04 13 Floor, South Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
3	Suite 401, 80 William Street, Woolloomooloo NSW 2011, Australia
4	Brucknerstrasse 2/4, 1040 Vienna, Austria
5	248, Rue de Rivoli, 75001 Paris, France
6	Terminal Ring 1, Zentralgebaude Ost, Zi. 5. 035, 40474 Dusseldorf, Germany
7	c/o Greenbridge Road, Swindon, Wiltshire SN3 3RX
8	6th Floor, Grand Canal Square, Dublin 2, Ireland
9	Via Borgogna, Cap 20122, Milano, Italy
10	72/74 King Street, St Helier, Jersey, JE2 4WE
11	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
12	PO Box 3275, PC112, Ruwi, Oman
13	C2-6-1, Solaris Dutamas, 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
14	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
15	c/o -Minter Ellison Rudd Watts, Lumley Centre, 88 Shortland Street, Auckland, 1010, New Zealand
16	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910
17	Paseo de Recoletos, 27, 7 ^a , 28004, Madrid, Spain
18	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640-102, Rio de Janeiro, RJ, Brazil
19	4801 Executive Park Court, Suite 100 Jacksonville, FL 32216

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

14. Investments

	2019	2018
	£'000	£'000
Market value		
At 1 September	5,471	12,457
Additions	7,184	5,203
Utilisation	(6,461)	(13,737)
Revaluation	(20)	1,548
	<hr/>	<hr/>
At 31 August	6,174	5,471
	<hr/>	<hr/>

At 31 August 2019 the number of shares held in WH Smith PLC was 315,306 (2018: 265,062) and the nominal value was £69,650 (2018: £58,551). 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 22.

15. Trade and other receivables: amounts falling due within one year

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	343,180	554,512
Corporation tax	14,712	11,057
Other debtors	6,447	2,272
	<hr/>	<hr/>
	364,339	567,841
	<hr/>	<hr/>

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 includes an amount receivable in respect of the disposal of a head office building of £4,245,000.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

16. Trade and other payables: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	44,592	60,845
Amounts owed to Group undertakings	455,518	654,735
Finance leases (Note 18)	4,883	5,269
Other creditors	24,588	23,281
Other taxation and social security	4,893	4,983
	<u>534,474</u>	<u>749,113</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.

17. Trade and other payables: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Finance leases (Note 18)	9,365	8,929
	<u>9,365</u>	<u>8,929</u>

18. Finance leases

Future minimum payments under finance leases are as follows:

	2019	2018
	£'000	£'000
Within one year	4,883	5,569
In more than one year, but not more than five years	9,357	9,180
After five years	8	77
	<u>14,248</u>	<u>14,826</u>
Total gross payments	14,248	14,826
Less finance charges included above	(4,883)	(628)
	<u>9,365</u>	<u>14,198</u>

Finance leases relate to leases of leasehold improvements, equipment, fixtures and fittings and software. The remaining lease terms are between 3 and 5 years.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

19. Provisions for liabilities

	Disposal provisions £'000	Total £'000
At 1 September 2018	996	996
Released during the year	(996)	(996)
	<u> </u>	<u> </u>
At 31 August 2019	<u> </u>	<u> </u>

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

A deferred tax liability of £106,000 (2018: £117,000) has been recognised at 31 August 2019, but has been offset against deferred tax assets (See Note 10). This relates to differences between accounting and tax depreciation.

20. Dividends paid

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year	109,000	125,000
	<u> </u>	<u> </u>
	<u>109,000</u>	<u>125,000</u>

Interim dividend for the year ended 31 August 2019 of 1.41p (2018: 68.3p) per ordinary share.

21. Called up share capital

	2019	Nominal	2018	Nominal
	Number of shares No.	value £'000	Number of shares No.	value £'000
Allotted, called up and fully paid				
Ordinary shares of 2 13.81p (2018: 2 13.81p) each	7,744,168,156	167,312	182,940,721	3,952
Deferred shares of 2 13.81p (2018: 2 13.81p) each	1	-	1	-
	<u>7,744,168,157</u>	<u>167,312</u>	<u>182,940,722</u>	<u>3,952</u>

During the year, WH Smith PLC subscribed for 7,561,227,435 additional shares in the Company for aggregate consideration of £163,360,000.

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.

