

**Company Registration No. 471941**

**WH Smith Retail Holdings Limited**

**Annual Report and Financial Statements**

**31 August 2023**

FRIDAY



\*AD0UV2HD\*

A3

12/04/2024

#227

COMPANIES HOUSE

# WH Smith Retail Holdings Limited

---

## Annual report and financial statements 31 August 2023

### Contents

	Page
Officers and professional advisers	1
Directors' report	2
Strategic report	4
Independent auditors' report	8
Profit and loss account	12
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15

# **WH Smith Retail Holdings Limited**

## **Annual report and financial statements 31 August 2023**

### **Officers and professional advisers**

#### **Directors**

C Cowling  
R J Moorhead  
I Houghton

#### **Company Secretary**

I Houghton

#### **Registered Office**

Greenbridge Road  
Swindon  
Wiltshire  
SN3 3RX

#### **Independent Auditors**

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

# WH Smith Retail Holdings Limited

## Directors' report (continued)

The directors present their annual report to shareholders together with the audited financial statements for the year ended 31 August 2023.

### Directors

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

### Directors' indemnities

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

### Results and dividends

As shown in the Company's statement of profit and loss on page 12, the Company's loss for the financial year to 31 August 2023 was £97,641,000 (2022: loss of £35,324,000).

The Company did not pay any dividends in the year (2022: £nil). During the year, the Company received no dividends from subsidiary undertakings (2022: £nil). The directors do not recommend the payment of a final dividend.

### Future developments

The Company is expected to trade profitably in the foreseeable future with dividends from subsidiaries expected to offset costs incurred by the Company. Details on events after the balance sheet date and future developments of the Company are given in the Strategic report on pages 4 to 7.

### Going concern and financial risk management

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

### 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. Should an employee become disabled when working for the Company, we will endeavour to adapt the work environment and provide retraining if appropriate so that they may continue their employment. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability.

### Employee involvement

Employee engagement is supported through clear communication of the Group's performance and objectives. This information is cascaded via team briefings, 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 29 to 35 of the Group's Annual Report and Accounts 2023, 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 29 to 35 of the Group's Annual Report and Accounts 2023, other than having a more limited number of relationships than the Group.

### Corporate governance

The Directors of the Company are committed to achieving the highest standards of Corporate Governance as it underpins the sustainability of the Group's business and the achievement of its strategy. A more detailed explanation of the Group's approach to corporate governance can be found in the Corporate governance report on pages 64 to 71 of the WH Smith PLC Annual Report and Accounts 2023.

# WH Smith Retail Holdings Limited

## --Directors' report (continued) --

### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Directors' confirmations

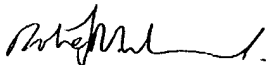
In the case of each director in office at the date the directors' report is approved:

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

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

This report was approved by the Board of Directors on 25 January 2024.

On behalf of the Board



Robert J Moorhead  
Director

# WH Smith Retail Holdings Limited

## Strategic report (continued)

The Strategic report is prepared in accordance with s414c(1) of the Companies Act 2006.

### Principal activities and key performance indicators

The Company is a holding company for a group of trading companies within the WH Smith PLC Group (the “Group”). In addition, the Company is the principal employer of the Group’s defined benefit pension trust, WHSmith Pension Trust, and operates central functions of the WH Smith PLC Group. The Company also employs staff that provide services to other members of the WH Smith PLC Group.

As shown in the Company’s statement of profit and loss on page 12, the Company’s loss for the financial year to 31 August 2023 was £97,641,000 (2022: loss of £35,324,000). The increased loss for the year is mainly driven by an impairment of investment in subsidiaries of £83,575,000 (2022: £nil). The Company received no dividends from subsidiaries in the year (2022: £nil). The balance sheet on page 13 of the financial statements shows that during the year, the Company’s net assets have decreased by £96,516,000 to £752,124,000 (2022: £848,640,000) reflecting the loss in the year.

The Company’s directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, of which this Company is a part, is discussed in the WH Smith PLC Annual Report and Accounts 2023, which does not form part of this Report.

### Business review

WH Smith Retail Holdings Limited is a holding company for the WH Smith PLC Group business, therefore its investments and receivables are exposed to the trading performance of the WH Smith PLC Group entities. During the year, the Company incurred an impairment of £83,575,000 (2022: £nil) its investment in WH Smith High Street Holdings Limited as a result of a reduction in the valuation of that entity. The key drivers of this impairment include a reduction in expected cash generation from the business, as well as an increase to the discount rate from 11.9% in the prior year to 13.2% in the current year.

It has been a year of substantial progress for the Group supported by the Group’s key pillars of strategy and our ongoing forensic approach to retailing across each of our businesses. These include:

- Driving average transaction value. Extending categories and ranges to reflect the specific needs of customers in each location where the Group operates.
- Working with landlords and building on the Group’s strong relationships to create opportunities for winning new business, extending key contracts and improving the quality and location of the space where we operate.
- Maintaining the profitability of our UK High Street business and building the Group’s internet proposition by extending ranges, investing in the Group’s websites, marketing, fulfilment and distribution and building customer engagement through social media.
- Forensic focus on costs and cash management including building flexibility into our leasing arrangements, and investing for growth through disciplined capital allocation.

### Environmental matters

The Group recognises that good environmental management also makes good business sense. The directors are committed to reducing the environmental impact of our business, and measure our performance each year. A copy of our Environmental Policy is available at [www.whsmithplc.co.uk/investors/results-reports-and-presentations/whsmith-company-policies](http://www.whsmithplc.co.uk/investors/results-reports-and-presentations/whsmith-company-policies) and further information with regard to environmental matters is given in the WH Smith PLC Annual Report and Accounts 2023.

### 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 29 to 35 of the Group’s Annual Report and Accounts, which does not form part of this report.

# WH Smith Retail Holdings Limited

## Strategic report (continued)

### Employee matters

The Company employs approximately 11,000 people in the UK, and is proud of its long history of being regarded as a responsible and respected employer. Further information on equal opportunities and employee involvement is given in the Directors' report and information on the Group's Employee policies is available at [www.whsmithplc.co.uk/corporate\\_responsibility/our\\_policies](http://www.whsmithplc.co.uk/corporate_responsibility/our_policies).

The Company operates an HM Revenue & Customs Approved Save-As-You-Earn share option scheme ('Sharesave Scheme') which provides employees with the opportunity to acquire shares in the Company. Approximately 835 employees participate in the scheme.

### Social, Community and Human rights issues

As a leading bookseller and stationer, the Group focuses our community investment on supporting education and life-long learning. Over the year we invested £996,000 into local communities (2022:£868,000). Included in this figure are cash donations, staff time and gifts in kind. The full extent of our community investment activity, measured according to the London Benchmarking Group model, is outlined in the Group's Annual Sustainability Report, available at [www.whsmithplc.co.uk/investors/results-reports-and-presentations/annual-sustainability-reports](http://www.whsmithplc.co.uk/investors/results-reports-and-presentations/annual-sustainability-reports).

