Company Registration No. 6560378

WH Smith Travel Limited

Annual Report and Financial Statements

31 August 2020

WH Smith Travel Limited

Annual report and financial statements 31 August 2020

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WH Smith Travel Limited

Annual report and financial statements 31 August 2020

Officers and professional advisers

Directors

C Cowling (appointed 19 September 2019)
R J Moorhead
I Houghton
S Clarke (resigned 31 October 2019)

Company Secretary

I Houghton

Registered Office

Greenbridge Road
Swindon
Wiltshire
SN3 3RX

Independent auditors

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

WH Smith Travel Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2020.

Directors

The directors of the Company who were in office during the year and up to the date of signing 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

The audited financial statements for the year ended 31 August 2020 are set out on pages 11 to 38. The financial statements have been prepared under Financial Reporting Standard 101 ("FRS 101").

As shown in the Income statement on page 11, the Company's loss for the financial year ended 31 August 2020 was £40,718,000 (2019: profit of £68,353,000). During the year the Company paid no dividends to its parent company (2019: £70,000,000).

Non-redeemable preference share dividends are paid at the discretion of the directors and are therefore presented as an equity distribution. The non-redeemable preference shares take priority over ordinary shares when dividends are declared. The directors do not recommend the payment of a final dividend.

Events after the balance sheet date and future developments

Details on events after the balance sheet date and future developments of the Company are given in the Strategic report on pages 4 to 8.

Going concern and financial risk management

Disclosures in respect of financial risk management are given in the Strategic report on pages 6 to 7. Disclosures in respect of going concern are given in the Strategic report on page 8.

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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

WH Smith Travel Limited

Directors' report (continued)

Equal Opportunities

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

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 35 to 37 of the Group's Annual Report and Accounts, which does not form part of this report.

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 35 to 37 of the Group's Annual Report and Accounts 2020, 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 35 to 37 of the Group's Annual Report and Accounts 2020, other than having a more limited number of relationships than the Group.

Directors' confirmations

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

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

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

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

This report was approved by the Board on 26 May 2021.

On behalf of the Board

Robert J Moorhead
Director

WH Smith Travel Limited

Strategic report

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

Business review, principal activities and key performance indicators

The principal activities of the Company since 1 September 2008 are the retailing of books, stationery, newspapers, magazines and entertainment products within the United Kingdom.

As shown in the Company's statement of profit or loss and other comprehensive income on page 11, the Company's revenue for the year to 31 August 2020 has decreased by 43 per cent to £289,191,000 (2019: £503,867,000) compared to the prior year as a result of the impact of Covid-19. The Company is expected to return to profitability in the foreseeable future.

The balance sheet on page 12 of the financial statements shows that the Company's net asset position is £368,864,000 a decrease of £41,531,000 from 31 August 2019. This reflects the loss generated during the year as a result of the impact of Covid-19. Details of the amounts owed by and to other group undertakings are shown in Notes 16 and 17 on page 35.

	2020	**2019**
Revenue	£289,191,000	£503,867,000
Gross profit margin	54.0%	60.7%
Stock turn	9.7 weeks	9.0 weeks

Gross profit and sales are as presented in the financial statements. Stock turn reflects the number of weeks taken to turn the stock based on closing stock and cost of sales.

Following the outbreak of Covid-19 pandemic in March 2020 and the consequent restrictions on trading due to national lockdowns and travel restrictions, the WH Smith Group, including WH Smith Travel Limited, has been significantly impacted. The Group acted fast to take a number of actions to support our colleagues, customers and our business. The Group immediately focused on cost and cash management, including the following activities:

- Reduced stock purchases to reflect ongoing demand, returning sale or return stock and negotiating extended payment terms.
- Reviewed all capital expenditure to focus on essential and strategic projects.
- Stopped all discretionary expenditure and reduced corporate overheads
- Worked with landlords to significantly reduce or remove rent payments and to link, as far as possible, with revenue.
- Reduced headcount across stores and head offices through furlough arrangements; including participating in the UK Government Job Retention Scheme, and subsequently restructured to ensure headcount is in line with business requirements and reduced sales.
- Deferred tax payments in line with UK government announcements.
- No dividends proposed in respect of the financial year ending 31 August 2020
- Focused on strengthening the balance sheet and the Group's liquidity position including bank covenant waivers for February 2021 and August 2021

On 6 April 2020, the Group raised net proceeds of c.£160m via a share placing and at the same time agreed a £120m 12 month (plus 7 months at the option of the Group) committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC, on which the Company is a guarantor. This was in addition to existing facilities. The Group has also agreed waivers for all bank covenant tests at August 2020, February 2021 and August 2021.

Events after the balance sheet date

Since the balance sheet date, the ongoing impact of the Covid-19 pandemic has resulted in a second lockdown across England in November 2020 and further lockdowns of varying levels across the UK in the period from January to May 2021, as well as continuing international travel restrictions. The impact of these lockdowns on the financial statements is disclosed in Note 25. While the trading environment has remained challenging throughout the first half of the 2021 financial year, with reduced footfall and extensive travel restrictions in place, we have focused on initiatives within our control that support us in the immediate term and position us well to emerge operationally stronger as our markets recover.

WH Smith Travel Limited

Strategic report (continued)

Events after the balance sheet date (continued)

The Travel business remained impacted by the government enforced travel restrictions throughout the first half of 2021 with the tighter UK restrictions impacting from January. As the roadmap out of lockdown continues, we expect to see improved performance in our rail business. We await further government guidance on air travel and continue to plan cautiously whilst retaining the flexibility to meet customer and landlord needs. Whilst the third lockdown in the UK impacted January and February, we saw an improved performance at the start of Q3.

On 9 March 2021, the Group extended the maturity of its two existing £200m Term Loans to October 2023 and agreed a new minimum liquidity covenant for both the August 2021 and February 2022 covenant tests. The previously agreed covenant waiver for February 2021 remained unchanged. These changes enabled the Group to cancel its existing £120m liquidity loan which was undrawn and due to expire in November 2021.

Further to the above changes, on 28 April 2021 the Group announced new financing arrangements which include a £250m RCF (increased from £200m) with an extended maturity from 2023 to 2025 and provided by an expanded syndicate of lending banks. This facility, and the term loan outlined below, carries a minimum liquidity covenant for August 2021, February 2022 and August 2022 (which supersedes the previous covenants described above). As part of the financing arrangements, the Group launched an offering of convertible bonds maturing in 2026. The convertible bonds raised £327m and provide £50m of new capacity for the Group to fund the opening of c.100 new Travel stores won and yet to open over the next three years and new growth opportunities. The remainder of the proceeds have been used to partially pay down the existing £400m of term loans from both the MRG and InMotion acquisitions. The maturity of the remaining term loan has also been extended from 2023 to 2025 in line with the RCF.

