

Company Registration No. 6560390

WH Smith Travel 2008 Limited

Annual Report and Unaudited Financial Statements

31 August 2020

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WH Smith Travel 2008 Limited

Annual report and financial statements 31 August 2020

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WH Smith Travel 2008 Limited

Annual report and financial statements 31 August 2020

Officers and professional advisers

Directors

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

Company Secretary

I Houghton

Registered Office

Greenbridge Road
Swindon
Wiltshire
England
SN3 3RX

WH Smith Travel 2008 Limited

Directors' report

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

Directors

The names of the present directors of the Company and who served throughout the year and up to the date of signing are shown on page 1.

Directors' indemnities

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

Results and dividends

The unaudited financial statements for the year ended 31 August 2020 are set out on pages 9 to 19. The financial statements have been prepared under Financial Reporting Standard 101 ("FRS 101").

As shown in the Statement of profit or loss and other comprehensive income on page 9, the Company's profit for the financial year ended 31 August 2020 was £27,000 (2019: £76,527,000).

During the prior year the Company paid dividends of £76,500,000 to its immediate parent company, WH Smith Travel Holdings Limited, and received dividends from subsidiary undertakings of £76,500,000. No dividends were paid or received during the year ended 31 August 2020.

Future developments

Details on the future developments of the Company are given in the Strategic report on pages 4 to 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 2008 Limited

Directors' report (continued)

Going concern and financial risk management

Disclosures in respect of financial risk management are given in the Strategic report on pages 6 and 7. Disclosures in respect of going concern are given in the Strategic report on pages 7 and 8, and in Note 1 of the financial statements.

This report was approved by the Board of Directors on 24 May 2021.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Robert J Moorhead', with a stylized flourish at the end.

Robert J Moorhead
Director

WH Smith Travel 2008 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 during the current and prior years were a holding company for a group of trading and non-trading companies.

As shown in the Company's Statement of profit or loss and other comprehensive income on page 9, the Company's profit for the financial year ended 31 August 2020 was £27,000 (2019: £76,527,000).

The balance sheet on page 10 of the financial statements shows that the Company's net asset position is £314,841,000 (2019: £314,814,000), an increase of £27,000, reflecting the profit for the year. Details of the amounts owed by and to other group undertakings are shown in Notes 7 and 8 on page 18.

The Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, of which this Company is a part, is discussed in the WH Smith PLC Annual Report and Accounts 2020, which does not form part of this Report.

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 2008 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 minimum liquidity covenants for August 2021 and February 2022.

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. This was in addition to existing facilities. The Group 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. 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.

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 number of Covid-19 patients in hospitals has reduced, we have seen an improvement in our hospital performance as hospitals return to general medical care. 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, with an improvement in the Travel business, led by the recovery in North America.

WH Smith Travel 2008 Limited

Strategic report (continued)

Events after the balance sheet date (continued)

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 2008 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 2008 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.
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.

WH Smith Travel 2008 Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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

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 in the Group's Annual Report and Accounts 2020, which does not form part of this report, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

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

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. The amounts included in the balance sheet are net of allowances for doubtful receivables.

WH Smith Travel 2008 Limited

Strategic report (continued)

Financial Risk Management (continued)

Credit risk (continued)

The carrying amount of financial assets recorded in the financial statements represents the Group'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.

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.

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

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.

WH Smith Travel 2008 Limited

Strategic report (continued)

Going concern and future developments (continued)

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure and borrowing facilities, as outlined above. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements. No changes in its principle activities are foreseen.

This report was approved by the Board on 24 May 2021.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Robert J Moorhead', followed by a horizontal line.

Robert J Moorhead
Director

WH Smith Travel 2008 Limited

Statement of profit or loss and other comprehensive income Year ended 31 August 2020

		2020 £'000	2019 £'000
Operating result	3	-	-
Income from shares in group undertakings		-	76,500
Interest receivable and similar income	4	27	27
Profit before taxation		<u>27</u>	<u>76,527</u>
Tax on profit	5	-	-
Profit for the financial year		<u>27</u>	<u>76,527</u>
Other comprehensive result for the year		-	-
Total comprehensive income for the year		<u><u>27</u></u>	<u><u>76,527</u></u>

All results are derived from continuing operations.