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

The Group is committed to good labour standards and respecting the environment in our supply chain. Our Ethical Trading Code of Conduct and Human Rights Policy outlines our expectations of our suppliers. A copy of our Ethical Trading Code of Conduct and Human Rights Policy is available at [www.whsmithplc.co.uk/investors/results-reports-and-presentations/whsmith-company-policies](http://www.whsmithplc.co.uk/investors/results-reports-and-presentations/whsmith-company-policies).

### Principal risks and uncertainties

The WH Smith PLC Group manages its operations, including WH Smith Retail Holdings Limited on a divisional basis and has identified the following factors as the principal risks to the successful performance of the business of the Group. Through its status as a holding company for the WH Smith PLC Group business and as a guarantor of the Group's borrowing facilities as described in Note 20, WH Smith Retail Holdings Limited is therefore exposed to the risks of those trading entities, as follows:

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

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 2023 which does not form part of this report, a copy of which is available on the Group's website at [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk).

All principal business functions compile risk registers 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 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 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.

# WH Smith Retail Holdings Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

WH Smith has no direct operations in countries impacted by current ongoing global conflicts. The Group's business could however be significantly impacted by any further potential escalation of these conflicts or wider geopolitical threats. In addition, while the Group is well prepared for the re-introduction of any possible trading and travel restrictions, there remains a risk that the Group and Company could be negatively impacted by the emergence of new variants of Covid-19 or of other future pandemics. We continue to reflect this potential impact within our various Principal Risk headings, to the extent that these may generate further risks of business interruption, disruption to our supply chain, or result in wider economic and market uncertainty.

The group's risks will continue to evolve in response to future events and new challenges, where further emerging risks may develop that could materially impact the business in the future. Our Risk Forums and Monitoring Framework seek to identify such potential changes in our risk landscape.

### Financial Risk Management

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

The Group's treasury function seeks to reduce exposures to interest rate 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 2023, which does not form part of this report.

#### *Liquidity risk*

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts. The Group has a committed multi-currency revolving credit facility with a number of financial institutions which is available to be drawn for general corporate purposes including working capital. The facility is due to mature on 13 June 2028.

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

#### *Credit risk*

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

The Company has credit risk attributable to its trade and other receivables. The amounts included in the balance sheet are net of allowances for expected credit losses.

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

#### *Interest rate risk*

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

At 31 August 2023, the Company had drawn down £84,000,000 on the Group's committed revolving credit facility (2022: £nil). The increase in the year is principally due to the Company funding the repayment of a £133,000,000 term loan by the Group's parent, WH Smith PLC. The Company draws down on its facility periodically, but does not view any draw down as long-term in nature and therefore does not enter into interest rate derivatives to mitigate this risk.

#### *Foreign currency risk*

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

The Group uses forward foreign exchange contracts to hedge significant future transactions and cash flows denominated in currencies other than pounds sterling. The hedging instruments have been used to hedge purchases in US dollars and to minimise foreign exchange risk in movements of the USD/GBP exchange rates. These are designated as cash flow hedges. At 31 August 2023, the Group had no material un-hedged currency exposures.



# WH Smith Retail Holdings Limited

## Strategic report (continued)

### *Foreign currency risk (continued)*

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

### *Payment policy for suppliers*

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

### **Going concern**

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

The directors report that they have undertaken a rigorous assessment of current performance and forecasts, including expenditure commitments, capital expenditure and borrowing facilities. The Company is loss making in the current year principally due to an impairment of investment in subsidiaries. The Company is also in a net current liabilities position. 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 2023 financial statements.

The Strategic report describes the Company's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Company. The Strategic report of the WH Smith PLC Annual Report and Accounts 2023, which does not form part of this report, also sets out the Group's business activities together with the factors that are likely to affect its future developments, performance and position.

The WH Smith PLC Annual Report and Accounts 2023 also outlines the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures. A copy of the WH Smith PLC Annual Report is available on the Group's website at [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk).

In making the Group's going concern assessment, the directors have undertaken a rigorous assessment of current performance and forecasts for the period to February 2025, including expenditure commitments, capital expenditure and available borrowing facilities. The covenants on these facilities are tested half-yearly and are based on fixed charges cover and net borrowings. The directors have also considered the existence of factors beyond the going concern period that could indicate that the going concern basis is not appropriate.

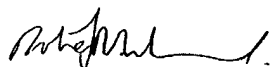
The directors have modelled a base case scenario consistent with the Group's latest Board approved forecasts, which include management's best estimates of market conditions and include a number of assumptions including passenger numbers, sales growth and cost inflation. Under this scenario the Group has significant liquidity and complies with all covenant tests throughout the assessment period.

As a result of uncertainty and challenges in the macroeconomic environment, this base case scenario has been stress-tested by applying severe, but plausible, downside assumptions of a magnitude and profile in line with previous experience of economic downturns. These assumptions include reductions to revenue assumptions of between 5% and 10% versus the base case as appropriate by division; additional inflation in labour costs beyond that included in the base case; and margin pressures. Apart from an equal reduction in turnover-based rents in our Travel businesses, this scenario does not assume a decrease in other variable costs, and is therefore considered severe. Under this downside scenario the Group would continue to have significant liquidity headroom on its existing facilities and complies with all covenant tests throughout the assessment period.

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

This report was approved by the Board on 25 January 2024

On behalf of the Board



Robert J Moorhead  
Director

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 August 2023 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, including 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 2023; the Statement of profit and loss, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## **Reporting on other information**

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

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

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

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

### **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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

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

- Reviewing legal confirmations from external lawyers;
- Reviewing the financial statement disclosures and agreement to underlying supporting documentation;
- Enquiring of management, those charged with governance, internal audit, and internal legal counsel regarding instances of non-compliance with laws and regulations and fraud;
- Scanning external sources for evidence of instances of non-compliance with laws and regulations in the public domain;
- Reviewing internal audit reports and minutes of meetings of those charged with governance;
- Reviewing journal entries that exhibit specific fraud risk factors; and
- Challenging assumptions made by management in determining their significant judgements and accounting estimates.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Lambert (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 January 2024

## WH Smith Retail Holdings Limited

### Statement of profit and loss For the year ended 31 August 2023

	Note	2023 £'000	2022 £'000
<b>Revenue</b>	3	218,500	191,656
Cost of sales		<u>(207,559)</u>	<u>(186,687)</u>
<b>Gross profit</b>		<b>10,941</b>	<b>4,969</b>
Expected credit losses on financial assets	2	(8,435)	(18,385)
Impairment of investments in subsidiaries	13	(83,575)	-
Administrative expenses		(27,028)	(28,330)
Other income		<u>7,800</u>	<u>-</u>
<b>Operating loss</b>	4	<b>(100,297)</b>	<b>(41,746)</b>
Income from shares in group undertakings	8	<u>-</u>	<u>-</u>
<b>Loss before interest and taxation</b>		<b>(100,297)</b>	<b>(41,746)</b>
Net interest income	9	<u>2,538</u>	<u>963</u>
<b>Loss before taxation</b>		<b>(97,759)</b>	<b>(40,783)</b>
Tax on loss	10	<u>118</u>	<u>5,459</u>
<b>Loss for the financial year</b>		<b><u>(97,641)</u></b>	<b><u>(35,324)</u></b>

All results are derived from continuing operations.