Principal risks and uncertainties

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

Changes to the Risk Profile due to Covid-19

Following the outbreak of Covid-19, the Directors have assessed its ongoing impact to be a significant risk facing the Group, due to uncertainty around the timing and extent of recovery on our ability to re-open and operate our Travel and High Street stores, both in the UK and Internationally, and its impact upon the levels of global and domestic travel. The Group has deployed a framework of operational procedures, mitigating actions and business continuity plans and will continue to adapt these plans as the situation evolves.

Where the consequences of the Covid-19 pandemic may impact the business, we have incorporated these considerations into our assessment in relation to each of our principal risk headings. The grid below explains where the potential risk implications of the pandemic link with, and impact upon, our other Principal Risks.

Economic, political, competitive and market risks	The Group may fail to effectively respond to the pressures of an increasingly changing retail environment, where Covid-19 materially changes consumer spending patterns and habits, such as shifting from physical to online shopping, and from any longer-term damage to the travel industry and reductions in the level of International travel.
Brand and reputation	The reputation of the Brand may be impacted in the event that customers were to perceive that our Store environments are insufficiently safe and secure in response to the continuing experience of the virus.
Key suppliers and supply chain management	Given that large elements of our sourcing rely on factories and shipment from the Far East, these supply chains and principal product flows could be negatively impacted by any interruptions due to any further shutdown of factories and supply routes or growing international outbreaks.
Store portfolio	The Group's performance is reliant upon trading from our wide portfolio of premier shopping locations, where our performance may be negatively impacted in the event of further store closures, constraints on trading and travel restrictions, or further extensions in the scale and nature of local lockdowns.

Principal risks and uncertainties (continued)

Changes to the Risk Profile due to Covid-19 (continued)

Business interruption	The business could be negatively impacted by any concentration of illness in a particular location such as Head Office, DC or particular stores, should these need to close temporarily, and large numbers staff were required to self-isolate.
Reliance on key personnel	The business could be negatively impacted in the event that any of the senior leadership team were to fall ill or be personally impacted by the virus.
International expansion	The ongoing growth of the business has been generated through continued international expansion. Such ongoing growth could therefore be negatively impacted from further enforced store closures, constraints on trading and the longer-term continuation of international travel restrictions or curtailment in passenger numbers.
Treasury, financial and credit risk management	Significantly reduced trading over an extended period from further outbreaks of new Covid strains and the lack of an effective vaccine could cause further negative impact on the Group's financial position in the longer term.
Cyber risk and data security	Further risks from significant increases in industry wide phishing activity and cyber threats could pose further risks of potential systems interruption.

Group risks including risk management are discussed in further detail within the Principal risks and uncertainties section of the Strategic report of the Group's Annual Report and Accounts 2020, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

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

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 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 2020, which does not form part of this report.

Liquidity risk

The Company 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 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.

Financial Risk Management (continued)

Credit risk

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

The Company has credit risk attributable to its trade and other receivables including a number of sale or return contracts with suppliers. The amounts included in the balance sheet are net of 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 Company has low retail credit risk due to the transactions being principally of a high volume, low value and short maturity. The Company has no significant concentration of credit risk, with the exposure spread over a large number of counterparties and customers.

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 and overdrafts.

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 Company's foreign currency exposures are principally to the Australian dollar and the euro.

The Group uses forward foreign exchange contracts to hedge significant future transactions and cash flows denominated in currencies other than pounds sterling.

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. The Company's creditor days figure for the year to 31 August 2020 was 27 days (2019: 71 days).

Health, safety and environment

In the field of health and safety the Board is committed to maintaining high standards for its employees, customers, contractors and anyone affected by its business activities. Within the Group, a Health and Safety Committee represents the interests of employees. The Group, which benchmarks its performance against other companies, is represented on several national bodies concerned with health and safety.

The Group Risk Management Department operates within a broad framework covering issues such as health and safety, environmental impacts, insurance, disability issues and other risk areas. The department provides advice, guidance and support to managers within the Group ensuring that high standards are maintained.

The Group continues to engage with suppliers to promote and improve labour standards and better environmental management. As a member of the Ethical Trading Initiative (ETI), we continue to work with other members to share best practice and develop solutions to challenges we all face.

Further information on the Health, Safety and Environment is contained within the Strategic report of the Group's Annual Report and Accounts 2020.

Going concern and future developments

The Company's business activities, together with factors that are likely to affect its future developments, performance and position are detailed within this Strategic Report. The financial position of the Company and its liquidity position are described in the financial statements and notes. The WH Smith PLC Annual Report and Accounts 2020, 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 2020 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.

Due to the ongoing impact of Covid-19 on the WH Smith Group, and therefore the Company, in making the going concern assessment, the directors have modelled a number of scenarios for the period to August 2022. The base case scenario is based on the latest Board-approved forecast, adjusted for subsequently announced government support measures, and the three-year plan for the period ending 31 August 2022. These reflect our expectations of ongoing challenging trading conditions, with sales remaining significantly below pre-Covid levels for the duration of the going concern period.

In light of the continuing uncertainty surrounding the ongoing impact of Covid-19, a downside scenario has also been modelled, applying severe but plausible assumptions to the base case. This replicates the Group's forecast performance in the year ending 31 August 2021 by applying the same cash flows from the year ending August 2021 to the year ending August 2022, but excludes non-recurring restructuring costs and government support received in the year ending 31 August 2021. These scenarios include a number of mitigating actions including further savings in store and head office payrolls, a reduction in inventory purchases, a reduction in discretionary spend and reductions in capital expenditure.

On 28 April 2021 the Group announced new financing arrangements which include a multi-currency revolving credit facility of £250m, which expires in April 2025. The covenants tests on the above facility for August 2021, February 2022 and August 2022 are based on a minimum liquidity test. Under the conditions of both the base case and severe but plausible scenarios the Group would continue to have sufficient liquidity headroom on these facilities at each of the above dates.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure and borrowing facilities. In addition, the Company is in receipt of a letter of support from its ultimate parent company, WH Smith PLC, to provide financial support for a period of no less than 12 months from the signing date of these 2020 financial statements. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements. For this reason, they have adopted the going concern basis in preparing the financial statements. No changes in principle activities are foreseen.

This report was approved by the Board on 26 May 2021.

