

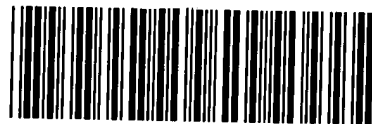
Company Registration No. 471941

WH Smith Retail Holdings Limited

Annual Report and Financial Statements

31 August 2021

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WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2021

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WH Smith Retail Holdings Limited

Annual report and financial statements 31 August 2021

Officers and professional advisers

Directors

C Cowling
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 2021.

Directors

The Directors of the Company who were in office during the year and up to the date of signing of the financial statements 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 11, the Company's loss for the financial year to 31 August 2021 was £6,585,000 (2020: loss of £45,856,000).

The Company did not pay any dividends in the year (2020: £nil). During the year, the Company received dividends of £6,622,000 from subsidiary undertakings (2020: £nil). The directors do not recommend the payment of a final dividend.

Future developments

The Company is expected to continue to trade profitably in the foreseeable future. Details on events after the balance sheet date and future developments of the Company are given in the Strategic report on pages 4 to 7.

Going concern and financial risk management

Disclosures in respect of financial risk management are given in the Strategic report on page 6 to 7. Disclosures in respect of going concern are given in Note 1 to the financial statements and in the Strategic report on page 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.

Section 172 statement

The directors are aware of their statutory duty to promote the success of the Company for the benefit of the members as a whole, and in doing so having regard to those factors set out in section 172(1) (a)-(f) of the Companies Act 2006.

As a result of the Group's governance structure, the matters that the directors are responsible for considering under section 172(1) of the Companies Act 2006 have been considered to an appropriate extent by the WH Smith PLC Group board in relation to both the WH Smith PLC Group and its subsidiaries (the 'Group') and also to the Company. The directors have also considered relevant matters where appropriate.

To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Group board has considered the matters set out in s172 (for the Group and for the Company) is set out on pages 37 to 40 of the Group's Annual Report and Accounts, which does not form part of this report.

WH Smith Retail Holdings Limited

Directors' report (continued)

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.

Statement on business relationships

The directors acknowledge the need for the Company to foster business relationships with suppliers, customers and other stakeholders. All policies, practices and procedures adopted by the Group with regard to stakeholder relationships and engagement are applied by the Company. Refer to pages 37 to 40 of the Group's Annual Report and Accounts 2021, which does not form part of this report, for more details. The Company identifies its key business relationships as being the same as the Group as described on pages 37 to 40 of the Group's Annual Report and Accounts 2021, other than having a more limited number of relationships than the Group.

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 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 101 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 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 also 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.

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

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

This report was approved by the Board of Directors on 25 February 2022.

On behalf of the Board



Robert 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.

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 11, the Company's loss for the financial year to 31 August 2021 was £6,585,000 (2020: loss of £45,856,000). The balance sheet on page 12 of the financial statements shows that during the year, the Company's net assets have decreased by £7,056,000 to £883,833,000 (2020: £890,889,000) reflecting the loss in the year.

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 2021, which does not form part of this Report.

Business review

WH Smith Retail Holdings Limited is a holding company for the WH Smith Group business, therefore its investments and receivables are exposed to the trading performance of the WH Smith Group entities. Throughout the year, the trading environment remained impacted by Covid-19 with extensive restrictions in place. Management focused on initiatives within its control that have supported the Group in the immediate term and put the Group in a good position to emerge operationally stronger as our markets continue to recover.

These key areas of focus are as follows:

- Securing the Group's financial position through the new banking arrangements and convertible bond issuance announced in April 2021. This gives us a strong balance sheet, extends maturity dates to 2025 and increases the revolving credit facility to £250m.
- Driving average transaction value and sales per passenger. Extending categories and ranges to reflect the specific needs of customers in each location where the Group operates.
- Working with landlords and building on the Group's strong relationships to create opportunities for winning new business, extending key contracts and improving the quality and location of the space where we operate.
- Investing in strategically important projects which set the Group up well for the future, such as refitted stores at London Heathrow Terminal 5 and stores at the new terminal at Manchester Airport.
- Building the Group's internet proposition by extending ranges, investing in the Group's websites, marketing, fulfilment and distribution and building customer engagement through social media.
- Forensic focus on costs and cash, minimising discretionary spend and managing cash burn.

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 2021.

Employee matters

The Company employs approximately 11,000 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/.

The Company operates an HM Revenue & Customs Approved Save-As-You-Earn share option scheme ('Sharesave Scheme') which provides employees with the opportunity to acquire shares in the Company. Approximately 875 employees participate in the scheme.

WH Smith Retail Holdings Limited

Strategic report (continued)

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 nearly £1,000,000 into local communities (2020: nearly £1,200,000). 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 Annual Sustainability Report, available at www.whsmithplc.co.uk/investors/results-reports-and-presentations/annual-sustainability-reports.

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/investors/results-reports-and-presentations/whsmith-company-policies.

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 the principal risks to the successful performance of the business of the Group. Through its status as a holding company for the WH Smith Group business and as a guarantor of the Group's borrowing facilities as described in Note 20, WH Smith Retail Holdings Limited is therefore exposed to the risks of those trading entities, as follows:

- 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
- Environment and sustainability

Covid-19 is the most significant pre-eminent risk currently facing the Group, and the Company, impacting all aspects of the business; our customers, colleagues, supply chain and offices, and across all of the markets in which we operate. Areas of uncertainty include: the extent and timing of lifting of international and local travel restrictions and hence the reopening of our stores; the speed and extent of recovery in the travel industry more widely and the resulting impact on passenger numbers and sales; and the speed and confidence of customers in restoring previous shopping habits across all of the channels in which we operate. To the extent that the pandemic may have a longer and more prolonged impact on global economic conditions, this may have a further negative impact on consumer spending, customer footfall and sales, the efficient working of our supply chain, and therefore create further potential disruption to all of our areas of operation. During the course of the pandemic, the safety of our customers and colleagues has been at the forefront of our response and has shaped all of the measures we have taken across the business.

Group risks including risk management are discussed in further detail within the Principal risks and uncertainties section of the Strategic report in the Group's Annual Report and Accounts 2021 which does not form part of this report, 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 the impact and actions taken in relation to Covid-19, cyber risk, international expansion, the ongoing risk monitoring processes and appropriate mitigating controls.

WH Smith Retail Holdings Limited

Strategic report (continued)

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 2021, 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.

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, 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 expected credit losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. 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 2021, the Company was not drawn down on the Group's committed revolving credit facility (2020: £nil). The Company draws down on its facility periodically, 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 2021, 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.

WH Smith Retail Holdings Limited

Strategic report (continued)

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.

