

Company Registration No. 07515820

Books & Stationers Limited

Annual Report and Financial Statements

31 August 2017

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Books & Stationers Limited

Annual report and financial statements 31 August 2017

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Books & Stationers Limited

Annual report and financial statements 31 August 2017

Officers and professional advisers

Directors

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

Books & Stationers Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2017.

Directors

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

Directors' indemnities

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

Results and dividends

The audited financial statements for the year ended 31 August 2017 are set out on pages 9 to 21. The financial statements have been prepared under Financial Reporting Standard 101 ("FRS 101").

As shown in the Statement of profit or loss and other comprehensive income on page 9, the Company's profit for the financial year ended 31 August 2017 was £1,220,884 (2016: £1,195,109).

The directors do not recommend the payment of a dividend (2016: £nil).

Future developments

Details on the future developments of the Company are given in the Strategic report on page 4.

Going concern and financial risk management

Disclosures in respect of going concern and financial risk management are given in the Strategic report on pages 5 and 6.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

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

Books & Stationers Limited

Directors' report (continued)

Equal Opportunities

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

Employee involvement

Employee engagement is supported through clear communication of the Group's performance and objectives. This information is cascaded through team briefings, large employee events, intranet sites and regular e-newsletters. This approach and the Group's open management style encourages employees to contribute to business development. The Company, when appropriate, consults directly with employees and/or employee representatives so that their views can be taken into account when decisions are made which are likely to affect them.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

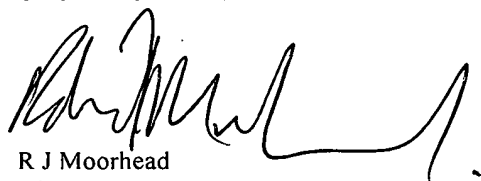
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

This report was approved by the Board of Directors on 18 January 2018.

On behalf of the Board



R J Moorhead
Director

Books & Stationers Limited

Strategic report

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

Business review, principal activities and key performance indicators

The principal activities of the Company during the current and prior year are the retailing of books, stationery, newspapers and magazines.

The Company produced a satisfactory trading performance resulting in a profit for the financial year to 31 August 2017 of £1,220,884 (2016: £1,195,109). The Company is expected to trade profitably in the foreseeable future. As shown in the Company's Statement of profit or loss and other comprehensive income on page 9, the Company's sales for the year to 31 August 2017 have decreased by 3 per cent to £7,493,903 (2016: £7,739,320) compared to the prior year in line with expectations.

The balance sheet on page 10 of the financial statements shows that the Company's net asset position is £8,179,630 (2016: £6,958,746), an increase of £1,220,884, reflecting the profit for the year. Details of the amounts owed by and to other group undertakings are shown in Notes 11 and 12 on page 20.

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 2017, which does not form part of this Report.

Principal risks and uncertainties

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

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

Group risks 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 2017 which does not form part of this report, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

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

Books & Stationers Limited

Strategic report (continued)

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 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 2017, which does not form part of this report.

Liquidity risk

The Company manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts.

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

Credit risk

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

The Company has credit risk attributable to its trade and other receivables including a number of sale or return contracts with suppliers. The amounts included in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Company has low retail credit risk due to the transactions being principally of a high volume, low value and short maturity.

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

Interest rate risk

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

Health, safety and environment

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

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

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

Further information on the Health, Safety and Environment is contained within the Strategic report of the Group's Annual Report and Accounts 2017.

Books & Stationers Limited

Strategic report (continued)

Going concern and future developments

The Company's business activities, together with factors that are likely to affect its future developments, performance and position are detailed within this Strategic report. The financial position of the Company and its liquidity position are described in the financial statements and notes. The WH Smith PLC Annual Report and Accounts 2017 includes further information regarding the Group's financial position, cash flows and borrowing facilities, as well as its policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Strategic report of the WH Smith PLC Annual Report and Accounts 2017 also highlights the main risks and uncertainties facing the Group, a copy of which is available on the Group's website at www.whsmithplc.co.uk.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure and borrowing facilities. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

This report was approved by the Board on 18 January 2018.