On behalf of the Board

Robert J Moorhead

Director

Independent auditors' report to the members of WH Smith Travel Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 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 2020; the Statement of profit or loss and other comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of WH Smith Travel 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 2020 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 set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 May 2021

Statement of profit or loss and other comprehensive income
For the year ended 31 August 2020

	Note	2020 £'000	2019 £'000
Revenue	3	289,191	503,867
Cost of Sales		(133,015)	(198,224)
Gross profit		**156,176**	**305,643**
Distribution costs		(160,115)	(192,003)
Administrative expenses		(45,320)	(30,514)
Other operating income	4	5	13
Operating (loss) / profit	5	**(49,254)**	**83,139**
Income from shares in group undertakings	6	2,988	2,303
(Loss) / profit before interest and taxation		**(46,266)**	**85,442**
Finance costs	7	(1,108)	(235)
(Loss) / profit before taxation		**(47,374)**	**85,207**
Tax on (loss) / profit	10	6,656	(16,854)
(Loss) / profit for the financial year		**(40,718)**	**68,353**
Other comprehensive result for the year, net of tax		-	-
Total comprehensive (loss) / income for the financial year		**(40,718)**	**68,353**

All results are derived from continuing operations.

WH Smith Travel Limited

Balance sheet
As at 31 August 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	11	13,381	12,174
Goodwill	12	250,179	250,179
Property, plant and equipment	13	47,975	51,724
Right of use assets	14	49,354	-
Investments in subsidiaries	15	14,447	18,943
Investments in associates and joint ventures	15	121	2,065
Deferred tax assets	10	2,634	1,634
		378,091	**336,719**
Current assets			
Inventories		24,764	34,239
Trade and other receivables: amounts falling due within one year	16	297,606	212,193
Trade and other receivables: amounts falling due after more than one year	16	4,568	2,113
Cash and cash equivalents		40,331	31,812
		367,269	**280,357**
Current liabilities			
Trade and other payables: amounts falling due within one year	17	(308,255)	(206,681)
Lease liabilities		(18,288)	-
Net current assets		**40,726**	**73,676**
Total assets less current liabilities		**418,817**	**410,395**
Non-current liabilities			
Lease liabilities	14	(49,953)	-
Net assets		**368,864**	**410,395**
Equity			
Called up share capital	19	289,000	289,000
Share premium account		38,460	38,460
Retained earnings		41,404	82,935
Total shareholders' funds		**368,864**	**410,395**

The notes on pages 14 to 38 are an integral part of these financial statements.

These financial statements of WH Smith Travel Limited, registered number 6560378, on pages 11 to 38, were approved by the Board of Directors and authorised for issue on 26 May 2021.

Signed on behalf of the Board of Directors

Robert J Moorhead

Director

WH Smith Travel Limited

Statement of changes in equity
For the year ended 31 August 2020

	Called up equity share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 September 2018	**289,000**	**38,460**	**84,582**	**412,042**
Profit for the financial year	-	-	68,353	68,353
Total comprehensive income for the year	**-**	**-**	**68,353**	**68,353**
Dividends (Note 18)	-	-	(70,000)	(70,000)
Balance as at 31 August 2019	**289,000**	**38,460**	**82,935**	**410,395**
Balance as at 1 September 2019	**289,000**	**38,460**	**82,935**	**410,395**
Impact of adoption of IFRS 16	-	-	(1,004)	(1,004)
Tax effect of IFRS 16 adjustment	-	-	191	191
Adjusted balance as at 1 September 2019	**289,000**	**38,460**	**82,122**	**409,582**
Loss for the financial year	-	-	(40,718)	(40,718)
Total comprehensive loss for the year	**-**	**-**	**(40,718)**	**(40,718)**
Balance as at 31 August 2020	**289,000**	**38,460**	**41,404**	**368,864**

1. Accounting policies

A summary of principal accounting policies is set out below.

General information

WH Smith Travel Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom, and registered in England and Wales.

Accounting convention

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

The financial statements are prepared under the historical cost basis 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 Company is a wholly owned subsidiary of WH Smith Travel 2008 Limited and of its ultimate parent WH Smith PLC. It is included in the consolidated financial statements of WH Smith PLC which are publicly available. Therefore, the Company is exempt from producing consolidated financial statements under section 400 of the Companies Act 2006. The financial statements have been prepared on the going concern basis as explained below.

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, 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 24.

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.

Going concern

The Company's business activities, together with factors that are likely to affect its future developments, performance and position are detailed within the Strategic Report. The financial position of the Company and its liquidity position are described in the financial statements and notes. The WH Smith PLC Annual Report and Accounts 2020, 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 2020 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.

Due to the ongoing impact of Covid-19 on the WH Smith Group, and therefore the Company, in making the going concern assessment, the directors have modelled a number of scenarios for the period to August 2022. The base case scenario is based on the latest Board-approved forecast, adjusted for subsequently announced government support measures, and the three-year plan for the period ending 31 August 2022. These reflect our expectations of ongoing challenging trading conditions, with sales remaining significantly below pre-Covid levels for the duration of the going concern period.

1. Accounting policies (continued)

Going concern (continued)

In light of the continuing uncertainty surrounding the ongoing impact of Covid-19, a downside scenario has also been modelled, applying severe but plausible assumptions to the base case. This replicates the Group's forecast performance in the year ending 31 August 2021 by applying the same cash flows from the year ending August 2021 to the year ending August 2022, but excludes non-recurring restructuring costs and government support received in the year ending 31 August 2021. These scenarios include a number of mitigating actions including further savings in store and head office payrolls, a reduction in inventory purchases, a reduction in discretionary spend and reductions in capital expenditure.

On 28 April 2021 the Group announced new financing arrangements which include a multi-currency revolving credit facility of £250m, which expires in April 2025. The covenants tests on the above facility for August 2021, February 2022 and August 2022 are based on a minimum liquidity test. Under the conditions of both the base case and severe but plausible scenarios the Group would continue to have sufficient liquidity headroom on these facilities at each of the above dates.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure and borrowing facilities. In addition, the Company is in receipt of a letter of support from its ultimate parent company, WH Smith PLC, to provide financial support for a period of no less than 12 months from the signing date of these 2020 financial statements. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements. For this reason, they have adopted the going concern basis in preparing the financial statements. No changes in 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. With the exception of IFRS 16 (outlined below), these changes have had no material impact on the Company's financial statements:

- IFRS 16 Leases (including amendments)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendment to IFRS 9 Financial instruments – Prepayment features with negative compensation
- Amendments to IAS 28 Investments in associates – Long-term interests in associates and joint ventures
- Amendments to IAS 19 Employee benefits – Plan amendment, curtailment or settlement
- Annual improvements 2015-2017 cycle

IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases.

At the commencement date of a lease, a lessee recognises a lease liability for the future lease payments and an asset (right-of-use asset) representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There is no impact on company's cash flows.

1. Accounting policies (continued)

Impact on the Company

The standard has primarily affected the accounting for the Company's operating leases relating to properties.