WH Smith Travel 2008 Limited

Balance sheet As at 31 August 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments	6	308,400	308,400
Current assets			
Trade and other receivables: amounts falling due within one year	7	91,441	91,414
		<u>91,441</u>	<u>91,414</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	8	(85,000)	(85,000)
		<u>6,441</u>	<u>6,414</u>
Net current assets		<u>314,841</u>	<u>314,814</u>
Total assets less current liabilities		<u>314,841</u>	<u>314,814</u>
Net assets		<u>314,841</u>	<u>314,814</u>
Equity			
Called up share capital	10	308,400	308,400
Retained earnings		6,441	6,414
Total shareholders' funds		<u>314,841</u>	<u>314,814</u>

The notes on pages 12 to 19 are an integral part of these financial statements.

For the year ending 31 August 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements of WH Smith Travel 2008 Limited, registered number 6560390, on pages 9 to 19, were approved by the Board of Directors and authorised for issue on 24 May 2021.

Signed on behalf of the Board of Directors



Robert J Moorhead
Director

WH Smith Travel 2008 Limited

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

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 September 2018	308,400	6,387	314,787
Profit for the financial year	-	76,527	76,527
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	76,527	76,527
Dividends (Note 9)	-	(76,500)	(76,500)
Balance as at 31 August 2019	308,400	6,414	314,814
Balance as at 1 September 2019	308,400	6,414	314,814
Profit for the financial year	-	27	27
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	27	27
Balance as at 31 August 2020	308,400	6,441	314,841

WH Smith Travel 2008 Limited

Notes to the financial statements Year ended 31 August 2020

1. Accounting policies

A summary of the principal accounting policies is set out below.

General information

WH Smith Travel 2008 Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

Accounting convention

The financial statements of WH Smith Travel 2008 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 and are in compliance with the Companies Act 2006 as applicable to companies applying FRS 101 and applicable United Kingdom law and accounting standards.

All accounting policies have been applied consistently in the current year and the prior year, except as noted below and under "new standards adopted in the year."

Basis of preparation

The financial statements are for the year ended 31 August 2020. The prior year financial statements were for the year ended 31 August 2019.

The Company is a wholly owned subsidiary of WH Smith Travel Holdings Limited and of its ultimate parent, WH Smith PLC. It is included in the consolidated financial statements of WH Smith PLC which are publically 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 12.

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.

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

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, as outlined above. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements. No changes in its principle activities are foreseen.

New standards adopted in the year

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

- 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

Investments

Investments in subsidiaries 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.

Taxation

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.

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 subsidiaries are recorded in the statement of profit or loss and other comprehensive income in the period in which they are received.

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

1. Accounting policies (continued)

Interest receivable

Interest receivable is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Financial instruments

a) Trade receivables

Trade receivables are measured at initial recognition, do not carry any interest and are stated at their fair value and are subsequently measured at amortised cost using the effective interest rate method. 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) 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.

c) Equity instruments

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

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 judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting policies in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgement. These are set out below.

a) 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.

b) Carrying value of loans and receivables

The Company reviews its 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. In the current and prior year, the available financial information of the counterparty entities was reviewed and it was concluded that the counterparties were capable of settling the amounts owed to the Company on demand from readily accessible liquid funds. The factors taken into account in making this judgement included the available cash on the balance sheet of the counterparties, and the amount of funds to which the counterparty had access at the balance sheet date.

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

3. Operating result

The Company has no employees (2019: none). The remuneration of S Clarke, C Cowling and R J Moorhead is disclosed in the consolidated financial statements of WH Smith PLC for the year ended 31 August 2020 and no allocation of their services, as directors of WH Smith Travel 2008 Limited and other Group companies, is made. None of the other directors received any remuneration in either the current or the previous year in respect of their services to the Company.

For the year ending 31 August 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies, and therefore no audit fees were incurred. Auditors' remuneration for the prior year ended 31 August 2019 amounted to £1,500, all of which was for the audit of the Company's annual financial statements, and was paid by another group company and not recharged. There were no non-audit fees.

Statutory disclosures in respect of non-audit fees for the group are given in the consolidated financial statements of WH Smith PLC.

4. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest on preference shares held in group undertakings	27	27

5. Tax on profit

Tax expense included in profit or loss:

	2020 £'000	2019 £'000
Current tax:		
Current tax on profits for the year	-	-
Tax on profit	-	-
Reconciliation of tax charge		
	2020 £'000	2019 £'000
Profit before taxation	27	76,527
Tax on profits at UK rate of corporation tax of 19.00% (2019: 19.00%)	5	14,540
Non taxable income	(5)	(14,540)
Total tax charge	-	-

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 per cent (rather than remaining at 19 per cent). As the proposal to increase the rate to 25 per cent 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, would not be deemed material for the purposes of deferred tax.