### Statement of comprehensive income For the year ended 31 August 2023

	Note	2023 £'000	2022 £'000
<b>Loss for the financial year</b>		<b><u>(97,641)</u></b>	<b><u>(35,324)</u></b>
Other comprehensive income / (expense):			
<i>Items that will not be reclassified subsequently to the statement of profit and loss:</i>			
Remeasurements of net defined benefit obligations	7	1,427	484
Deferred tax on retirement benefit obligations		(307)	(92)
<i>Items that may be reclassified subsequently to the statement of profit and loss:</i>			
Revaluation of investments		<u>5</u>	<u>(261)</u>
Other comprehensive income for the year		<u>1,125</u>	<u>131</u>
<b>Total comprehensive loss for the year</b>		<b><u>(96,516)</u></b>	<b><u>(35,193)</u></b>

# WH Smith Retail Holdings Limited

## Balance Sheet As at 31 August 2023

	Note	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Intangible assets	11	-	-
Property, plant and equipment	12	8,840	11,308
Investments in subsidiary undertakings	13	992,549	1,076,124
Investments	14	15,139	8,904
Deferred tax assets	10	6,965	10,693
		1,023,493	1,107,029
<b>Current assets</b>			
Trade and other receivables: amounts falling due within one year	15	677,992	1,062,616
Trade and other receivables: amounts falling due after more than one year	15	105,414	123,712
Derivative financial assets		790	-
Cash and cash equivalents		19,709	53,653
		803,905	1,239,981
<b>Current liabilities</b>			
Trade and other payables: amounts falling due within one year	16	(839,586)	(1,314,603)
Derivative financial liabilities		-	(1,267)
Lease liabilities	17	(46,229)	(57,871)
Bank overdrafts and other borrowings		(84,000)	-
		(165,910)	(133,760)
<b>Net current liabilities</b>		(165,910)	(133,760)
<b>Total assets less current liabilities</b>		857,583	973,269
<b>Non-current liabilities</b>			
Lease liabilities	17	(105,459)	(124,629)
		(105,459)	(124,629)
<b>Net assets</b>		752,124	848,640
<b>Capital and reserves</b>			
Called up share capital	18	482,692	482,692
Share premium account		22,474	22,474
Revaluation reserve		(657)	(662)
Capital redemption reserve		371,423	371,423
Merger reserve		34,000	34,000
Accumulated losses		(157,808)	(61,287)
		752,124	848,640

The notes on pages 15 to 37 are an integral part of these financial statements.

These financial statements of WH Smith Retail Holdings Limited, registered number 471941, on pages 12 to 37, were approved by the Board of Directors and authorised for issue on 25 January 2024.

Signed on behalf of the Board of Directors by:



Robert J Moorhead  
Director

## WH Smith Retail Holdings Limited

### Statement of changes in equity Year ended 31 August 2023

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total shareholders' funds £'000
Balance as at 1 September 2021	482,692	22,474	371,423	(401)	34,000	(26,355)	883,833
Loss for the financial year	-	-	-	-	-	(35,324)	(35,324)
Other comprehensive income/(expense) for the year							
Remeasurements of net defined benefit obligations	-	-	-	-	-	484	484
Deferred tax on retirement benefit obligations	-	-	-	-	-	(92)	(92)
Revaluation of investments	-	-	-	(261)	-	-	(261)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261)</b>	<b>-</b>	<b>(34,932)</b>	<b>(35,193)</b>
<b>Balance as at 31 August 2022</b>	<b>482,692</b>	<b>22,474</b>	<b>371,423</b>	<b>(662)</b>	<b>34,000</b>	<b>(61,287)</b>	<b>848,640</b>
Balance as at 1 September 2022	482,692	22,474	371,423	(662)	34,000	(61,287)	848,640
Loss for the financial year	-	-	-	-	-	(97,641)	(97,641)
Other comprehensive income / (expense) for the year							
Remeasurements of net defined benefit obligations	-	-	-	-	-	1,427	1,427
Deferred tax on retirement benefit obligations	-	-	-	-	-	(307)	(307)
Revaluation of investments	-	-	-	5	-	-	5
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(96,521)</b>	<b>(96,516)</b>
<b>Balance as at 31 August 2023</b>	<b>482,692</b>	<b>22,474</b>	<b>371,423</b>	<b>(657)</b>	<b>34,000</b>	<b>(157,808)</b>	<b>752,124</b>



# WH Smith Retail Holdings Limited

## Notes to the financial statements

### Year ended 31 August 2023

#### 1. Accounting policies

##### General information

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

##### Accounting convention

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

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

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

##### Basis of preparation

The financial statements are for the year ended 31 August 2023. The prior year financial statements were for the year ended 31 August 2022.

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2023.

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

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

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

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

##### Going concern

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

The directors report that they have undertaken a rigorous assessment of current performance and forecasts, including expenditure commitments, capital expenditure and borrowing facilities. The Company is loss making in the current year principally due to an impairment of investment in subsidiaries. The Company is also in a net current liabilities position. 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 2023 financial statements.

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Going concern (continued)**

The Strategic report describes the Company's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Company. The Strategic report of the WH Smith PLC Annual Report and Accounts 2023, which does not form part of this report, also sets out the Group's business activities together with the factors that are likely to affect its future developments, performance and position.

The WH Smith PLC Annual Report and Accounts 2023 also outlines the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures. A copy of the WH Smith PLC Annual Report is available on the Group's website at [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk).

In making the Group's going concern assessment, the directors have undertaken a rigorous assessment of current performance and forecasts for the period to February 2025, including expenditure commitments, capital expenditure and available borrowing facilities. The covenants on these facilities are tested half-yearly and are based on fixed charges cover and net borrowings. The directors have also considered the existence of factors beyond the going concern period that could indicate that the going concern basis is not appropriate.

The directors have modelled a base case scenario consistent with the Group's latest Board approved forecasts, which include management's best estimates of market conditions and include a number of assumptions including passenger numbers, sales growth and cost inflation. Under this scenario the Group has significant liquidity and complies with all covenant tests throughout the assessment period.

As a result of uncertainty and challenges in the macroeconomic environment, this base case scenario has been stress-tested by applying severe, but plausible, downside assumptions of a magnitude and profile in line with previous experience of economic downturns. These assumptions include reductions to revenue assumptions of between 5% and 10% versus the base case as appropriate by division; additional inflation in labour costs beyond that included in the base case; and margin pressures. Apart from an equal reduction in turnover-based rents in our Travel businesses, this scenario does not assume a decrease in other variable costs, and is therefore considered severe. Under this downside scenario the Group would continue to have significant liquidity headroom on its existing facilities and complies with all covenant tests throughout the assessment period.