The Company has applied the simplified transition approach (modified retrospective approach) and has recognised the lease liability on transition at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of transition. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the Company's incremental borrowing rate at transition date. The Company has applied this methodology to a small number of its property leases where sufficient historical information has been available to facilitate this.
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company has applied this methodology to the majority of its leases as sufficient historical data was not available to enable a retrospective calculation.

The weighted average discount rate applied on transition date is 1.6 per cent.

The Company has not restated comparatives and the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to opening reserves at the date of transition.

The Company has elected to apply the following practical expedients as allowed under IFRS 16:

- exclude short-term leases (leases with a remaining term of less than one year);
- rely on its assessment of whether leases are onerous immediately before the date of transition as an alternative to performing an impairment review. This is applied on a lease-by-lease basis;
- exclude initial direct costs from the measurement of the right-of-use assets on transition; and
- the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Company has not applied the practical expedient of placing reliance on the previous identification of a lease under IAS 17 but has assessed all its existing lease contracts to determine whether they meet the new definition of a lease and therefore fall within the scope of IFRS 16. This has resulted in several contracts, where the landlord is considered to have substantive substitution rights over the associated assets, falling outside the scope of IFRS 16.

In addition to this, where the Company has not taken the practical expedient of taking an onerous lease provision under IAS 37 as a proxy to the opening impairment charge, the Company has undertaken an impairment review at the date of transition. These are explained further below under section 'Key areas of judgement'.

Impact on the financial statements

On application of IFRS 16, the Company has recognised an opening right-of-use asset of £67,171,000, a lease liability of £72,929,000 and a financial asset of £5,511,000 in respect of intercompany leases. Including adjustments for working capital which existed under IAS 17, the retained earnings of the Company on transition reduced by £1,004,000 on a pre-tax basis.

During the year, the Company recognised £14,763,000 of additional depreciation charges and £1,109,000 of additional interest costs and a gain of £3,380,000 due to Covid-19 rent reduction/waiver in respect of these leases instead of recognising the rental expense and other charges of £11,127,000, resulting in a net £1,365,000 impact on profit.

1. Accounting policies (continued)

Reconciliation from IAS 17 lease commitment to opening IFRS 16 lease liability

The table below shows a reconciliation from the total operating lease commitment as disclosed at 31 August 2019 to the total lease liability recognised in the financial statements on the date of transition:

	£'000
Operating lease commitment at 31 August 2019 as disclosed in the Company's financial statements	7,149
Discounted using the incremental borrowing rate at 1 September 2019	6,819
Implied intercompany lease[1]	389,315
Leases where landlords have substantive substitution rights (i.e. leases outside the scope of IFRS 16)[2]	(317,804)
Recognition exemption for short-term leases[3]	(2,734)
Termination options reasonably certain to be exercised[4]	(1,974)
Leases with variable payments[5]	(72)
Other adjustments[6]	(621)
Total lease liabilities recognised at 1 September 2019	**72,929**

[1] This lease liability is recorded where the Company is in possession of an underlying asset whereas the lease contract is signed by another group company resulting in an implied intercompany lease arrangement.

[2] Contracts that were considered to be a lease under IAS 17 which do not meet the definition of a lease under IFRS 16, principally because the landlord is considered to have substantive substitution rights over the associated assets. This is explained further below under the section 'key areas of judgement'.

[3] The Company has applied the practical expedient to classify leases for which the leases term ends within 12 months of the date of initial application of IFRS 16 as short-term leases. The Company has also applied the recognition exemption for short-term leases.

[4] Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes period covered by options to extend or terminate the lease where the Company is reasonably certain that such options will be exercised.

[5] Contracts where the minimum lease payments are dependent upon a variable factor and therefore the lease payments are in substance variable in nature.

[6] Other adjustments mainly relate to lease payments included in operating lease commitments but not in the opening lease liability because the lease commencement date was after 1 September 2019, and the difference in the methodology applied to discount the operating lease commitment compared to the lease liability recognised in the financial statements.

Key areas of judgement in applying IFRS 16

Substantive substitution rights

Judgement is involved 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 Company. In such cases, management has concluded that there is not an identified asset and therefore such contracts are outside the scope of IFRS 16. For these contracts, the Company recognises the payments as an operating expense on a straight-line basis over the term of the contract unless another systematic basis is more representative of the time pattern in which economic benefits from the underlying contract are consumed. The value of such contracts excluded from the lease liability on transition to IFRS 16 is £317,804,000.

Determination of Incremental Borrowing Rate (IBR)

The application of IFRS 16 required judgement around the calculation of the IBR. This has been determined on a lease-by-lease basis based on the right-of-use asset in a similar economic environment and taking into account the risk-free rate, adjusted for factors such as the credit rating and the lease term.

1. Accounting policies (continued)

Key areas of judgement in applying IFRS 16 (continued)

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.

Impairment assessment

The right-of-use asset is tested for impairment on a lease-by-lease basis as at the transition date in accordance with IAS 36 where the practical expedient has not been taken. Each store is regarded to be a cash-generating unit. In estimating the future net cash flow, judgement is made around the lease term and estimated profit growth which is based on the underlying economics of the individual stores such as the store contribution and location. As part of estimating the value-in-use, future cash flows for each store are discounted based on the Company's weighted average cost of capital which is determined based on factors such as risk-free rate and risk premium.

The Company has recorded an impairment of £968,000 to the right-of-use assets and property, plant and equipment with a corresponding adjustment to the opening reserves. The impairment predominantly resulted from the application of different discount rates in line with the applicable accounting standards. IFRS 16 requires the use of an incremental borrowing rate based on which the right-of-use assets is recorded whereas the value-in-use calculation under IAS 36 requires the cash flow to be discounted using a pre-tax discount rate, for which we have used the pre-tax weighted average cost of capital. The application of these standards caused an impairment on numerous right-of-use assets and fixed assets.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services to customers (which is the most significant revenue stream), sale of wholesale goods to franchisees, and commission and fee income on concession and franchise arrangements. Revenue excludes discounts, estimated returns, VAT and other sales-related taxes.

Revenue is recognised when performance obligations have been met and control of the goods has transferred to the customer. The majority of the Group's sales are for standalone products made direct to customers at standard prices either in-store, online or through franchisees, where there is a single performance obligation.

For in-store transactions, control of the goods is deemed to have transferred to the customer at the point of sale. For online transactions and wholesale sale of goods to franchisees, control is deemed to have transferred to the customer at the point of delivery of the goods.

Supplier income

The Group receives income from its suppliers in the form of supplier incentives and discounts (collectively "Supplier incomes"). These incomes are recognised as a deduction from cost of sales on an accruals basis as they are earned for each supplier contract. The level of complexity and judgement is low in relation to establishing the accounting entries and estimates, and the timing of recognition. Supplier incomes that have been invoiced but not received at the period end are recognised in Trade receivables or in Trade payables where we have the right of offset. Incomes that have been earned but not yet invoiced are accrued and are recorded in Prepayments and accrued income.