Going concern

The directors are required to assess whether the Company can continue to operate for the 12 months from the date of approval of these financial statements, and to prepare the financial statements on a going concern basis.

The directors report that they have undertaken a rigorous assessment of current performance and cash flow forecasts, including expenditure commitments, capital expenditure and borrowing facilities. The Company has made a loss in the current year and is in a net current liability position as a result of borrowings from the Company's subsidiaries. The directors confirm that they have the ability to determine the timing of repayment of balances due to the Company's subsidiaries. Based on this assessment the directors have concluded that the Company is able to adequately manage its financing and principal risks, and that the Company will be able to operate within the level of the Group's facilities and meet the required covenants for the period to February 2023.

The Strategic report describes the Company's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Company. The WH Smith PLC Annual Report and Accounts 2021, which does not form part of this report, 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 2021 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.

In making the Group's going concern assessment, the directors have modelled a number of scenarios for the period to February 2023. The base case scenario is consistent with the Board approved 2022 Budget and the three year plan. Under this scenario the Group has significant liquidity and comfortably complies with all covenant tests to February 2023.

A severe but plausible scenario has also been modelled which assumes a further three-month lockdown over the period December 2021 to February 2022 across the Group, followed by a recovery which reflects the profile observed in the year ended 31 August 2021. The severe but plausible scenario does not assume any further government financial support despite the continuation of lockdowns. However, the severe but plausible scenario includes a number of mitigating actions including savings in store and head office payrolls and rent relief in Travel UK, to mitigate the impact of lockdown with lower sales.

In both the base case and severe but plausible scenarios the Group would continue to have sufficient liquidity headroom on its existing facilities, as described above. The covenants on the above facilities are tested half-yearly. The covenant tests at 31 August 2021, 28 February 2022 and 31 August 2022 are based on minimum liquidity and under the base case and severe but plausible scenarios the Group would meet these covenant tests. The covenant test as at 28 February 2023 is based on fixed charges cover and net borrowings. Under both the base case and the severe but plausible scenarios, the Group would meet these covenant tests. In addition, we have received excellent support from our banks who have granted covenant waivers throughout the pandemic.

As a result of the above analysis, the directors believe that the Company has sufficient financial resources to continue in operation and meet its obligations as they fall due for the 12 months from the date of approval of these financial statements. No changes in the Company's principle activities are foreseen.

This report was approved by the Board on 25 February 2022.

On behalf of the Board



Robert 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 2021; the Profit and loss account, Statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and pensions and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of revenue and or costs, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing legal confirmations from external lawyers;
- Reviewing the financial statement disclosures and agreement to underlying supporting documentation;
- Challenging assumptions made by management in determining their significant judgements and accounting estimates; and
- Identifying and testing unusual journals posted to revenue, journals posted after period close and journals posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

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 obtained 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.



Jonathan Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2022

WH Smith Retail Holdings Limited

Profit and loss account For the year ended 31 August 2021

	Note	2021 £'000	2020 £'000
Revenue	3	160,225	181,561
Cost of sales		(157,841)	(179,121)
Gross profit		2,384	2,440
Administrative expenses		(20,880)	(50,063)
Operating loss	4	(18,496)	(47,623)
Income from shares in group undertakings	8	6,622	-
Loss before interest and taxation		(11,874)	(47,623)
Net interest payable and similar expenses	9	(637)	(1,601)
Loss before taxation		(12,511)	(49,224)
Tax on loss	10	5,926	3,368
Loss for the financial year		(6,585)	(45,856)

All results are derived from continuing operations.

Statement of comprehensive income For the year ended 31 August 2021

	Note	2021 £'000	2020 £'000
Loss for the financial year		(6,585)	(45,856)
Other comprehensive (expense) / income:			
<i>Items that will not be reclassified subsequently to profit and loss account:</i>			
Remeasurements of net defined benefit obligations	7	(1,763)	11,175
Deferred tax on retirement benefit obligations		335	-
<i>Items that may be reclassified subsequently to profit and loss account:</i>			
Revaluation of investments		957	(1,636)
Other comprehensive (expense) / income for the year		(471)	9,539
Total comprehensive loss for the year		(7,056)	(36,317)

WH Smith Retail Holdings Limited

Balance Sheet As at 31 August 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	11	-	-
Property, plant and equipment	12	13,844	15,007
Investments in subsidiary undertakings	13	1,076,124	1,076,124
Investments	14	4,970	2,397
Deferred tax assets	10	9,596	3,284
		<u>1,104,534</u>	<u>1,096,812</u>
Current assets			
Trade and other receivables: amounts falling due within one year	15	550,123	659,016
Trade and other receivables: amounts falling due after more than one year	15	156,672	198,382
Derivative financial assets		260	327
Cash and cash equivalents		64,660	22,679
		<u>771,715</u>	<u>880,404</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	16	(768,562)	(796,261)
Retirement benefit obligations	7	(694)	(694)
Lease liabilities	17	(61,543)	(83,078)
		<u>(59,084)</u>	<u>371</u>
Net current (liabilities) / assets		<u>(59,084)</u>	<u>371</u>
Total assets less current liabilities		<u>1,045,450</u>	<u>1,097,183</u>
Non-current liabilities			
Retirement benefit obligations	7	(1,795)	(2,446)
Lease liabilities	17	(159,822)	(203,848)
		<u>(161,617)</u>	<u>(206,294)</u>
Net assets		<u><u>883,833</u></u>	<u><u>890,889</u></u>
Capital and reserves			
Called up share capital	18	482,692	482,692
Share premium account		22,474	22,474
Revaluation reserve		(401)	(1,358)
Capital redemption reserve		371,423	371,423
Merger reserve		34,000	34,000
Accumulated losses		(26,355)	(18,342)
		<u>883,833</u>	<u>890,889</u>
Total shareholders' funds		<u><u>883,833</u></u>	<u><u>890,889</u></u>

The notes on pages 14 to 39 are an integral part of these financial statements.

These financial statements of WH Smith Retail Holdings Limited, registered number 471941, on pages 11 to 39, were approved by the Board of Directors and authorised for issue on 25 February 2022.