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

**New standard adopted in the year**

The Company has adopted the following standard and interpretation which became mandatory during the current financial year. This change has had no material impact on the Company's financial statements:

Amendments to IFRS 3	Business combinations
Amendment to IAS 16	Property, plant and equipment
Amendment to IAS 37	Provisions, contingent liabilities and contingent assets
Annual Improvements 2018-2020	Amendments to IFRS 1, IFRS 9 and IFRS 16

**Revenue**

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

**Share-based payments**

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Foreign currencies**

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

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

**Taxation**

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

**Deferred taxation**

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

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

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

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

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

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Investments in subsidiary undertakings**

Investments in equity and long term loans in subsidiary undertakings are valued at historical cost less provision for impairments in value. 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. Impairments of investments in subsidiary undertakings are recognised in the statement of profit and loss within operating profit.

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Investments**

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

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

The WH Smith Employee Benefit Trust holds ordinary shares in WH Smith PLC, which may be used to satisfy awards and options granted under the Group share schemes. Full details of the Trust and the share schemes are disclosed in the consolidated financial statements of WH Smith PLC for the year ended 31 August 2023.

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

**Intangible assets**

Intangible fixed assets are stated at cost, net of accumulated amortisation and accumulated impairment losses. The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. Software is amortised over its estimated useful economic life of up to five years on a straight line basis. Amortisation is recorded in Administrative expenses.

**Property, and equipment**

Property, plant and equipment assets are stated at cost, net of accumulated depreciation and accumulated impairment losses. The carrying values of tangible fixed assets previously revalued have been retained at their book amount.

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

Freehold properties	-	20 years
Leasehold improvements	-	up to 20 years depending on lease length
Fixtures and fittings	-	up to 10 years
Equipment	-	8 years

**Leases**

*The Company as a lessee*

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

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

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Leases (continued)**

*The Company as a lessee (continued)*

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

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

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

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

The Company remeasures the lease liability whenever:

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

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

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

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

*The Company as a lessor*

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

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Retirement benefit costs**

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

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

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

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

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

**Dividends payable and receivable**

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid. There were no dividends declared for the year ended 31 August 2023 (2022: £nil).

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

**Government grants**

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

Government grants are recognised in the statement of profit and 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.

**Financial instruments**

**a) Cash and cash equivalents**

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

**b) Other financial assets**

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

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**1. Accounting policies (continued)**

**Financial instruments (continued)**

c) Financial liabilities and equity

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

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

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

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

d) Trade payables

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

e) Equity instruments

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

f) Offsetting

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

**Capital and reserves**

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

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

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

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**2. Critical accounting judgements and key sources of estimation uncertainty**

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

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

**a) Substantive substitution rights**

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

**b) Determination of lease term**

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

The most significant sources of estimation uncertainty are as follows:

**a) Impairment of investments in subsidiary undertakings**

Investments in subsidiary undertakings of £992,549,000 (2022: £1,076,124,000) are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted, the recoverable amounts of the cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. The key assumptions in the value-in-use calculations include growth rate of revenue and expenses, discount rates and likelihood of lease renewal.

During the year, the Company incurred an impairment of £83,575,000 (2022: £nil) its investment in WH Smith High Street Holdings Limited as a result of a reduction in the valuation of that entity. Following the impairment, the carrying value of the subsidiary is £16,425,000. The key drivers of this impairment include a reduction in expected cash generation from the business, as well as an increase to the discount rate from 11.9% in the prior year to 13.2% in the current year.

The forecast cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty. If the cash flow generated by the subsidiary were 10% lower, with no mitigation in capital expenditure, the impairment charge would be £16,425,000 higher resulting in a full impairment. If the WACC rate was 1% higher, the impairment charge would be £16,095,000 higher.

**b) Carrying value of financial assets**

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

The Company has included a charge of £8,435,000 (2022: a charge of £18,385,000) in its income statement in respect of expected credit losses. At the year end, the Company held a total provision for expected credit losses of £32,566,000 (2022: £24,131,000). The charge in the current year principally relates to an increase in expected credit losses in respect of intercompany receivables from the Group's German business. Loans receivable from Germany are deemed to be credit impaired, therefore the full increase in the loan of £7,562,000 has been charged to the Statement of profit and loss in the year.

In the prior year, the charge was principally in relation to amounts receivable from the Group's US and German business. 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.



**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

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

b) Carrying value of financial assets (continued)

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

If the estimated future cash flow of the US business was 10% lower than expected during the recovery scenario, the expected credit loss charge to the Company's income statement would be £2,165,000 higher.

The expected credit loss in relation to the German loan is not considered sensitive to any reasonably possible changes in estimates as it is credit impaired and has no carrying value.

The Company also holds a substantial receivable from a subsidiary that acts as a holding company for the WH Smith PLC Group. The amount of the receivable is £217,935,000 (2022: £206,395,000). An expected credit loss of £127,000 (2022: £831,000) has been recognised in respect of this balance based on a probability weighted average review of possible methods of settlement. The most likely method of settlement would involve the Company extinguishing the loan by subscribing for additional shares in the subsidiary. In this instance, the Directors have also assessed if the resulting increased investment in subsidiary balance would be impaired. Following this assessment, it is noted that no impairment would arise on the increased investment in subsidiary balance.

In addition to the above outlined mechanism of extinguishing the loan balance, other recovery scenarios have been assessed including compelling the subsidiary to sell its subsidiaries to repay the loan, which would then be used to settle the loan. These recovery scenarios would result in expected credit losses ranging from £nil to £12,665,000. Judgement has been applied in concluding that these recovery scenarios are highly unlikely to be implemented due to the unnecessary complexity involved in implementing such a recovery scenario.

On the basis that the Company is in control of which recovery scenario would be implemented, the expected credit loss has been calculated by applying a high weighting to the most likely scenario (additional share subscription) with a very low weighting applied to the other recovery scenarios.

**3. Revenue**

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

**4. Operating loss**

Operating loss is stated after charging:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of property, plant and equipment assets	2,468	2,761
Impairment of investment in subsidiary	83,575	-
Expected credit losses on financial assets	8,435	18,385
Share-based payments expense	4,132	9,987
Auditors' fees		
- fees payable to Company's auditors for the audit of the Company's financial statements	56	25

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**5. Directors' remuneration**

C Cowling and R J Moorhead are directors of the parent company, WH Smith PLC, and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. I Houghton is also a director of a number of fellow Group subsidiaries and it is not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries.

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services	3,584	3,444
Aggregate value of Company contributions paid to a pension scheme in respect of directors' qualifying services	161	258
Aggregate of the amount of gains made by directors on the exercise of share options	2,750	-
	<u>6,495</u>	<u>3,702</u>

During the year ended 31 August 2023, all three directors exercised of share awards in respect of shares in WH Smith PLC (2022: no directors).