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

6. Investments

	£'000
Cost	
At 1 September 2019 and 31 August 2020	308,400
Provision for Impairment	
At 1 September 2019 and 31 August 2020	-
Net book value	
At 31 August 2019 and 31 August 2020	308,400

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

At 31 August 2020, the Company directly owned the entire issued equity share capital of the following companies, which are registered in England and Wales. The registered address of the below companies is Greenbridge Road, Swindon, Wiltshire, SN3 3RX.

Subsidiaries	Nature of business	Class of shares
WH Smith Travel Limited	Retailing	Ordinary shares; non-redeemable preference shares
WH Smith Hospitals Holdings Limited	Holding company	Ordinary shares; redeemable cumulative preference shares; deferred shares

In the opinion of the directors, the value of the Company's investments in the subsidiary is not less than the amount at which they are stated in the balance sheet

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

6. Investments (continued)

At 31 August 2020, the Company indirectly owned the issued equity share capital of the following companies:

Subsidiary	Nature of business	Class of share	Country of incorporation	Percentage owned %	Registered address
WH Smith Ireland Limited	Retailing	Ordinary	Ireland	100	6th Floor, Grand Canal Square, Dublin 2
WH Smith Australia Pty Limited	Retailing	Ordinary	Australia	100	Suite 401, 80 William Street, Woolloomooloo NSW 2011, Australia
WH Smith (Qatar) Limited	Dormant	Ordinary	England and Wales	100	Greenbridge Road, Swindon, Wiltshire, SN3 3RX
WH Smith Singapore Pte. Limited	Dormant	Ordinary	Singapore	100	9 Battery Road #15-01, Straits Trading Building, Singapore 049910
WH Smith Hospitals Limited	Retailing	Ordinary	England and Wales	100	Greenbridge Road, Swindon, Wiltshire, SN3 3RX
Wild Retail Group Pty Limited	Retailing	Ordinary	Australia	100	Suite 401, Level 4, 72-80 William Street, Woolloomooloo, NSW 2011 Australia
WH Smith LLC	Retailing	Ordinary	Qatar	49	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
WH Smith LLC	Retailing	Ordinary	Oman	50	PO Box 3275, PC112, Ruwi, Oman
WH Smith Germany Gmbh	Retailing	Ordinary	Germany	100	Terminal Ring 1, Zentralgebaude Ost, Zi. 5. 035, 40474 Dusseldorf, Germany
WH Smith Spain S.L.U.	Retailing	Ordinary	Spain	100	Paseo de Recoletos 27, 7a, 28004, Madrid, Spain
WH Smith Italia S.R.L	Retailing	Ordinary	Italy	100	Via Borgogna, Cap 20122, Milano, Italy
WH Smith Nederland B.V	Dormant	Ordinary	Netherlands	100	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
WH Smith Austria Gmbh	Retailing	Ordinary	Austria	100	Brucknerstrasse 2/4, 1040 Vienna, Austria
WH Smith Malaysia SDN BHD	Retailing	Ordinary	Malaysia	50	C2-6-1, Solaris Dutamas 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
WH Smith – DFA Brasil Cafeteria, Liraria E Conveniencia Eireli	Retailing	Ordinary	Brazil	50	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640-102, Rio de Janeiro, RJ, Brazil

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

7. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	91,441	91,414

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

8. Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	85,000	85,000

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

9. Dividends on equity shares

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year	-	76,500

Prior year interim dividend for the year ended 31 August 2019 of 24.8p per ordinary share. There are no further dividends proposed.

10. 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	308,400	308,400	308,400	308,400

On 18 August 2008, 19,400,000 ordinary shares of £1 each were issued to satisfy the consideration on the acquisition of the entire issued share capital of WH Smith Hospitals Holdings Limited (formerly UNS Group Limited) from WH Smith Travel Holdings Limited (formerly WH Smith Retail Limited).

On 1 September 2008, 289,000,000 ordinary shares of £1 each were issued to WH Smith Travel Holdings Limited (formerly WH Smith Retail Limited) for a cash consideration of £289,000,000.

11. 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.

WH Smith Travel 2008 Limited

Notes to the financial statements (continued) Year ended 31 August 2020

12. 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 Holdings Limited which is 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

13. 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 and are also not expected to have a material impact on the recognition and measurement of the Company's assets and liabilities.

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.