Interest payable

Interest payable and similar charges are recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

1. **Accounting policies (continued)**

Inventories

Inventory comprises goods for resale and are stated at the lower of cost and net realisable value. Consignment stocks are not included within stocks held by the Company. Inventories are valued using a weighted average cost method and retail accounting method.

Cost is calculated to include, where applicable, duties, handling, transport and directly attributable costs including a deduction for applicable supplier income) in bringing the inventories to their present location and condition. Net realisable value is based on estimated normal selling prices less further costs expected to be incurred in selling and distribution. Cost of inventories includes the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

Provisions are made for obsolescence, markdown and shrinkage.

Leases

The Company has applied IFRS 16 using the modified retrospective transition approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below and on the following page.

Policies applicable from 1 September 2019

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 right-of-use asset and a corresponding 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.

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.

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.

1. Accounting policies (continued)

Policies applicable from 1 September 2019 (continued)

The Company as a lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) 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 right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the lease term. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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 and the right-of-use asset. 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 (see Note 14).

The Company has applied the Amendment to IFRS 16 issued in June 2020, and endorsed by the EU in October 2020. This practical expedient allows the impact on the lease liability of temporary rent reductions/waivers affecting rent payments due on or before June 2021, 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 as an intermediate lessor with respect to some of its property leases. It accounts for the head lease and the sublease as two separate contracts. The sublease is classified as finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

1. Accounting policies (continued)

Policies applicable prior to 1 September 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

1. **Accounting policies (continued)**

Investments in subsidiaries, associates and joint ventures

Investments in subsidiary undertakings, associates and joint ventures are accounted for at cost less, where appropriate provisions for impairment. The carrying value of investments in group undertakings is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation is charged so as to write off the costs of assets, other than land, over their estimated useful lives, using the straight-line method, with the annual rates applicable to the principal categories being:

- Short-term leasehold – over the period of the leases or their estimated remaining lives if less;
- Fixtures and fittings – up to ten years;
- Equipment and vehicles - five to ten years.

The residual values of property, plant and equipment are reassessed on an annual basis.

At each balance sheet date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell, if higher. Any impairment in value is charged to the statement of profit or loss and other comprehensive income in the period in which it occurs.

Intangible assets

a) Goodwill

Goodwill represents the excess of the fair value of purchase consideration over the net fair value of identifiable assets and liabilities acquired.

Goodwill is recognised as an asset at cost and subsequently measured at cost less accumulated impairment. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. The carrying value of goodwill is reviewed for impairment at least annually or where there is an indication that goodwill may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis. Any impairment is recognised immediately in the statement of profit or loss and other comprehensive income and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

The directors have concluded that goodwill arising on acquisitions should not be amortised as it has an indefinite useful economic life. The goodwill is considered to have an indefinite durability that can be demonstrated and its value can be readily measured. The acquired business operates in a long standing and profitable market sector.

The non-amortisation of goodwill constitutes a departure from Companies Act 2006 Schedule 4 paragraph 21, for the overriding purpose of giving a true and fair view of the Company's results under s393. If the goodwill arising on acquisition had been written off over 20 years, the operating loss would have increased by £12,509,000 in the year to 31 August 2020 (2019: £12,509,000) and goodwill would have decreased by £150,108,000 (2019: £137,599,000).

1. **Accounting policies (continued)**

Intangible assets (continued)

b) Other intangible assets

Other intangible assets includes software and tenancy rights. The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. These intangibles are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method, and is recorded in Distribution costs or Administrative expenses depending on the nature of the underlying asset. The estimated lives are usually a period of up to five years. Tenancy rights are valued at cost and amortised over their useful life, and the amortisation is recorded in Administrative expenses, unless the asset can be demonstrated to have an indefinite life.

Financial instruments

a) Trade receivables

Trade receivables are measured at fair value at initial recognition, do not carry any interest and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement.

Allowances for doubtful debts are recognised based on management's expectation of losses, without regard to whether an impairment trigger has occurred or not (an 'expected credit loss' model under IFRS 9).

b) 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.

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.

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 are recorded at the proceeds received, net of direct issue costs.

Government grants and government assistance

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 profit or loss 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 research and development expenditure is disclosed in Note 4 and in relation to the UK Government's Job Retention Scheme is disclosed in Note 5. In addition, the Company has benefited from government assistance in the form of business rates relief of £3,474,000 in the year (2019: £nil).

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 Travel Limited's functional and presentation currency.

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

2. Critical accounting judgements and sources of estimation uncertainty

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

The most critical accounting judgements and estimates in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgement. These relate to valuation of goodwill and acquired intangible assets and inventory valuation and lease recognition.

a) Goodwill, intangible assets and property, plant and equipment impairment reviews

The Company is required to review goodwill annually to determine if any impairment has occurred (see Note 12). Value-in-use calculations require the use of estimates in relation to future cash flows and suitable discount rates.

Property, plant and equipment (see Note 13) and intangible assets (see Note 11) are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

b) Inventory valuation

Inventory is carried at the lower of cost and net realisable value which requires the estimation of the eventual sales price of goods to customers in the future. Any difference between the expected and the actual sales price achieved will be accounted for in the period in which the sale is made.

c) Impairment of investments in subsidiary undertakings

Investments in subsidiary undertakings 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. See Note 15 for further information, including sensitivity analysis where relevant.

d) Carrying value of loans and receivables

The Company reviews its loans and receivables from Group undertakings 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.

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

The Company has included a charge £5,315,000 (2019: £5,535,000) in its income statement in respect of expected credit losses, principally in relation to amounts receivable from its Australian, French and German subsidiaries.

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. At the balance sheet date, a total provision for expected credit losses of £10,850,000 exists on the balance sheet. Of this total, £7,438,000 relates to loans that have been assessed to be credit impaired, and are therefore the carrying value of these loans has been reduced to £nil.

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 entity. The estimated cash flow is mainly derived from the latest Board approved three year plan, as adjusted for more recent information where applicable.

If the estimated future cash flow was 10% lower than expected during the recovery scenario, the expected credit loss charge to the Company's income statement would be £66,000 higher. The expected credit loss is relatively insensitive to changes in forecast cash flows as a large proportion of the existing expected credit loss arises on credit impaired balances.

e) 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. For these contracts, the Group recognises the payments as an operating expense on a straight-line basis over the term of the contract unless another systematic basis is more representative of the time pattern in which economic benefits from the underlying contract are consumed. The value of such contracts excluded from the lease liability on transition to IFRS 16 is £317,804,000, see Note 1.

f) 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.

g) Determination of Incremental Borrowing Rate ('IBR')

The application of IFRS 16 requires judgement around the calculation of the IBR. This is determined on a lease-by-lease basis based on the right-of-use asset in a similar economic environment and taking into account the risk-free rate, adjusted for factors such as credit rating and lease term.