Signed on behalf of the Board of Directors



Robert J Moorhead
Director

WH Smith Retail Holdings Limited

Statement of changes in equity Year ended 31 August 2021

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings / (accumulated losses) £'000	Total shareholders' funds £'000
Balance as at 1 September 2019	167,312	22,474	371,423	278	34,000	16,339	611,826
Loss for the financial year	-	-	-	-	-	(45,856)	(45,856)
Other comprehensive income / (expense) for the year	-	-	-	-	-	-	-
Remeasurements of net defined benefit obligations	-	-	-	-	-	11,175	11,175
Revaluation of investments	-	-	-	(1,636)	-	-	(1,636)
Total comprehensive expense for the year	-	-	-	(1,636)	-	(34,681)	(36,317)
Shares issued in the year	315,380	-	-	-	-	-	315,380
Total transactions with owners, recognised directly in equity	315,380	-	-	-	-	-	315,380
Balance as at 31 August 2020	482,692	22,474	371,423	(1,358)	34,000	(18,342)	890,889
Balance as at 1 September 2020	482,692	22,474	371,423	(1,358)	34,000	(18,342)	890,889
Loss for the financial year	-	-	-	-	-	(6,585)	(6,585)
Other comprehensive (expense) / income for the year	-	-	-	-	-	-	-
Remeasurements of net defined benefit obligations	-	-	-	-	-	(1,763)	(1,763)
Deferred tax on retirement benefit obligations	-	-	-	-	-	335	335
Revaluation of investments	-	-	-	957	-	-	957
Total comprehensive expense for the year	-	-	-	957	-	(8,013)	(7,056)
Balance as at 31 August 2021	482,692	22,474	371,423	(401)	34,000	(26,355)	883,833

WH Smith Retail Holdings Limited

Notes to the financial statements

Year ended 31 August 2021

1. Accounting policies

General information

WH Smith Retail Holdings Limited is a private company limited by shares incorporated and domiciled in the UK, and registered in England and Wales. The address of the registered office is given on page 1.

Accounting convention

The financial statements of WH Smith Retail Holdings Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared under the historical cost basis as modified by the revaluation of certain financial instruments, and are in compliance with the Companies Act 2006 as applicable to companies applying FRS 101 and applicable United Kingdom law and accounting standards.

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."

Basis of preparation

The financial statements are for the year ended 31 August 2021. The prior year financial statements were for the year ended 31 August 2020.

The Company is a wholly owned subsidiary of WH Smith PLC, which is its ultimate parent. 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 below.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2021.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, maturity analysis of lease liabilities, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and certain related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of WH Smith PLC. The group financial statements of WH Smith PLC are available to the public and can be obtained as set out in Note 22.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

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.

Going concern

The directors are required to assess whether the Company can continue to operate for the 12 months from the date of approval of these financial statements, and to prepare the financial statements on a going concern basis.

The directors report that they have undertaken a rigorous assessment of current performance and cash flow forecasts, including expenditure commitments, capital expenditure and borrowing facilities. The Company has made a loss in the current year and is in a net current liability position as a result of borrowings from the Company's subsidiaries. The directors confirm that they have the ability to determine the timing of repayment of balances due to the Company's subsidiaries. Based on this assessment the directors have concluded that the Company is able to adequately manage its financing and principal risks, and that the Company will be able to operate within the level of the Group's facilities and meet the required covenants for the period to February 2023.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

Going concern (continued)

The Strategic report describes the Company's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Company. The WH Smith PLC Annual Report and Accounts 2021, which does not form part of this report, 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 2021 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.

In making the Group's going concern assessment, the directors have modelled a number of scenarios for the period to February 2023. The base case scenario is consistent with the Board approved 2022 Budget and the three year plan. Under this scenario the Group has significant liquidity and comfortably complies with all covenant tests to February 2023.

A severe but plausible scenario has also been modelled which assumes a further three-month lockdown over the period December 2021 to February 2022 across the Group, followed by a recovery which reflects the profile observed in the year ended 31 August 2021. The severe but plausible scenario does not assume any further government financial support despite the continuation of lockdowns. However, the severe but plausible scenario includes a number of mitigating actions including savings in store and head office payrolls and rent relief in Travel UK, to mitigate the impact of lockdown with lower sales.

In both the base case and severe but plausible scenarios the Group would continue to have sufficient liquidity headroom on its existing facilities, as described above. The covenants on the above facilities are tested half-yearly. The covenant tests at 31 August 2021, 28 February 2022 and 31 August 2022 are based on minimum liquidity and under the base case and severe but plausible scenarios the Group would meet these covenant tests. The covenant test as at 28 February 2023 is based on fixed charges cover and net borrowings. Under both the base case and the severe but plausible scenarios, the Group would meet these covenant tests. In addition, we have received excellent support from our banks who have granted covenant waivers throughout the pandemic.

As a result of the above analysis, the directors believe that the Company has sufficient financial resources to continue in operation and meet its obligations as they fall due for the 12 months from the date of approval of these financial statements. No changes in the Company's principle activities are foreseen.

New standards adopted in the year

The Company has adopted the following standards and interpretations which became mandatory during the current financial year. These changes have had no material impact on the Company's financial statements:

- Amendments to references to Conceptual Framework in IFRS standards
- Amendments to IFRS 16 - Covid-19 related rent concessions
- Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform – Phase 1
- Amendments to IFRS 3 - Definition of a business
- Amendments to IAS 1 and IAS 8 - Definition of material

Revenue

Revenue 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.

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.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

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 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.

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.

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. Impairments of investments in subsidiary undertakings are recognised in the Profit and loss account in Administrative expenses.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

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 2021.

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. Amortisation is recorded in Administrative expenses.

Property, and equipment

Property, plant and equipment 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
Leasehold improvements	-	20 years
Fixtures and fittings	-	up to 10 years
Equipment	-	8 years

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

All the lease contracts that the Company enters as a lessee are immediately sub-leased to other group companies at mirror terms as the head lease. Therefore, right of use asset is derecognised and the Company recognised an intercompany lease receivable for the sub-lease arrangement which is generally equal to the lease liability on head lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

Leases (continued)

The Company as a lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Company's balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability whenever:

- The lease payments change due to changes in an index, rent review or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The lease contracts that include variable rents based on sales, which is the case with many of our retail concession contracts, are not included in the measurement of the lease liability. The related rents payable are recognised as an expense in the period in which the event or condition that triggers those payables occurs and are included in profit or loss.

The Company has applied the Amendment to IFRS 16 issued in June 2020 and further extension granted in March 2021. This practical expedient allows the impact on the lease liability of temporary rent reductions/waivers affecting rent payments due on or before June 2022, to be recognised in the Income statement in the period they are received, rather than as lease modifications, which would require the remeasurement of the lease liability using a revised discount rate with a corresponding adjustment to the right-of-use asset.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

The Company as a lessor

The Company enters into lease agreements with other group entities as an intermediate lessor with respect to all its property leases. It accounts for the head lease and the sublease as two separate contracts. The sublease arrangements are always at mirror terms to the head lease and therefore all the sub-lease arrangements are classified as a finance lease because in effect it transfers substantially all the risks and rewards of ownership to the assets to the lessee. The Company derecognises the right of use asset and recognise the financial asset in the form of an intercompany lease receivable which is equal to the lease liability recognised for the head lease. Interest income is recognised on intercompany lease receivable using the effective interest method.