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

**6. Employees and staff costs**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs</b>		
Wages and salaries	198,057	175,956
Social security costs	15,917	11,740
Share-based payments	4,132	9,987
Other pension costs	3,672	3,783
	<u>221,778</u>	<u>201,466</u>
	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
<b>Monthly average number of employees</b>		
Retailing	10,133	9,346
Central functions	53	43
	<u>10,186</u>	<u>9,389</u>
<b>Total monthly average number of employees</b>	<u>10,186</u>	<u>9,389</u>

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**7. Pension arrangements**

The Company is the principal employer of the Group's defined benefit pension trust, WHSmith Pension Trust and the Group's defined contribution plan. The most significant is WHSmith Pension Trust, which is described in Note 7 (a).

**(a) The WHSmith Pension Trust**

The WHSmith Pension Trust Final Salary Section is a funded final salary defined benefit scheme; it was closed to defined benefit service accrual on 2 April 2007 and has been closed to new members since 1996. Benefits are based on service and salary at the date of closure or leaving service, with increases currently based on CPI inflation in deferment and RPI inflation in payment.

The WHSmith Pension Trust is independent of the Group and is administered by a Trustee. The Trustee is responsible for the administration and management of the scheme on behalf of the members in accordance with the Trust Deed and relevant legislation. An Investment Committee of the Trustees to the scheme meets regularly to review the performance of the investment managers and the scheme as a whole. The Company is represented on this Committee.

In August 2022 the WHSmith Pension Trust purchased a bulk annuity insurance policy from Standard Life, part of Phoenix Group, insuring all liabilities to pay all future defined benefit pensions to the Trust's 12,950 members and any eligible dependants. The insurance policy was purchased using most of the existing assets held within the Trust, without the need for the Company to make any additional cash contributions. The bulk annuity policy matches the Trust's cash flow benefit obligations to its members, removing longevity and other demographic risks as well as investment, interest rate and inflation risks.

As a result of this comprehensive risk-removal, the Company is no longer required to make any future cash contributions into the Trust regarding defined benefit liabilities. During the prior year ended 31 August 2022, prior to the completion of the buy-in transaction, the Company made a contribution of £2,163,000 to the scheme in accordance with the agreed funding schedule.

The Company does not have an unconditional right to derive economic benefit from any surplus in the scheme, as the Trustees retain the right to enhance benefits under the Trust deed, and therefore the present value of the economic benefits of any IAS 19 surplus in the pension scheme available on a reduction of future contributions is £nil (2022: £nil). Accordingly, no balance sheet asset or liability exists in relation to this scheme. The income statement impact of this scheme is limited to administrative costs only.

**(b) Defined contribution pension scheme**

The Company's pension cost charge to its defined contribution scheme for the year amounted to £148,000 (2022: £136,000). The amount of unpaid contributions as at 31 August 2023 included in other creditors was £14,000 (2022: £10,000).

**8. Income from shares in group undertakings**

During the year the Company received no dividends from other Group companies (2022: £nil).

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**9. Net interest income**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Finance income:		
Interest receivable from other group companies	16,669	6,639
Other interest receivable and similar income	57	127
	<u>16,726</u>	<u>6,766</u>
Finance costs:		
Other interest payable and similar charges	(2,411)	(56)
Interest on lease liability (net)	(57)	(125)
Interest payable to other group companies	(11,720)	(5,600)
Net interest cost on defined benefit pension liabilities	-	(22)
	<u>(14,188)</u>	<u>(5,803)</u>
<b>Net interest income</b>	<u><u>2,538</u></u>	<u><u>963</u></u>

**10. Tax on loss**

**a) Tax on loss**

The tax credit comprises:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
Current year credit	(3,116)	(2,526)
Adjustments in respect of prior years	(423)	(1,744)
	<u>(3,539)</u>	<u>(4,270)</u>
Deferred tax:		
Origination and reversal of timing differences	1,979	(968)
Adjustments in respect of prior years	1,190	953
Changes in tax rates	252	(1,174)
	<u>(118)</u>	<u>(5,459)</u>
<b>Tax on loss</b>	<u><u>(118)</u></u>	<u><u>(5,459)</u></u>

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

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

**a) Tax on loss (continued)**

**Reconciliation of the tax credit**

The tax assessed for the year is lower (2022: lower) than the standard blended rate of corporation tax in the UK (2023: 21.50%, 2022: 19.00%). The differences are explained below:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Loss before taxation	(97,759)	(40,783)
Tax credit on loss before taxation at blended UK rate of corporation tax of 21.50% (2022: 19.00%)	<u>(21,018)</u>	<u>(7,749)</u>
Effect of:		
Non-taxable expense	19,881	4,255
Adjustments in respect of prior years	767	(791)
Changes in tax rates	<u>252</u>	<u>(1,174)</u>
<b>Total tax credit for the year</b>	<b><u>(118)</u></b>	<b><u>(5,459)</u></b>

**b) Deferred tax**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Share-based payments	6,200	4,932
Accelerated capital allowances	(392)	(305)
Losses	<u>1,157</u>	<u>6,066</u>
<b>At 31 August</b>	<b><u>6,965</u></b>	<b><u>10,693</u></b>

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
At 1 September	10,693	9,596
(Charge) / credit to statement of profit and loss	(1,979)	968
Charge to equity	(307)	(92)
Changes in tax rates	(252)	1,174
Adjustments in respect of prior years	<u>(1,190)</u>	<u>(953)</u>
<b>At 31 August</b>	<b><u>6,965</u></b>	<b><u>10,693</u></b>

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

The UK corporation tax rate is 25%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021, and the main impact of this change has been factored into 31 August 2021 year end financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15 per cent. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting years starting on or after 31 December 2023. This will be applicable to the Company for the year ending 31 August 2025. The Company has applied the exemption under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**11. Intangible assets**

	<b>Software £'000</b>
<b>Cost</b>	
At 1 September 2022 and 31 August 2023	1,524
<b>Accumulated amortisation</b>	
At 1 September 2022 and 31 August 2023	1,524
<b>Net book value</b>	
At 31 August 2022 and 31 August 2023	-

The net book value of leased assets included above is £nil (2022: £nil).

**12. Property, plant and equipment**

	<b>Freehold properties £'000</b>	<b>Leasehold improvements £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 September 2022	22,839	3,085	4,795	22,273	52,992
Additions	-	-	-	-	-
<b>At 31 August 2023</b>	<b>22,839</b>	<b>3,085</b>	<b>4,795</b>	<b>22,273</b>	<b>52,992</b>
<b>Accumulated depreciation</b>					
At 1 September 2022	15,132	2,771	3,777	20,004	41,684
Depreciation charge	66	188	801	1,413	2,468
<b>At 31 August 2023</b>	<b>15,198</b>	<b>2,959</b>	<b>4,578</b>	<b>21,417</b>	<b>44,152</b>
<b>Net book value</b>					
At 31 August 2023	<b>7,641</b>	<b>126</b>	<b>217</b>	<b>856</b>	<b>8,840</b>
At 31 August 2022	7,707	314	1,018	2,269	11,308

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**13. Investments in subsidiary undertakings**

	<b>£'000</b>
<b>Cost</b>	
At 1 September 2022	1,186,052
Additions	-
	1,186,052
<b>At 31 August 2023</b>	<b>1,186,052</b>
<b>Provision for impairment</b>	
At 1 September 2022	(109,928)
Impairment	(83,575)
	(193,503)
<b>At 31 August 2023</b>	<b>(193,503)</b>
<b>Net book value</b>	
At 31 August 2023	992,549
At 31 August 2022	1,076,124

An impairment of £83,575,000 has been recognised in the current year in respect of the Company's investment in WH Smith High Street Holdings Limited, where the Directors have concluded that the value in use of the subsidiary exceeded the carrying value of the investment. For all other investments, the Directors believe that the carrying value of the investments is supported by their underlying net assets. See page 22 for more details.