3. Revenue

Substantially all revenue is from sales of goods and arises in the United Kingdom from retailing.

4. Other operating income

Other operating income recognised in the year ended 31 August 2020 of £5,000 (2019: £13,000 income) relates to government grants in respect of research and development expenditure.

5. Operating (loss) / profit

Operating (loss) / profit is stated after charging / (crediting):

	2020 £'000	2019 £'000
Depreciation and impairment of owned tangible assets	14,916	10,625
Amortisation and impairment of intangible assets	2,649	2,201
Cost of inventories recognised as an expense	131,200	191,998
Write-downs of inventory in the year	1,815	1,301
Impairment of investments in subsidiaries	10,563	-
Impairment of investments in joint ventures	1,944	-
Expected credit losses on loans and receivables (Note 2)	5,315	5,535
Foreign exchange losses / (gains)	706	(95)
Government grant income	(10,918)	-
Net operating lease charges:		
- land and buildings	51,875	102,873
Auditors' fees		
- fees payable to Company's auditors for the audit of the Company's annual financial statements	10	9

There are no non-audit fees (2019: £nil). Statutory disclosures in respect of non-audit fees are given in the consolidated financial statements of WH Smith PLC.

6. Income from shares in group undertakings

During the year the Company received dividends totalling £2,988,000 (2019: £2,303,000) from other Group companies.

7. Finance (costs) / income

	2020 £'000	2019 £'000
Investment income:		
Interest receivable from other Group companies	517	644
	517	644
Finance costs:		
Other interest payable and similar expenses	(516)	(879)
Interest on lease liabilities	(1,109)	
Finance costs	(1,108)	(235)

8. Employees and staff costs

The Company has no employees under contracts of service but does utilise the services of employees employed by another Group company, WH Smith Retail Holdings Limited, the costs and number of employees of which are recharged to the Company as follows.

	2020 £'000	2019 £'000
Staff costs		
Wages and salaries	43,982	54,323
Social security costs	3,544	3,916
Employee share schemes	(309)	(223)
Other pension costs	889	847
	48,106	**58,863**

	2020 No.	2019 No.
Monthly average number of employees (Retailing)	**3,374**	**3,388**

The amounts recognised as an expense for defined contribution pension schemes was £889,000 (2019: £847,000).

9. Directors' remuneration

The remuneration of C Cowling and R J Moorhead is paid by a fellow Group company and no allocation of their services, as directors of WH Smith Travel Limited and other Group companies, is made. C Cowling and R J Moorhead are directors of the parent company 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. Accordingly, no disclosure in respect of the remuneration of C Cowling and R J Moorhead is made. The remuneration of C Cowling and R J Moorhead is included in the directors' emoluments disclosed in the consolidated financial statements of WH Smith PLC.

I Houghton received no remuneration in respect of his services as a director of the Company during the year (2019: £nil).

10. Tax on (loss) / profit

a) Tax expense included in profit and loss

	2020 £'000	2019 £'000
Current tax:		
Current tax on (losses) / profits for the year	(4,829)	17,849
Adjustments in respect of prior years	(1,018)	(460)
	(5,847)	17,389
Deferred tax:		
Origination and reversal of timing differences	(1,267)	(331)
Adjustments in respect of prior years	458	(204)
Tax on profit	**(6,656)**	**16,854**

Reconciliation of the tax charge

The tax assessed for the year is the lower (2019: lower) than the standard rate of corporation tax in the UK (2020: 19.00%, 2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	(47,374)	85,207
Tax on profit before taxation at the UK rate of corporation tax of 19.00% (2019: 19.00%)	(9,001)	16,189
Non-taxable income	(583)	(458)
Expenses not deductible for tax purposes	3,488	1,787
Adjustments in respect of prior years	(560)	(664)
Total tax charge	**(6,656)**	**16,854**

10. *Tax on (loss) / profit (continued)*

b) Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting years:

	Accelerated capital allowances	Leases	Short-term timing differences	Total
	£'000	£'000	£'000	£'000
At 1 September 2019	1,232	-	402	1,634
Amounts credited / (charged) to the income statement	1,237	(17)	47	1,267
Adjustments in respect of prior years	(121)	-	(337)	(458)
Amounts recognised in equity	-	191	-	191
At 31 August 2020	**2,348**	**174**	**112**	**2,634**
At 1 September 2018	650	-	449	1,099
Amounts credited / (charged) to the income statement	378	-	(47)	331
Adjustments in respect of prior years	204	-	-	204
At 31 August 2019	**1,232**	-	**402**	**1,634**

	2020	2019
	£'000	£'000
Deferred tax assets	2,634	1,634

The UK corporation tax rate has been 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% (rather than remaining at 19%). As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, to increase the deferred tax asset by £832,000.

11. Intangible assets

	Tenancy rights £'000	Software £'000	Total £'000
Cost			
At 1 September 2019	7,171	19,032	26,203
Additions	192	3,664	3,856
Disposals	-	(8)	(8)
At 31 August 2020	**7,363**	**22,688**	**30,051**
Accumulated amortisation			
At 1 September 2019	3,296	10,733	14,029
Amortisation charge	81	2,565	2,646
Impairment charge	-	3	3
Disposals	-	(8)	(8)
At 31 August 2020	**3,377**	**13,293**	**16,670**
Net book value			
At 31 August 2020	**3,986**	**9,395**	**13,381**
At 31 August 2019	3,875	8,299	12,174

Intangible assets relate to certain tenancy rights and are being amortised over the life of the lease to which they relate, or are considered to have an indefinite useful economic life, and are therefore not amortised. These assets are reviewed annually for impairment (see Note 13). Other intangible assets relate to software and are being amortised over five to ten years. Amortisation is included in the statement of profit or loss and other comprehensive income in Distribution costs or Administrative expenses depending on the nature of the asset.

12. Goodwill

	£'000
Cost	
At 1 September 2019 and 31 August 2020	**250,179**
Accumulated amortisation	
At 1 September 2019 and 31 August 2020	-
Net book value	
At 31 August 2019 and 31 August 2020	**250,179**

Goodwill has arisen on the acquisition of the trade and assets of the travel business from WH Smith Travel Holdings Limited (formerly WH Smith Retail Limited). Goodwill is considered to have an indefinite useful economic life and is therefore not amortised.

Goodwill has been tested for impairment by comparing the carrying amount of each group of CGUs, including goodwill, with the recoverable amount determined from value-in-use calculations. The value-in-use of the group of CGUs has been calculated using cash flows derived from the Company's latest Board-approved budget and three year plan and taking into account the projected impact of Covid-19. The forecasts reflect knowledge of the current market, together with the Company's expectations on the future achievable growth and committed store openings.