Rents receivable from operating leases are recognised on a straight-line basis over the term of the relevant lease.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

Retirement benefit costs

The Company's main UK pension fund is a defined benefit scheme. The cost of providing benefits for the main defined benefit scheme, WHSmith Pension Trust, are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at the balance sheet date.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account in the Statement of other comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Where the Company is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them.

Government grants are recognised in the profit and loss account over the same period as the costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grant income in relation to the UK Government's Job Retention Scheme is disclosed in Note 4.

Financial instruments

a) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

b) Other financial assets

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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

1. Accounting policies (continued)

Financial instruments (continued)

c) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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.

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

d) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

e) 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.

f) 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.

Capital and reserves

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 (continued)
Year ended 31 August 2021

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 judgements (that do not also involve estimation) are set out below:

a) Substantive substitution rights

Judgement is required in determining whether a contract meets the definition of a lease under IFRS 16. Management has determined that certain retail concession contracts give the landlord substantive substitution rights because the contract gives the landlord rights to relocate the retail space occupied by the Group. In such cases, management has concluded that there is not an identified asset and therefore such contracts are outside the scope of IFRS 16.

b) Determination of lease term

In determining the lease term for contracts that have options to extend or terminate early, management has applied judgement in determining the likelihood of whether such options will be exercised. This is based on the length of time remaining before the option is exercisable, performance of the individual store and the trading forecasts.

The most significant sources of estimation uncertainty are as follows:

a) Retirement benefit obligation

The Company recognises and discloses its retirement benefit obligation of £2,489,000 (2020: £3,140,000) in accordance with the measurement and presentational requirements of FRS 101. 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.

b) Impairment of investments in subsidiary undertakings

Investments in subsidiary undertakings of £1,076,124,000 (2020: £1,076,124,000) are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted, the recoverable amounts of the cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. The key assumptions in the value-in-use calculations include growth rate of revenue and expenses, discount rates and likelihood of lease renewal.

c) Carrying value of financial assets

The Company reviews its receivables from Group undertakings (see Note 15) in accordance with IFRS 9 'Financial Instruments' to assess if a provision for expected credit loss is required. This assessment involves judgement in assessing the capability of the counterparty to repay amounts owed to the Company and estimates in determining the future cash flows of the counterparty.

The Company has included a credit of £1,362,000 (2020: charge of £7,108,000) in its income statement in respect of expected credit losses. The credit in the current year principally relates to a reduction in expected credit losses in respect of the Group's US business, partially offset by a new charge in respect of a credit impaired loan due from the German business. In the prior year, the charge was principally in relation to amounts receivable from the Group's US and Spanish businesses. These loans are repayable on demand, however it was determined that the counterparties would not be in a position to repay the loans in full if demanded at the balance sheet date.

The calculation of expected credit losses involves the use of estimates when assessing the ability of the counterparty to repay the loans. The most significant estimates include the timing and extent of future cash flow generation by the counterparty entities. The estimated cash flow is mainly derived from the latest Board approved three year plan, as adjusted for more recent information where applicable.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

c) Carrying value of financial assets (continued)

If the estimated future cash flow of the US business was 10% lower than expected during the recovery scenario, the expected credit loss charge to the Company's income statement would be £468,000 higher.

The Company also holds a substantial receivable from a subsidiary that acts as a holding company for the WH Smith Group. The amount of the receivable is £206,395,000. An expected credit loss of £298,000 has been recognised in respect of this balance based on a probability weighted average review of possible methods of settlement. The most likely method of settlement would involve the Company extinguishing the loan by subscribing for additional shares in the subsidiary. In this instance, the Directors have also assessed if the resulting increased investment in subsidiary balance would be impaired. Following this assessment, it is noted that no impairment would arise on the increased investment in subsidiary balance.

In addition to the above outlined mechanism of extinguishing the loan balance, other recovery scenarios have been assessed including compelling the subsidiary to sell its subsidiaries to repay the loan, and other avenues of repayment, such as repayment through dividend streaming to the subsidiary, which would then be used to settle the loan. These recovery scenarios would result in expected credit losses ranging from £nil to £37,326,000. Judgement has been applied in concluding that these recovery scenarios are highly unlikely to be implemented due to the unnecessary complexity involved in implementing such a recovery scenario.

On the basis that the Company is in control of which recovery scenario would be implemented, the expected credit loss has been calculated based on the most likely recovery mechanism, which is through the additional subscription for shares in the subsidiary, resulting in the recognition of no expected credit loss.

3. Revenue

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

4. Operating loss

Operating loss is stated after charging / (crediting):

	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment assets	3,767	5,107
Amortisation of intangible assets	-	163
Impairment of investment in subsidiary	909	4,799
Impairment (credit) / charge losses on financial assets	(1,362)	7,108
Share-based payments expense / (credit)	5,882	(7,088)
Government grant income	(5)	(46)
Auditors' fees		
- fees payable to Company's auditors for the audit of the Company's financial statements	18	5
- non-audit fees relating to reporting account services	-	450

Statutory disclosures in respect of non-audit fees are given in the consolidated financial statements of WH Smith PLC. As a result, the Company has made use of the disclosure exemption under FRS 101 in relation to disclosures of auditors' fees.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

5. Directors' remuneration

C Cowling 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. I Houghton is also a director of a number of fellow Group subsidiaries and it is not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries.

The remuneration of C Cowling, R J Moorhead and I Houghton is paid by WH Smith Retail Holdings Limited and included within Staff costs. The aggregate remuneration of C Cowling, R J Moorhead and I Houghton is as follows:

	2021 £'000	2020 £'000
Aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services	2,486	1,276
Aggregate value of Company contributions paid to a pension scheme in respect of directors' qualifying services	250	231
Aggregate of the amount of gains made by directors on the exercise of share options	-	172
	<u>2,736</u>	<u>1,679</u>

During the year ended 31 August 2021 no directors exercised share awards in respect of shares in WH Smith PLC (2020: all 3 directors).

The total remuneration of C Cowling, who is the highest paid director, and R J Moorhead is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company, WH Smith PLC.