At 31 August 2023 the Company directly owned the entire issued share capital of the following companies.

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
<b>Held directly by WH Smith Retail Holdings Limited:</b>						
WH Smith 1955 Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Asia Limited	Hong Kong	2	Ordinary	100	100	Product sourcing for WH Smith Group companies
WH Smith High Street Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Jersey Limited	Jersey	8	Ordinary	100	100	Retailing
WH Smith Promotions Limited	England & Wales	1	Ordinary	100	100	Retailing
WH Smith Retirement Savings Plan Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith Travel Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith US Group Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**13. Investments in subsidiary undertakings (continued)**

At 31 August 2023 the Company also indirectly owned the issued equity share capital of the following companies.

Name	Country of incorporation/	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
	registration			%	%	
Books & Stationers Limited	England & Wales	1	Ordinary	100	100	Retailing
WH Smith Calais S.A.S	France	4	Ordinary	100	100	Retailing
Card Market Limited	England & Wales	1	Ordinary	100	100	Retailing
Dotty About Paper Limited	England & Wales	1	Ordinary	100	100	Dormant
funkypigeon.com Limited	England & Wales	1	Ordinary	100	100	Retailing
Modelzone Limited	England & Wales	1	Ordinary	100	100	Dormant
Sussex Stationers Limited	England & Wales	1	Ordinary	100	100	Dormant
The Card Gallery (UK) Limited	England & Wales	1	Ordinary	100	100	Retailing
The SQL Workshop Limited	England & Wales	1	Ordinary	100	100	Retailing
The Websters Group Limited	England & Wales	1	Ordinary	100	100	Dormant
Tree of Hearts Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith (Qatar) Limited	England & Wales	1	Ordinary	100	100	Dormant
WH Smith High Street Limited	England & Wales	1	Ordinary & Preference	100	100	Retailing
WH Smith Hospitals Holdings Limited	England & Wales	1	Ordinary & Preference	100	100	Holding Company
WH Smith Hospitals Limited	England & Wales	1	Ordinary	100	100	Retailing
WH Smith Travel 2008 Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith Travel Limited	England & Wales	1	Ordinary & Preference	100	100	Retailing
WH Smith US Retail Holdings Limited	England & Wales	1	Ordinary	100	100	Holding Company
WH Smith – DFA Brasil Cafeteria, Livraria E Conveniencia Eireli	Brazil	15	Ordinary	50	100	Retailing
WH Smith Malaysia SDN BHD	Malaysia	11	Ordinary	50	100	Retailing
WH Smith LLC	Oman	10	Ordinary	50	100	Retailing
WH Smith Australia Pty Limited	Australia	3	Ordinary	100	100	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	9	Ordinary	49	100	Retailing
WH Smith Nederland B.V.	Netherlands	12	Ordinary	100	100	Dormant



**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**13. Investments in subsidiary undertakings (continued)**

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
WH Smith Belgium	Belgium	18	Ordinary	100	100	Retailing
WH Smith Norway	Norway	19	Ordinary	100	100	Retailing
WH Smith Singapore Pte. Limited	Singapore	13	Ordinary	100	100	Retailing
WH Smith Spain S.L.	Spain	14	Ordinary	100	100	Retailing
WH Smith Hungary	Hungary	20	Ordinary	100	100	Retailing
WH Smith Sweden AB	Sweden	21	Ordinary	100	100	Retailing
WH Smith USA Holdings Inc	USA	16	Ordinary	100	100	Holding Company
InMotion Entertainment Holdings LLC	USA	16	Ordinary	100	100	Active
InMotion Entertainment Personnel Leasing Corp	USA	16	Ordinary	100	100	Active
WH Smith USA Retail Inc	USA	16	Ordinary	100	100	Active
inMotion SFO, LLC	USA	16	Ordinary	88	100	Active
InMotion Entertainment Group, LLC	USA	16	Ordinary	100	100	Active
Soundbalance ATL-E, LLC	USA	16	Ordinary	67	100	Active
InMotion ATL-A, LLC	USA	16	Ordinary	64	100	Active
InMotion ATL, LLC	USA	16	Ordinary	80	100	Active
BTS- InMotion Atlanta, LLC	USA	16	Ordinary	100	100	Inactive
InMotion AUS, LLC	USA	16	Ordinary	88	100	Retailing
InMotion BNA - C, LLC	USA	16	Ordinary	80	100	Retailing
InMotion BOS-BCE, LLC	USA	16	Ordinary	80	100	Retailing
InMotion BWI, LLC	USA	16	Ordinary	60	100	Retailing
InMotion CLE, LLC	USA	16	Ordinary	67	100	Retailing
Soundbalance CLT, LLC	USA	16	Ordinary	67	100	Retailing
InMotion - SB DC, LLC	USA	16	Ordinary	75	100	Retailing
InMotion DCA, LLC	USA	16	Ordinary	75	100	Retailing
InMotion DEN-B, LLC	USA	16	Ordinary	75	100	Retailing
DFW-A Retail Partners, LLC	USA	16	Ordinary	60	100	Retailing
DFW-E Retail Partners, LLC	USA	16	Ordinary	65	100	Retailing
DFW-D/E Retail Partners, LLC	USA	16	Ordinary	70	100	Retailing
Soundbalance DTW, LLC	USA	16	Ordinary	67	100	Retailing
InMotion DTW, LLC	USA	16	Ordinary	75	100	Retailing
InMotion EWR, LLC	USA	16	Ordinary	80	100	Retailing
InMotion EWR-B, LLC	USA	16	Ordinary	85	100	Retailing
InMotion FLL, LLC	USA	16	Ordinary	62	100	Dormant
InMotion FLL-T4, LLC	USA	16	Ordinary	62	100	Dormant
InMotion IAD, LLC	USA	16	Ordinary	75	100	Retailing
Soundbalance IAH, LLC	USA	16	Ordinary	67	100	Retailing
BR InMotion IAH, LLC	USA	16	Ordinary	65	100	Retailing
InMotion LAX, LLC	USA	16	Ordinary	75	100	Retailing
InMotion LAX - IT, LLC	USA	16	Ordinary	80	100	Retailing
Soundbalance MCO, LLC	USA	16	Ordinary	67	100	Retailing
InMotion MCO, LLC	USA	16	Ordinary	73	100	Retailing
Soundbalance Miami, LLC	USA	16	Ordinary	67	100	Retailing
InMotion Bright, LLC	USA	16	Ordinary	75	100	Retailing
InMotion MSY, LLC	USA	16	Ordinary	64	100	Dormant
InMotion ORD, LLC	USA	16	Ordinary	70	100	Retailing
InMotion ORD T2, LLC	USA	16	Ordinary	70	100	Retailing
Soundbalance PDX, LLC	USA	16	Ordinary	67	100	Retailing
Soundbalance PHL, LLC	USA	16	Ordinary	67	100	Retailing
InMotion PHL, LLC	USA	16	Ordinary	70	100	Dormant
InMotion PHX, LLC	USA	16	Ordinary	80	100	Retailing
InMotion PHX T3, LLC	USA	16	Ordinary	90	100	Retailing
Soundbalance SAN, LLC	USA	16	Ordinary	55	100	Retailing
InMotion SAT, LLC	USA	16	Ordinary	75	100	Dormant
InMotion SEA, LLC	USA	16	Ordinary	88	100	Retailing
InMotion SFO-T3, LLC	USA	16	Ordinary	85	100	Dormant