WH Smith Retail Holdings Limited

Notes to the financial statements (continued)

Year ended 31 August 2019

22. 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 in the financial statements of the Company. The schemes are treated as equity-settled share-based payments in the consolidated financial statements of WH Smith PLC, and the relevant disclosures are provided in Note 26 and the Remuneration Report of the WH Smith PLC Annual report and accounts 2019, which does not form part of this report. The amount recorded in liabilities in relation to these schemes is £11,590,000 (2018: £12,846,000) and the credit to profit and loss was £1,076,000 (2018: £5,683,000). Included in this liability is £218,366 (2018: £917,000) relating to vested options.

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:

	2019	2018
Share price – pence	1,958.00	2,064.00
Exercise price – pence	Nil-1,610	Nil-1,443
Expected volatility – per cent	18.87-24.21	14.34-19.61
Expected life – years	0-2.76	0-2.16
Risk free rate – per cent	0.00-0.42	0.00-0.77
Dividend yield – per cent	2.97	2.62

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

Below is a summary of the details of the share schemes.

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. Awards are exercisable between October 2017 and October 2025.

LTIP

Under the terms of the current LTIP, 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 third anniversary of the date of grant. Awards made on or after October 2016 are subject to holding periods preventing the delivery and sale of shares until the fifth anniversary of the date of grant. For Awards made in October 2016 and October 2017 the holding period will apply to 50 per cent of any shares which vest. The Awards will accrue dividends paid over the performance and any holding period. Awards are exercisable between October 2018 and November 2028.

Sharesave Scheme

Under the terms of the Sharesave Scheme, the Board grants options to purchase ordinary shares in the Company to employees with at least six months 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 date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. Options are exercisable between August 2020 and January 2023. The range of exercise prices for SAYE options outstanding at the year end was 1,434p to 1,610p (2018: 1,147p to 1,434p).

WH Smith Retail Holdings Limited **Notes to the financial statements (continued)** **Year ended 31 August 2019**

22. Share-based payments (continued)

Performance Share Plan (PSP)

Under the terms of the Performance Share Plan, the Board may grant conditional awards to executives. 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. Awards are exercisable between November 2015 and December 2028.

23. Related party transactions

The Company has taken advantage of the exemptions granted by paragraph 33.1A of FRS 102, not to disclose transactions with WH Smith PLC Group companies and interests of the Group who are related parties.

24. 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 2019 of £1 million (2018: £2 million). The movement in the future rental commitment is due to the crystallisation of lease liabilities, lease expiries and the effluxion of time.

The Company is a guarantor on the Group's £200,000,000 revolving credit facility which expires on 9 December 2023 alongside WH Smith High Street Limited and WH Smith Travel Limited.

On 29 October 2018, WH Smith PLC, the ultimate parent company and controlling party entered into a 4 year term facility agreement for £200,000,000 for which the Company is a guarantor alongside WH Smith High Street Limited and WH Smith Retail Holdings Limited.

25. Total commitments under operating leases

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

	2019			2018		
	2019 Land and buildings £'000	Equipment and vehicles £'000	2019 Total £'000	2018 Land and buildings (restated) £'000	Equipment and vehicles (restated) £'000	2018 Total (restated) £'000
Minimum lease payments under non-cancellable operating leases are payable as follows:						
Within one year	70,559	861	71,420	70,904	261	71,165
Between one and five years	192,656	1,649	194,305	184,895	298	185,193
After five years	93,014	294	93,308	90,145	-	90,145
	<u>356,229</u>	<u>2,804</u>	<u>359,033</u>	<u>345,944</u>	<u>559</u>	<u>346,503</u>

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2019

25. Total commitments under operating leases (continued)

The underlying properties/stores are operated by other group entities. The prior year figures are restated to ensure that the company that has signed the lease contracts reflects the lease commitment in their financial statements as follows:

	2018 Total as originally reported	Adjustment	2019 Total
Within one year	62,243	8,922	71,165
Between one and five years	172,425	12,768	185,193
After five years	85,972	4,173	90,145
	<u>322,640</u>	<u>25,863</u>	<u>346,503</u>

26. Ultimate and immediate parent company

The immediate and ultimate parent company and controlling party is WH Smith PLC, a company 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 financial statements are prepared.

Copies of the Group financial statements are available from:

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