6. Employees and staff costs

	2021 £'000	2020 £'000
Staff costs		
Wages and salaries	150,081	158,887
Social security costs	9,607	10,630
Share based payments	5,882	(7,088)
Other pension costs	3,216	17,535
	<u>168,786</u>	<u>179,964</u>
	2021 No.	2020 No.
Monthly average number of employees		
Retailing	9,143	11,074
Central functions	41	39
Total average number of employees	<u>9,184</u>	<u>11,113</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 2021

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. Benefits are based on service and salary at the date of closure or leaving service, with increases currently based on CPI inflation in deferment and RPI inflation in payment. The Trustee is responsible for the administration and management of the scheme on behalf of the members in accordance with the Trust Deed and relevant legislation. Responsibilities include the investment of funds, the triennial valuation and determining the deficit funding schedule. Under the Articles of Association of WH Smith Pension Trustees Limited (the corporate trustee) there are four directors nominated by the sponsor, two independent directors and four member-nominated directors. Under the member-nominated director arrangements, the term of office of a member-nominated director is four years.

In accordance with the requirements of IFRIC 14 the Company has recognised the schedule of contributions as a liability of £2,489,000 (2020: £3,140,000). The Company does not have an unconditional right to derive economic benefit from any surplus, as the Trustees retain the right to enhance benefits under the Trust deed, and therefore the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £283,940,000 (2020: £268,072,000) available as a reduction of future contributions is £nil.

The amounts recognised in the balance sheet at 31 August in relation to the aggregate fair values of the assets and liabilities of the WHSmith Pension Trust were:

	2021 £'000	2020 £'000
Fair value of plan assets	1,456,254	1,411,636
Present value of the obligations	(1,172,314)	(1,143,564)
	283,940	268,072
Surplus in the scheme before consideration of the asset ceiling		
Amounts not recognised due to the effect of the asset ceiling	(283,940)	(268,072)
Additional liability recognised due to minimum funding requirements	(2,489)	(3,140)
	<u>(2,489)</u>	<u>(3,140)</u>
Retirement benefit obligation recognised in the balance sheet		
Recognised as:		
Current liabilities	(694)	(694)
Non-current liabilities	(1,795)	(2,446)
	<u>(1,795)</u>	<u>(2,446)</u>

The WHSmith Pension Trust has assets valued at £1,456,254,000, as at 31 August 2021, managed by third party investment managers. In September 2005, the Pension Trust Trustee adopted a Liability Driven Investment (LDI) policy where the assets in the investment fund were invested such that they are expected to alter in value in line with changes in the pension liability caused by changes in interest rates and inflation. The LDI structure that is in place has a number of inflation and interest rate hedges, with collateral posted daily to or from the scheme to the relevant counterparty. The risk of failure of counterparties could expose the scheme to loss. The scheme's liabilities are also subject to changes in longevity.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

7. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

Longevity risk

Liabilities are sensitive to life expectancy, with increases in life expectancy leading to an increase in the valuation of liabilities.

Interest rate and inflation risk

Liabilities are sensitive to movements in interest rates and inflation, with lower interest rates or higher inflation leading to an increase in the valuation of liabilities. As a result of the LDI policy outlined above, these risks are largely hedged.

An Investment Committee of the Trustees to the scheme meets regularly to review the performance of the investment managers and the scheme as a whole. The Company is represented on this Committee. Although investment decisions are the responsibility of the Trustee, the Group is an active participant of the investment sub-committee to ensure that pension plan risks are managed efficiently.

The risk of failure of counterparties and of the investment manager is monitored regularly by the Committee. The Trustees have the right to determine the level of contributions and the Company has agreed with the Trustees a deficit funding schedule.

A full actuarial valuation of the Scheme is carried out at least every three years with interim reviews in the intervening years. The latest full actuarial valuation of the Pension Trust was carried out as at 31 March 2020 by independent actuaries using the projected unit credit method and has been completed. At 31 March 2020 the deficit was £9,000,000. The Company has agreed a continuation of the annual funding schedule with the Trustees from March 2020 for the following 5 years, which includes the deficit recovery contributions and other running costs of just under £3,000,000. During the year ending 31 August 2021, the Company made a contribution of £2,516,000 to the WHSmith Pension Trust (2020: £2,664,000) in accordance with the agreed pension deficit funding schedule, being £700,000 of deficit funding payable to the trustee and £1,816,000 in relation to investment management costs. The weighted average duration of the defined benefit obligation is 18 years.

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

	2021	2020
	£'000	£'000
Current service cost	(72)	(34)
Administrative expenses	(268)	(203)
Net interest cost on the retirement benefit obligation	(30)	(25)
Past service cost	-	(14,164)
	<hr/>	<hr/>
Total expense recognised to profit and loss account	(370)	(14,426)
	<hr/>	<hr/>
Actual return on plan assets	82,575	(11,281)
	<hr/>	<hr/>

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

7. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

The amounts recognised in the statement of comprehensive income were as follows:

	2021	2020
	£'000	£'000
Actuarial gain / (loss) on defined benefit obligations arising from experience	4,773	(52,992)
Actuarial loss on defined benefit obligations arising from changes in financial assumptions	(55,711)	(11,989)
Actuarial gain on defined benefit obligations arising from changes in demographic assumptions	1,445	22,420
Total actuarial loss before consideration of asset ceiling	(49,493)	(42,561)
Return / (loss) on plan assets excluding amounts included in net interest cost	58,201	(37,955)
(Loss) / gain resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(11,177)	92,024
Gain / (loss) resulting from changes in additional liability due to minimum funding requirements excluding amounts recognised in net interest cost	706	(333)
Total actuarial (loss) / gain recognised in other comprehensive income	(1,763)	11,175

Movements in the present value of the defined benefit scheme assets, obligations and minimum funding requirement in the current and prior years were as follows:

£'000	Assets	Liabilities	Effect of asset ceiling and recognition of minimum funding liability	Net retirement benefit obligation recognised
At 1 September 2020	1,411,636	(1,143,564)	(271,212)	(3,140)
Current service cost	-	(72)	-	(72)
Interest income / (expense)	24,374	(19,658)	(4,746)	(30)
Actuarial gains / (losses)	58,201	(49,493)	(10,471)	(1,763)
Contributions from the sponsoring companies	2,516	-	-	2,516
Benefits paid	(40,473)	40,473	-	-
At 31 August 2021	1,456,254	(1,172,314)	(286,429)	(2,489)
At 1 September 2019	1,460,621	(1,107,066)	(356,311)	(2,756)
Current service cost	-	(34)	-	(34)
Past service cost	-	(14,164)	-	(14,164)
Interest income / (expense)	26,674	(20,107)	(6,592)	(25)
Actuarial (losses) / gains	(37,955)	(42,561)	91,691	11,175
Contributions from the sponsoring companies	2,664	-	-	2,664
Benefits paid	(40,368)	40,368	-	-
At 31 August 2020	1,411,636	(1,143,564)	(271,212)	(3,140)