12. Goodwill (continued)

Cash flows beyond the initial forecast period extended to the end of the lease term for each CGU before extrapolating a terminal value using estimated long-term growth rates. This extended period of time is required to establish a normalised cash flow base on which a terminal value calculation can be appropriately calculated. The main reasons for cash flow adjustments include the need to forecast lease renewals under IFRS 16.The key assumptions on which the forecast three-year cash flows of the CGUs are based include sales and the pre-tax discount rate. Other assumptions in the model relate to gross margin, cost inflation and longer-term growth rates.

The forecasts used in the impairment review are based on management's best estimate of revenue reductions versus a 'pre-Covid' base, and the recovery in revenue over the forecast period. In developing these forecasts, management have used available information, including historical knowledge of the store level cash flows, and knowledge gained during the pandemic up to the year end date.

Store revenue is assumed to be down around 65 per cent on average across all formats, recovering to around 40 per cent down by the end of the next financial year. The second and third years of the three year plan include further gradual recoveries across all locations.

The pre-tax discount rates are derived from the WH Smith Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include the risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rate used in the calculation was 8.9 per cent (2019: 10 per cent).

A sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be possible by management. This included an increase in the discount rate of up to 1 per cent and a decrease in the long term growth rate of up to 1 per cent. The sensitivity analysis shows that no impairment would arise under each scenario.

After the year end, the UK Government announced further lockdowns. We have concluded that this is a non-adjusting post balance sheet event. See Note 25 for the estimated financial impact of these announcements.

13. Property, plant and equipment

	Short-term leasehold £'000	Equipment and vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 September 2019	52,202	30,511	35,180	117,893
Additions	5,979	3,420	2,007	11,406
Disposals	(209)	(128)	(90)	(427)
At 31 August 2020	**57,972**	**33,803**	**37,097**	**128,872**
Accumulated depreciation				
At 1 September 2019	32,304	17,008	16,857	66,169
IFRS 16 Transitional Adjustments	122	43	74	239
Charge for the year	5,096	3,062	2,915	11,073
Impairment	1,429	1,096	1,318	3,843
Disposals	(209)	(128)	(90)	(427)
At 31 August 2020	**38,742**	**21,081**	**21,074**	**80,897**
Net book value				
At 31 August 2020	**19,230**	**12,722**	**16,023**	**47,975**
At 31 August 2019	19,898	13,503	18,323	51,724

The net book value of assets held under finance leases within equipment and vehicles in the prior year was £nil.

Property, plant and equipment (along with Intangible assets) has been tested for impairment by comparing the carrying amount of each store with the recoverable amount determined from value-in-use calculations. The main assumptions used in the impairment assessment are detailed in Note 12, including the discount rate used. The result of the impairment resulted in an impairment of £3,843,000 to property, plant and equipment and £3,000 to intangible assets.

After the year end, the UK Government announced further lockdowns. We have concluded that this is a non-adjusting post balance sheet event. See Note 25 for the estimated financial impact of these announcements.

14. Leases

	Total £'000
Right-of-use assets	
- Property	49,354
At 31 August 2020	**49,354**

During the year, addition to the right-of-use assets is £8,369,000 which include new leases, extensions to the existing lease and lease modifications.

14. Leases (continued)

	Total £'000
Lease liability	
- Current	18,288
- Non-current	49,953
At 31 August 2020	**68,241**

Amounts recognised in profit or loss	**£'000**
Depreciation on right-of-use assets	
- Property	14,763
Impairment of right-of-use assets	
- Property	11,417
Interest on lease liability	1,109
Income relating to Covid-19 rent reductions	(3,380)
Expense relating to short term lease	3,726
Expense relating to variable leases	1,783

The total cash outflow for leases in the financial year was £13,881,000

15. Investments in subsidiaries, associates and joint ventures

	2020			2019		
	Investments in subsidiaries £'000	Investments in associates and joint ventures £'000	Total £'000	Investments in subsidiary undertakings £'000	Investments in associates and joint ventures £'000	Total £'000
Cost						
At 1 September	18,943	2,065	21,008	18,943	1,582	20,525
Additions	6,067	-	6,067	-	483	483
At 31 August	**25,010**	**2,065**	**27,075**	**18,943**	**2,065**	**21,008**
Provision for Impairment						
At 1 September	-	-	-	-	-	-
Impairment	(10,563)	(1,944)	(12,507)	-	-	-
At 31 August	**(10,563)**	**(1,944)**	**(12,507)**	-	-	-
Net book value						
At 31 August	**14,447**	**121**	**14,568**	**18,943**	**2,065**	**21,008**

Impairment of investments in subsidiaries relates to the Company's subsidiary in Singapore. A value in use calculation of the subsidiary noted that forecast cash flow is not sufficient to support the carrying value of the investment. Consequently, an impairment of £10,563,000 is recognised representing the full carrying value of the investment.

The Company did not record an impairment of its investment in its Australian subsidiary as the calculated value in use exceeded the carrying value of the investment. A sensitivity analysis was performed demonstrating that a

15. Investments in subsidiaries, associates and joint ventures (continued)

1% increase in the discount rate (from 8.9% to 9.9%) would have resulted in an impairment of £160,000. A reduction in the long term growth rate from 2% to 0% would have resulted in an impairment of £2,929,000.

The Company is party to a number of joint ventures. The impairment of investment in associates and joint ventures principally arises due to the WH Smith Group's decision to exit the Brazilian market.

A listing of directly held subsidiaries and joint ventures is provided below. In addition, at 31 August 2020 the Company indirectly owned the entire issued share capital Wild Retail Group Pty Limited, a retailing company incorporated in Australia (registered address: Suite 401, Level 4, 72-80 William Street, Woolloomooloo, NSW 2011 Australia).