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**13. Investments in subsidiary undertakings (continued)**

Name	Country of incorporation/ registration	Registered address	Class of shares	Percentage owned	Percentage controlled	Principal activity
				%	%	
InMotion SFO-IT, LLC	USA	16	Ordinary	90	100	Dormant
InMotion SLC, LLC	USA	16	Ordinary	80	100	Retailing
InMotion SLC-A, LLC	USA	16	Ordinary	85	100	Retailing
InMotion SLC-B, LLC	USA	16	Ordinary	90	100	Retailing
InMotion SMF, LLC	USA	16	Ordinary	90	100	Retailing
InMotion CLT, LLC	USA	16	Ordinary	74	100	Dormant
SBIP, LLC	USA	16	Ordinary	50	100	Dormant
MSP Innovations, LLC	USA	16	Ordinary	33	100	Dormant
Marshall Retail Group Holding Co Inc	USA	16	Ordinary	100	100	Active
MRG Holdings Corp	USA	16	Ordinary	100	100	Active
Marshall Retail Group LLC	USA	16	Ordinary	100	100	Active
The Marshall Retail Group Canada Inc	USA	17	Ordinary	100	100	Active
MRG Baltimore Concourse A, LLC	USA	16	Ordinary	70	100	Retailing
MRG Baltimore (BWI), LLC	USA	16	Ordinary	70	100	Retailing
MRG Chicago, LLC	USA	16	Ordinary	65	100	Retailing
MRG Denver, LLC	USA	16	Ordinary	75	100	Retailing
MRG Dallas II, LLC	USA	16	Ordinary	65	100	Retailing
MRG Kansas City, LLC	USA	16	Ordinary	80	100	Retailing
MRG LaGuardia, LLC	USA	16	Ordinary	80	100	Retailing
MRG LaGuardia Terminal A, LLC	USA	16	Ordinary	75	100	Retailing
MRG Los Angeles, LLC	USA	16	Ordinary	70	100	Retailing
MRG Los Angeles T3, LLC	USA	16	Ordinary	70	100	Retailing
MRG Jacksonville, LLC	USA	16	Ordinary	70	100	Retailing
MRG Las Vegas, LLC	USA	16	Ordinary	90	100	Retailing
MRG Oakland, LLC	USA	16	Ordinary	80	100	Retailing
MRG Palm Springs, LLC	USA	16	Ordinary	75	100	Retailing
MRG Nashville, LLC	USA	16	Ordinary	80	100	Retailing
MRG Raleigh Terminal 1, LLC	USA	16	Ordinary	55	100	Retailing
MRG RDU T2, LLC	USA	16	Ordinary	80	100	Retailing
MRG Sacramento, LLC	USA	16	Ordinary	90	100	Retailing
MRG San Francisco, LLC	USA	16	Ordinary	80	100	Retailing
MRG San Francisco Terminal 1, LLC	USA	16	Ordinary	80	100	Retailing
MRG San Francisco Terminal 2, LLC	USA	16	Ordinary	85	100	Retailing
MRG San Francisco Terminal 3, LLC	USA	16	Ordinary	80	100	Retailing
MRG Washington (DCA), LLC	USA	16	Ordinary	75	100	Retailing
MRG Washington (IAD), LLC	USA	16	Ordinary	75	100	Retailing
Nash Nails MRG, LLC	USA	16	Ordinary	39	100	Retailing
MRG Newark, LLC	USA	16	Ordinary	74	100	Retailing
MRG Newark 2, LLC	USA	16	Ordinary	74	100	Retailing
MRG Orlando, LLC	USA	16	Ordinary	70	100	Retailing
MRG Phoenix 1, LLC	USA	16	Ordinary	65	100	Retailing
MRG Phoenix 2, LLC	USA	16	Ordinary	65	100	Dormant
MRG Savannah, LLC	USA	16	Ordinary	55	100	Retailing
MRG Seattle, LLC	USA	16	Ordinary	80	100	Retailing
MRG Salt Lake City, LLC	USA	16	Ordinary	80	100	Dormant
Midway Fresh MRG, LLC	USA	16	Ordinary	20	100	Retailing
WH Smith DEN, LLC	USA	16	Ordinary	70	100	Dormant
WH Smith DCA, LLC	USA	16	Ordinary	75	100	Dormant
MRG Portland, LLC	USA	16	Ordinary	75	100	Retailing
MRG Washington (DCA) II, LLC	USA	16	Ordinary	75	100	Retailing
MRG Washington (DCA) III, LLC	USA	16	Ordinary	75	100	Retailing
MRG Washington (DCA) IV, LLC	USA	16	Ordinary	75	100	Retailing

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**13. Investments in subsidiary undertakings (continued)**

**Address references:**

1	Greenbridge Road, Swindon, Wiltshire SN3 3RX
2	Suites 13A01-04 13 Floor, South Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
3	Suite 401, 80 William Street, Woolloomooloo NSW 2011, Australia
4	38 Rue des Mathurins, 75008 Paris 8, France
5	Terminal Ring 1, Zentralgebaude Ost, Zi. 5. 035, 40474 Dusseldorf, Germany
6	6th Floor, Grand Canal Square, Dublin 2, Ireland
7	Via Porlezza 12, Cap 20123, Milano, Italy
8	72/74 King Street, St Helier, Jersey, JE2 4WE
9	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
10	PO Box 3275, PC112, Ruwi, Oman
11	C2-6-1, Solaris Dutamas, 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
12	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
13	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910
14	Paseo de Recoletos, 27, 7 <sup>a</sup> , 28004, Madrid, Spain
15	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640-102, Rio de Janeiro, RJ, Brazil
16	3755 W Sunset Road, Las Vegas, Nevada, NV 89118, USA
17	2200 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada
18	Posthofbrug 10 boite 4, 2600 Anvers, Belgique
19	Bryggegata 6, 0250 Oslo, Norway
20	1139 Budapest, Vaci ut 99-105
21	Norlandsgatan 16, 111 43 Stockholm

**14. Investments**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Market value</b>		
At 1 September	8,904	4,970
Additions	7,800	7,050
Utilisation	(1,461)	(2,524)
Revaluation	(104)	(592)
<b>At 31 August</b>	<u>15,139</u>	<u>8,904</u>

At 31 August 2023 the number of shares held in WH Smith PLC was 1,031,943 (2022: 622,989) and the nominal value was £227,952 (2022: £137,615). The shares are held by an employee trust for the sole purpose of satisfying obligations under the parent company's Employee Share Schemes and are included in investments. Details of the Employee Share Schemes are given in Note 19.