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

7. Pension arrangements (continued)

(a) The WHSmith Pension Trust (continued)

An analysis of the defined benefit scheme assets at the balance sheet date is detailed below:

	2021			2020		
	Quoted £'000	Unquoted £'000	Total £'000	Quoted £'000	Unquoted £'000	Total £'000
Government bonds	1,210,935	-	1,210,935	1,156,326	-	1,156,326
Corporate bonds	605,917	475	606,392	628,368	475	628,843
Investment funds	43,343	185,767	229,110	324,069	187,727	511,796
Derivatives	-	(744,683)	(744,683)	-	(645,141)	(645,141)
Cash and cash equivalents	154,500	-	154,500	(240,188)	-	(240,188)
Total	2,014,695	(558,441)	1,456,254	1,868,575	(456,939)	1,411,636

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

	2021	2020
Discount rate	1.75%	1.75%
Rate of increase in pensions payments	3.35%	3.04%
Rate of increase in deferred pensions	2.55%	2.30%
RPI inflation assumptions	3.45%	3.10%
CPI inflation assumptions	2.55%	2.30%

Sensitivity to changes in assumptions

The valuation of the retirement benefit obligation is considered a significant source of estimation uncertainty, (see Note 2), and therefore changes in assumptions can have a significant effect on the amounts recognised in the financial statements. Sensitivity information has been derived using scenario analysis from the actuarial assumptions as at 31 August 2021, while keeping all other assumptions consistent; in practice, changes in some of the assumptions may be correlated.

	Effect on liabilities at 31 August 2021 £'000
Discount rate +/- 0.1% per annum	-19,000 / +19,000
Inflation assumptions +/- 0.1% per annum	+18,000 / -18,000
Life expectancy +/- 1 year	+66,000 / -66,000

(b) Defined contribution pension scheme

The Company's pension cost charge to its defined contribution scheme for the year amounted to £2,978,000 (2020: £3,134,000). The amount of unpaid contributions as at 31 August 2021 included in other creditors was £101,000 (2020: £103,000).

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

8. Income from shares in group undertakings

During the year the Company received dividends totalling £6,622,000 from other Group companies (2020: £nil).

9. Net interest payable and similar expenses

	2021	2020
	£'000	£'000
Finance income:		
Interest receivable from other group companies	3,489	3,393
Other interest receivable and similar income	81	11
	<u>3,570</u>	<u>3,404</u>
Finance costs:		
Other interest payable and similar charges	(1,380)	(697)
Interest on lease liability (net)	(209)	(327)
Interest payable to other Group companies	(2,588)	(3,956)
Net interest cost on defined benefit pension liabilities	(30)	(25)
	<u>(4,207)</u>	<u>(5,005)</u>
	<u>(637)</u>	<u>(1,601)</u>

10. Tax on loss

a) Tax on loss

The tax credit comprises:

	2021	2020
	£'000	£'000
Current tax:		
Current year credit	112	(3,222)
Adjustments in respect of prior years	(61)	616
	<u>51</u>	<u>(2,606)</u>
Deferred tax:		
Origination and reversal of timing differences	(3,758)	(771)
Adjustments in respect of prior years	(859)	9
Changes in tax rates	(1,360)	-
Tax on loss	<u>(5,926)</u>	<u>(3,368)</u>

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

10. Tax on loss (continued)

Reconciliation of the tax credit

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK (2021: 19.00%, 2020: 19.00%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before taxation	(12,511)	(49,224)
Tax credit on loss at UK rate of corporation tax – 19.00% (2020: 19.00%)	(2,377)	(9,353)
Effect of:		
Non-taxable income	(1,258)	-
Permanent adjustments	(11)	5,360
Adjustments in respect of prior years	(920)	625
Changes in tax rates	(1,360)	-
Total tax credit for the year	(5,926)	(3,368)

b) Deferred tax

	2021 £'000	2020 £'000
Share-based payments	2,311	793
Accelerated capital allowances	(154)	(119)
Unused interest expense	670	-
Retirement benefit obligations	622	597
Losses	6,147	2,013
At 31 August	9,596	3,284

	2021 £'000	2020 £'000
At 1 September	3,284	2,522
Credit to profit and loss account	3,758	762
Charge to equity	335	-
Changes in tax rates	1,360	-
Adjustments in respect of prior years	859	-
At 31 August	9,596	3,284

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 UK corporation tax rate is 19 per cent with effect from 1 April 2017. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25 per cent. This new law was substantively enacted on 24 May 2021, and the main impact of this change is an increase to the deferred tax assets and an increase in the current year tax income statement credit of approximately £1,000,000.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

11. Intangible assets

	Software £'000
Cost	
At 1 September 2020 and 31 August 2021	1,524
Accumulated amortisation	
At 1 September 2020 and 31 August 2021	1,524
Net book value	
At 31 August 2020 and 31 August 2021	-

The net book value of leased assets included above is £nil (2020: £nil).

12. Property, plant and equipment

	Freehold properties £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost					
At 1 September 2020	20,010	3,085	4,795	22,273	50,163
Additions	2,604	-	-	-	2,604
At 31 August 2021	22,614	3,085	4,795	22,273	52,767
Accumulated depreciation					
At 1 September 2020	14,935	1,968	2,101	16,152	35,156
Depreciation charge	101	616	853	2,197	3,767
At 31 August 2021	15,036	2,584	2,954	18,349	38,923
Net book value					
At 31 August 2021	7,578	501	1,841	3,924	13,844
At 31 August 2020	5,075	1,117	2,694	6,121	15,007

Leasehold improvements, fixtures and fittings and equipment assets are all assets held under lease arrangements, therefore the net book value of right-of-use assets included above is equal to the net book value of each of those asset categories.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

13. Investments in subsidiary undertakings

	£'000
Cost	
At 1 September 2020	1,185,143
Additions	909
At 31 August 2021	1,186,052
Provision for impairment	
At 1 September 2020	(109,019)
Impairment	(909)
At 31 August 2021	(109,928)
Net book value	
At 31 August 2021	1,076,124
At 31 August 2020	1,076,124

During the year the Company subscribed for shares in WH Smith France SAS for consideration of £909,000 as part of a plan to dispose of the subsidiary. The entity was subsequently sold for €1. The investment of £909,000 was impaired prior to disposal.