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 (Qatar) Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith Australia Pty Limited	Australia	2	Ordinary	100	100	Retailing
WH Smith Austria GmbH	Austria	3	Ordinary	100	100	Retailing
WH Smith - DFA Brasil Cafeteria, Livraria E Conveniencia Eireli	Brazil	4	Ordinary	50	50	Retailing
WH Smith Germany GmbH	Germany	5	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	8	Ordinary	49	100	Retailing
WH Smith LLC	Oman	9	Ordinary	50	50	Retailing
WH Smith Malaysia SDN BHD	Malaysia	10	Ordinary	50	50	Retailing
WH Smith Nederland B.V.	Netherlands	11	Ordinary	100	100	Retailing
WH Smith Singapore Pte. Limited	Singapore	12	Ordinary	100	100	Retailing
WH Smith Spain S.L.	Spain	13	Ordinary	100	100	Retailing

Address references:

1	Greenbridge Road, Swindon, Wiltshire SN3 3RX
2	Suite 401, 80 William Street, Woolloomooloo NSW 2011, Australia
3	Brucknerstrasse 2/4, 1040 Vienna, Austria
4	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640-102, Rio de Janeiro, RJ, Brazil
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	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
9	PO Box 3275, PC112, Ruwi, Oman
10	C2-6-1, Solaris Dutamas, 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
11	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
12	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910
13	Paseo de Recoletos, 27, 7ª, 28004, Madrid, Spain

16. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	7,480	15,594
Amounts owed by group undertakings	284,011	186,424
Lease receivables – amounts owed by group undertakings	759	-
Other receivables	1,619	1,307
Prepayments and accrued income	3,737	8,868
	297,606	212,193
Amounts falling due after more than one year:		
Lease receivables – amounts owed by group undertakings	2,942	-
Prepayments and accrued income	1,626	2,113
	302,174	214,306

All amounts owed by group undertakings are non-interest bearing and repayable on demand.

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

	2020 £'000	2019 £'000
Trade payables	9,843	38,537
Amounts owed to group undertakings	259,503	117,473
Corporation Tax	-	9,285
Other taxation and social security	5,755	7,658
Other payables	15,479	22,012
Accruals and deferred income	17,675	11,716
	308,255	206,681

All amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

18. Dividends on equity shares

	2020 £'000	2019 £'000
Amounts recognised as distributions to preference shareholders in the year	-	13,697
Amounts recognised as distributions to ordinary shareholders in the year	-	56,303
	-	70,000

There were no dividends declared for the year ended 31 August 2020. Interim preference dividends for the year ended 31 August 2019 of 7.1p per share. The non-redeemable preference shares take priority over ordinary shares, and the dividend payable is calculated at the rate of 12 month LIBOR (as determined at 1 September prior to the dividend payment date) plus 7.875 per cent, per annum on the capital paid up on that share. The dividend is calculated on a compound basis from day to day, and paid annually on 31 August. Interim ordinary dividend for the year ended 31 August 2019 of 58.6p per ordinary share.

19. Called up share capital

	2020		2019	
	Number of shares '000	Nominal value £'000	Number of shares '000	Nominal value £'000
Allotted and fully paid				
Ordinary shares of £1 each	96,000	96,000	96,000	96,000
Non-redeemable preference shares of £1 each	193,000	193,000	193,000	193,000
	289,000	**289,000**	**289,000**	**289,000**

On 1 September 2008, 96,000,000 ordinary shares of £1 each were issued to WH Smith Travel 2008 Limited as part of the Group reorganisation, for a consideration of £96,000,000. On 31 August 2009, 193,000,000 fully paid preference shares of £1 each were issued to WH Smith Travel 2008 Limited in exchange for repayment of the loan and accrued interest on the loan of £231,460,000 made to the Company by WH Smith Travel 2008 Limited, which gave rise to share premium of £38,460,000.

20. Capital commitments

Contracts placed for future capital expenditure approved by the directors but not incurred in these financial statements amounts to £3,061,000 (2019: £5,471,000).

21. Contingent liabilities

	2020 £'000	2019 £'000
Bank guarantees	13,649	16,777
	13,649	**16,777**

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

The Company is also a guarantor, alongside WH Smith Retail Holdings Limited and WH Smith High Street Limited, on two 4-year committed term loans of £200 million each due to mature on 29 October 2022 and 17 October 2022 respectively. After the period end the maturity of these two loans was extended to 29 October 2023 and 17 October 2023 respectively.

The Company is also a guarantor in respect of certain obligations of WH Smith Hospitals Limited (a fellow Group company) in relation to the UNS Group defined benefit pension scheme.

22. 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.

23. Total commitments under operating leases (Prior year – IAS 17)

The below disclosure is only in relation to the comparative figure for the year ended 31 August 2019. This disclosure is no longer required since the implementation of IFRS 16 'Leases' on the initial date of application, 1 September 2019.

Land and buildings
Minimum lease payments under non-cancellable operating leases are payable as follows:

	2019
	£
- Within one year	1,707,994
- Between two and five years	5,425,464
- After five years	15,288
	7,148,746

24. Ultimate parent company

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

The immediate parent company is WH Smith Travel 2008 Limited, a company registered in England and Wales.

Copies of both sets of financial statements are available from:

The Company Secretary

WH Smith PLC
Greenbridge Road
Swindon
Wiltshire
SN3 3RX

25. Events after the balance sheet date

Since the balance sheet date, the ongoing impact of the Covid-19 pandemic has resulted in a second lockdown across England in November 2020 and further lockdowns of varying levels across the UK in the period from January to May 2021, as well as continuing international travel restrictions. The directors have performed an assessment of these government actions on the Company to ascertain if this constitutes an adjusting post balance sheet event under IAS 10 'Events after the Reporting Date'. Following this review, the directors have concluded that the above events are non-adjusting.

The directors have performed an assessment of the impact of the further lockdowns on the value-in-use calculations used in the impairment assessments of goodwill, property, plant and equipment, intangible assets and right-of-use assets. The impact on the Company's income statement is an additional impairment charge on property, plant and equipment, intangible assets and right of use assets of £1,346,000. The impairment has arisen due to the additional lockdowns slowing the recovery in airport passenger numbers, and commuters through railway stations, resulting in a slower than expected recovery in revenue in the Travel stores.

On 9 March 2021, the Group extended the maturity of its two existing £200m Term Loans to October 2023 and agreed a new minimum liquidity covenant for both the August 2021 and February 2022 covenant tests. The previously agreed covenant waiver for February 2021 remained unchanged. These changes enabled the Group to cancel its existing £120m liquidity loan which was undrawn and due to expire in November 2021.

25. Events after the balance sheet date (continued)

Further to the above changes, on 28 April 2021 the Group announced new financing arrangements which include a £250m RCF (increased from £200m), on which the Company is a guarantor, with an extended maturity from 2023 to 2025 and provided by an expanded syndicate of lending banks. This facility, and the term loan outlined below, carries a minimum liquidity covenant for August 2021, February 2022 and August 2022 (which supersedes the previous covenants described above).

As part of the financing arrangements, the Group launched an offering of convertible bonds maturing in 2026. The convertible bonds raised £327m and provide £50m of new capacity for the Group to fund the opening of c.100 new Travel stores won and yet to open over the next three years and new growth opportunities. The remainder of the proceeds have been used to partially pay down the existing £400m of term loans from both the MRG and InMotion acquisitions. The maturity of the remaining term loan, on which the Company is a guarantor, has also been extended from 2023 to 2025 in line with the RCF.