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**15. Trade and other receivables**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	624,951	1,005,126
Corporation tax	991	731
Lease receivables – amounts owed by group undertakings	45,314	55,636
Other debtors	6,736	1,123
	<u>677,992</u>	<u>1,062,616</u>

Included within amounts owed by group undertakings is an unsecured loan of £208,000,000 (2022: £208,000,000) which bears interest at 1% above 1 month compound SONIA rate, reset each month (2022: GBP 6 month LIBOR plus 1%). All other amounts owed by group companies are non-interest bearing and repayable on demand.

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due after more than one year:</b>		
Lease receivables – amounts owed by group undertakings	105,414	123,712
	<u>105,414</u>	<u>123,712</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	794,775	1,272,982
Other creditors	38,958	34,907
Other taxation and social security	5,853	6,714
	<u>839,586</u>	<u>1,314,603</u>

Included within amounts owed to group companies is an unsecured loan note for £4,857,430; an unsecured loan note of £7,307,805; and an unsecured loan note of £238,000,000 all of which bear interest at 1% above 1 month compound SONIA rate, reset each month. In the prior year, the loan notes accrued interest based on 6 month GBP LIBOR plus 1%. None of the unsecured loan notes have a fixed repayment date. All other amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

**17. Lease liabilities**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Lease liability</b>		
- Current	46,229	57,871
- Non-current	105,459	124,629
	<u>151,688</u>	<u>182,500</u>
<b>At 31 August</b>		
Cash outflow in respect of leases	2,235	2,780
Interest on lease liability	3,703	3,691
	<u>6,938</u>	<u>6,471</u>

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**18. Called up share capital**

	2023		2022	
	Number of shares No. '000	Nominal value £'000	Number of shares No. '000	Nominal value £'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 2 13/81p (2022: 2 13/81p) each	22,341,721,689	482,692	22,341,721,689	482,692
Deferred shares of 2 13/81p (2022: 2 13/81p) each	1	-	1	-
	22,341,721,690	482,692	22,341,721,690	482,692

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

**19. Share-based payments**

The Company is the principal employer of the WH Smith PLC Group. The Company operates a number of share schemes for employees which are treated as cash-settled share-based payments in the financial statements of the Company. The schemes are treated as equity-settled share-based payments in the consolidated financial statements of WH Smith PLC, and the relevant disclosures are provided in Note 22 and the Remuneration Report of the WH Smith PLC Annual Report and Accounts 2023, which does not form part of this report. The amount recorded in liabilities in relation to these schemes is £24,634,000 (2022: £20,503,000) and the charge to profit and loss was £4,132,000 (2022: £9,987,000). Included in this liability is £747,000 (2022: £1,192,000) relating to vested options.

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

	2023	2022
Share price – pence	1,467	1,430
Exercise price – pence	Nil-1,610	Nil-1,610
Expected volatility – per cent	20.88-38.34	31.04-48.39
Expected life – years	0.22-2.79	0.18-2.22
Risk free rate – per cent	4.45-4.96	2.44-3.00
Dividend yield – per cent	0.00-1.97	0.00

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

	2023	2022
Weighted average share price at date of exercise of share options exercised during year – pence	1,429.62	1,573.69
Weighted average remaining contractual life at end of year – years	8	8

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

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**19. Share-based payments (continued)**

**LTIP**

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

Awards will first become exercisable on the vesting date, which is the third anniversary of the date of grant. Awards made on or after October 2016 are subject to holding periods preventing the delivery and sale of shares until the fifth anniversary of the date of grant. For awards made in October 2016 and October 2017, the holding period applies to 50% of any shares which vest. For awards made in November 2018, and all subsequent awards, the holding period applies to 100% of any shares that vest. The awards will accrue dividends paid over the performance and any holding period. LTIP awards are equity settled. Awards are exercisable between October 2019 and November 2032.

**Sharesave Scheme**

Under the terms of the Sharesave Scheme, the Board grants options to purchase ordinary shares in the Company to employees with at least three months service who enter into an HM Revenue & Customs approved Save-As-You-Earn (SAYE) savings contract for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. Options are exercisable between August 2023 and January 2027. The range of exercise prices for SAYE options outstanding at the year-end was 1,325.60p to 1,609.60p (2022: 1,400p to 1,610p).

**Performance Share Plan (PSP)**

Under the terms of the Performance Share Plan, the Board may grant conditional awards to executives. The exercise of awards is conditional on the achievement of a performance target, which is determined by the Board at the time of grant. The executive directors do not participate in this Plan. PSP awards are equity settled. Awards are exercisable between October 2017 and November 2032.

**Deferred Bonus Plan (DBP)**

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

At 31 August 2023, 73,049 shares remain deferred in accordance with this plan (2022: 18,473 shares).

**20. Contingent liabilities**

Potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Company if the lessee defaulted. The Company's 65% share of these leases has an estimated future gross rental commitment at 31 August 2023 of £857,000 (2022: £946,000). The movement in the future rental commitment is due to the crystallisation of lease liabilities, lease expiries and the effluxion of time.

In the prior year the Company was a guarantor on the WH Smith PLC Group's £250,000,000 revolving credit facility which expires on 28 April 2025 alongside WH Smith High Street Limited, WH Smith Travel Limited, WH Smith Hospitals Limited, funkypigeon.com Limited, InMotion Entertainment Group LLC and The Marshall Retail Group LLC.

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

On 14 June 2023, the Group entered into new financing arrangements consisting of a £400,000,000 revolving credit facility. As part of this arrangement, the existing RCF and term loan were repaid. Alongside other Group companies, the Company is a guarantor on this facility. The New RCF is for a five-year term due to mature on 13 June 2028, with two uncommitted extension options of one year each, which would, subject to lender approval, extend the tenor to six, seven or ten years if exercised.

The New RCF is provided by a syndicate of banks: Barclays Bank PLC, BNP Paribas, Citibank N.A. London Branch, Fifth Third Bank National Association, HSBC UK Bank PLC, JP Morgan Securities PLC, PNC Capital Markets LLC, Banco Santander SA London Branch and Skandinaviska Enskilda Banken AB (PUBL).

**WH Smith Retail Holdings Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 August 2023**

**21. Related party transactions**

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

**22. Ultimate and immediate parent company**

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

Copies of the Group financial statements are available from:

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