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

At 31 August 2021 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 Limited:						
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 Calais S.A.S	France	4	Ordinary	100	100	Retailing
WH Smith High Street Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Jersey Limited	Jersey	9	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	1	Ordinary	100	100	Holding Company

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

13. Investments in subsidiary undertakings (continued)

At 31 August 2021 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 - DFA Brasil Cafeteria, Livraria E Conveniencia Eireli	Brazil	15	Ordinary	50	50	Retailing
WH Smith Germany GmbH	Germany	5	Ordinary	100	100	Retailing
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	6	Ordinary	100	100	Retailing
WH Smith Italia S.R.L.	Italy	7	Ordinary	100	100	Retailing
WH Smith LLC	Qatar	9	Ordinary	49	100	Retailing
WH Smith LLC	Oman	10	Ordinary	50	50	Retailing
WH Smith Malaysia SDN BHD	Malaysia	11	Ordinary	50	50	Retailing
WH Smith Nederland B.V.	Netherlands	12	Ordinary	100	100	Dormant
WH Smith Singapore Pte. Limited	Singapore	13	Ordinary	100	100	Retailing
WH Smith Spain S.L.	Spain	14	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	1	Ordinary	100	100	Active
WH Smith USA Holdings Inc	USA	16	Ordinary	100	100	Active

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

13. Investments in subsidiary undertakings (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
WH Smith USA Retail Inc	USA	16	Ordinary	100	100	Active
WH Smith SFO, LLC	USA	16	Ordinary	80	100	Active
InMotion Entertainment Group, LLC	USA	16	Ordinary	100	100	Active
Soundbalance ATL-E, LLC	USA	16	Ordinary	67	100	Active
InMotion ATL-A, LLC	USA	16	Ordinary	64	100	Active
InMotion ATL, LLC	USA	16	Ordinary	80	100	Active
BTS - InMotion Atlanta, LLC	USA	16	Ordinary	100	100	Inactive
BTS - InMotion ATL FAB, LLC	USA	16	Ordinary	64	100	Inactive
InMotion FL ATL, LLC	USA	16	Ordinary	59	100	Inactive
InMotion AUS, LLC	USA	16	Ordinary	88	100	Retailing
InMotion BNA, LLC	USA	16	Ordinary	84	100	Retailing
Soundbalance BOS, LLC	USA	16	Ordinary	67	100	Dormant
InMotion BOS-A, LLC	USA	16	Ordinary	80	100	Dormant
InMotion BOS, LLC	USA	16	Ordinary	70	100	Dormant
InMotion BOS-BCE, LLC	USA	16	Ordinary	80	100	Retailing
InMotion BWI, LLC	USA	16	Ordinary	60	100	Retailing
InMotion CLE, LLC	USA	16	Ordinary	67	100	Retailing
Soundbalance CLT, LLC	USA	16	Ordinary	67	100	Retailing
InMotion - SB DC, LLA	USA	16	Ordinary	75	100	Retailing
InMotion DEN-B, LLC	USA	16	Ordinary	75	100	Retailing
DFW-A Retail Partners, LLC	USA	16	Ordinary	60	100	Retailing
DFW-E Retail Partners, LLC	USA	16	Ordinary	65	100	Retailing
DFW-D/E Retail Partners, LLC	USA	16	Ordinary	70	100	Retailing
Soundbalance DTW, LLC	USA	16	Ordinary	67	100	Retailing
InMotion DTW, LLC	USA	16	Ordinary	67	100	Retailing
InMotion EWR, LLC	USA	16	Ordinary	80	100	Retailing
InMotion EWR-B, LLC	USA	16	Ordinary	85	100	Retailing
InMotion FLL, LLC	USA	16	Ordinary	62	100	Dormant
InMotion FLL-T4, LLC	USA	16	Ordinary	62	100	Dormant
InMotion IAD, LLC	USA	16	Ordinary	75	100	Retailing
Soundbalance IAH, LLC	USA	16	Ordinary	67	100	Retailing
BR InMotion IAH, LLC	USA	16	Ordinary	65	100	Retailing
InMotion LAX, LLC	USA	16	Ordinary	75	100	Retailing
Soundbalance MCO, LLC	USA	16	Ordinary	67	100	Retailing
InMotion MCO, LLC	USA	16	Ordinary	73	100	Retailing
Soundbalance Miami, LLC	USA	16	Ordinary	67	100	Retailing
InMotion MKE, LLC	USA	16	Ordinary	79	100	Retailing
InMotion MSY, LLC	USA	16	Ordinary	64	100	Dormant

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

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	16	Ordinary	70	100	Retailing
InMotion ORD T2, LLC	USA	16	Ordinary	70	100	Retailing
Soundbalance PDX, LLC	USA	16	Ordinary	67	100	Retailing
Soundbalance PHL, LLC	USA	16	Ordinary	67	100	Retailing
InMotion PHL, LLC	USA	16	Ordinary	65	100	Dormant
InMotion PHX, LLC	USA	16	Ordinary	80	100	Retailing
InMotion PHX T3, LLC	USA	16	Ordinary	90	100	Retailing
Soundbalance SAN, LLC	USA	16	Ordinary	55	100	Retailing
InMotion SAT, LLC	USA	16	Ordinary	75	100	Dormant
InMotion SEA, LLC	USA	16	Ordinary	88	100	Retailing
InMotion SFO-T3, LLC	USA	16	Ordinary	85	100	Dormant
InMotion SFO-IT, LLC	USA	16	Ordinary	90	100	Dormant
Soundbalance SJC, LLC	USA	16	Ordinary	67	100	Inactive
InMotion SLC, LLC	USA	16	Ordinary	80	100	Retailing
InMotion CLT, LLC	USA	16	Ordinary	74	100	Dormant
MSP Innovations, LLC	USA	16	Ordinary	33	100	Dormant
InMotion LGA, LLC	USA	16	Ordinary	75	100	Dormant
Marshall Retail Group Holding Co Inc	USA	16	Ordinary	100	100	Active
MRG Holdings Corp	USA	16	Ordinary	100	100	Active
Marshall Retail Group LLC	USA	16	Ordinary	100	100	Active
The Marshall Retail Group Canada Inc	USA	17	Ordinary	100	100	Active
MRG Baltimore (BWI), LLC	USA	16	Ordinary	70	100	Retailing
MRG Denver, LLC	USA	16	Ordinary	75	100	Retailing
MRG Dallas II, LLC	USA	16	Ordinary	65	100	Retailing
MRG LaGuardia, LLC	USA	16	Ordinary	80	100	Retailing
MRG Los Angeles, LLC	USA	16	Ordinary	70	100	Retailing
MRG Nashville, LLC	USA	16	Ordinary	80	100	Retailing
MRG Raleigh Terminal 2, LLC	USA	16	Ordinary	85	100	Retailing
MRG Raleigh Terminal 1, LLC	USA	16	Ordinary	55	100	Retailing
MRG RDU T2, LLC	USA	16	Ordinary	80	100	Retailing
MRG Sacramento, LLC	USA	16	Ordinary	90	100	Retailing
MRG San Francisco, LLC	USA	16	Ordinary	80	100	Retailing
MRG San Francisco Terminal 1, LLC	USA	16	Ordinary	80	100	Retailing
MRG San Francisco Terminal 3, LLC	USA	16	Ordinary	80	100	Retailing
MRG Washington (DCA), LLC	USA	16	Ordinary	75	100	Retailing
MRG Washington (IAD), LLC	USA	16	Ordinary	75	100	Retailing
Nash Nails MRG, LLC	USA	16	Ordinary	39	100	Retailing

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

13. Investments in subsidiary undertakings (continued)

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	38 Rue des Mathurins, 75008 Paris 8, France
5	Terminal Ring 1, Zentralgebaude Ost, Zi. 5. 035, 40474 Dusseldorf, Germany
6	6th Floor, Grand Canal Square, Dublin 2, Ireland
7	Via Borgogna, Cap 20122, Milano, Italy
8	72/74 King Street, St Helier, Jersey, JE2 4WE
9	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
10	PO Box 3275, PC112, Ruwi, Oman
11	C2-6-1, Solaris Dutamas, 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
12	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
13	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910
14	Paseo de Recoletos, 27, 7 ^a , 28004, Madrid, Spain
15	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640-102, Rio de Janeiro, RJ, Brazil
16	3755 W Sunset Road, Las Vegas, Nevada, NV 89118, USA
17	2200 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada

14. Investments

	2021	2020
	£'000	£'000
Market value		
At 1 September	2,397	6,174
Additions	2,019	2,413
Utilisation	(328)	(4,770)
Revaluation	882	(1,420)
At 31 August	4,970	2,397

At 31 August 2021 the number of shares held in WH Smith PLC was 304,641 (2020: 203,628) and the nominal value was £67,294 (2020: £44,981). 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 investments. Details of the Employee Share Schemes are given in Note 19.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

15. Trade and other receivables

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	489,117	567,336
Corporation tax	-	9,439
Lease receivables – amounts owed by group undertakings	58,873	79,179
Other debtors	2,133	3,062
	<u>550,123</u>	<u>659,016</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 per cent. All other amounts owed by group companies are non-interest bearing and repayable on demand.

	2021	2020
	£'000	£'000
Amounts falling due after more than one year:		
Lease receivables – amounts owed by group undertakings	156,672	198,382
	<u>156,672</u>	<u>198,382</u>

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

	2021	2020
	£'000	£'000
Amounts owed to Group undertakings	739,210	776,033
Other creditors	23,879	16,913
Corporation tax	218	-
Other taxation and social security	5,255	3,315
	<u>768,562</u>	<u>796,261</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 per cent. 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.

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

17. Lease liabilities

	2021 £'000	2020 £'000
Lease liability		
- Current	61,543	83,078
- Non-current	159,822	203,848
	<u>221,365</u>	<u>286,926</u>
At 31 August 2021		
	<u>221,365</u>	<u>286,926</u>
Cash outflow in respect of leases	3,733	5,187
Interest on lease liability	4,267	5,458
	<u>3,733</u>	<u>5,187</u>

18. Called up share capital

	2021	Nominal	2020	Nominal
	Number of shares No. '000	value £'000	Number of shares No. '000	value £'000
Allotted, called up and fully paid				
Ordinary shares of 2 13/81p (2020: 2 13/81p) each	22,341,721,689	482,692	22,341,721,689	482,692
Deferred shares of 2 13/81p (2020: 2 13/81p) each	1	-	1	-
	<u>22,341,721,690</u>	<u>482,692</u>	<u>22,341,721,690</u>	<u>482,692</u>

Deferred shares of 2 13/81p each 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 2021

19. Share-based payment

The Company is the principal employer of the WH Smith 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 24 and the Remuneration Report of the WH Smith PLC Annual Report and Accounts 2021, which does not form part of this report. The amount recorded in liabilities in relation to these schemes is £10,167,000 (2020: £4,350,000) and the charge to profit and loss was £5,882,000 (2020: credit of £7,088,000). Included in this liability is £2,579,000 (2020: £1,404,332) 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:

	2021	2020
Share price – pence	1,632	1,177
Exercise price – pence	Nil-1,610	Nil-1,610
Expected volatility – per cent	33.15-62.07	7.94-18.14
Expected life – years	0.17-2.77	0.15-2.18
Risk free rate – per cent	0.00-0.19	(0.08) – (0.03)
Dividend yield – per cent	0.00	0.00

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

	2021	2020
Weighted average share price at date of exercise of share options exercised during year – pence	1,558.60	2,223.54
Weighted average remaining contractual life at end of year – years	8	7

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

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 applies to 50 per cent of any shares which vest. For awards made in November 2018, and all subsequent awards, the holding period applies to 100 per cent of any shares that vest. The awards will accrue dividends paid over the performance and any holding period. Awards are exercisable between October 2019 and November 2030.

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 three months service who enter into an HM Revenue & Customs approved Save-As-You-Earn (SAYE) savings contract for a term of three 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 2022 and January 2025. The range of exercise prices for SAYE options outstanding at the year end was 1,400p to 1,610p (2020: 1,434p to 1,610p).

WH Smith Retail Holdings Limited
Notes to the financial statements (continued)
Year ended 31 August 2021

19. 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 2017 and November 2030.

Deferred Bonus Plan (DBP)

The Deferred Bonus Plan is applicable to executive directors only. Under the terms of the DBP, any bonus payable over target is deferred into shares for a period of up to three years. One third of the deferred shares are released on each anniversary of the bonus.

At 31 August 2021, 10,108 shares remain deferred in accordance with this plan (2020: 14,919 shares).

20. 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 per cent share of these leases has an estimated future gross rental commitment at 31 August 2021 of £1,000,000 (2020: £1,000,000). 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 WH Smith PLC Group's £250,000,000 revolving credit facility which expires on 28 April 2025 alongside WH Smith High Street Limited, WH Smith Travel Limited, WH Smith Hospitals Limited, funkypigeon.com Limited, InMotion Entertainment Group LLC and Marshall Retail Group LLC.

The Company is also a guarantor, alongside the other Group companies listed above, on a committed term loan of £133,000,000 due to mature on 28 April 2025.

21. Related party transactions

The Company has taken advantage of the exemptions granted by paragraph 8(k) of FRS 101, not to disclose transactions with WH Smith PLC Group companies and interests of the Group who are related parties.

22. Ultimate and immediate parent company

The immediate and ultimate parent company and controlling party is WH Smith PLC, a company incorporated in the United Kingdom, 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 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