On behalf of the Board



R J Moorhead
Director

Independent auditors' report to the members of Books & Stationers Limited

Report on the financial statements

Opinion

In our opinion, Books & Stationers Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 2017; the Statement of profit or loss and other comprehensive income for the year then ended; the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Books & Stationers Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 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 set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

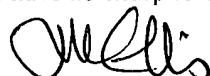
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

18 January 2018

Books & Stationers Limited

Statement of profit or loss and other comprehensive income For the year ended 31 August 2017

	Note	2017 £	2016 £
Revenue	3	7,493,903	7,739,320
Cost of Sales		(3,143,880)	(3,442,664)
Gross profit		4,350,023	4,296,656
Distribution costs		(2,813,757)	(2,796,524)
Administrative expenses		(5,713)	-
Operating profit	4	1,530,553	1,500,132
Profit on ordinary activities before taxation		1,530,553	1,500,132
Tax on profit on ordinary activities	7	(309,669)	(305,023)
Profit for the financial year		1,220,884	1,195,109
Other comprehensive result for the year		-	-
Total comprehensive income for the year		1,220,884	1,195,109

All results are derived from continuing operations.

Books & Stationers Limited

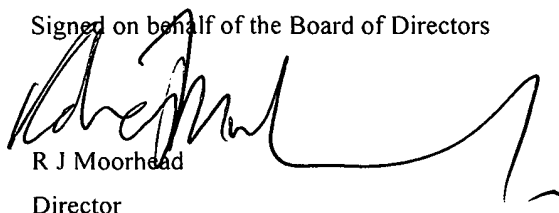
Balance sheet As at 31 August 2017

	Note	2017 £	2016 £
Non-current assets			
Investments in subsidiaries	8	1	1
Intangible assets	9	292,134	360,831
Property, plant and equipment	10	1,070,277	854,412
		1,362,412	1,215,244
Current assets			
Inventory		1,113,745	1,186,767
Trade and other receivables: amounts falling due within one year	11	7,914,087	6,516,062
Cash and cash equivalents		144,738	75,355
		9,172,570	7,778,184
Current liabilities			
Trade and other payables: amounts falling due within one year	12	(2,348,140)	(2,029,207)
Net current assets		6,824,430	5,748,977
Total assets less current liabilities		8,186,842	6,964,221
Provisions for liabilities	13	(7,212)	(5,475)
Net assets		8,179,630	6,958,746
Equity			
Ordinary shares	14	1	1
Retained earnings		8,179,629	6,958,745
Total shareholders' funds		8,179,630	6,958,746

The notes on pages 12 to 21 are an integral part of these financial statements.

These financial statements of Books & Stationers Limited, registered number 07515820, on pages 9 to 21 were approved by the Board of Directors and authorised for issue on 18 January 2018.

Signed on behalf of the Board of Directors


R J Moorhead
Director

Books & Stationers Limited

Statement of changes in equity For the year ended 31 August 2017

	Called up equity share capital £	Retained earnings £	Total shareholders' funds £
Balance as at 1 September 2015	1	5,763,636	5,763,637
Profit for the financial year	-	1,195,109	1,195,109
Other comprehensive result for the year	-	-	-
Total comprehensive income for the year	-	1,195,109	1,195,109
Balance as at 31 August 2016	1	6,958,745	6,958,746
Balance as at 1 September 2016	1	6,958,745	6,958,746
Profit for the financial year	-	1,220,884	1,220,884
Other comprehensive result for the year	-	-	-
Total comprehensive income for the year	-	1,220,884	1,220,884
Balance as at 31 August 2017	1	8,179,629	8,179,630

Books & Stationers Limited

Notes to the financial statements Year ended 31 August 2017

1. Accounting policies

General information

Books & Stationers Limited is a private company limited by shares and is incorporated and domiciled in the UK.

Accounting convention

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

~~The financial statements are prepared under the historical cost basis and are in compliance with the Companies Act 2006 as applicable to companies applying FRS 101 and applicable United Kingdom law and accounting standards.~~

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

Basis of preparation

The financial statements are for the year ended 31 August 2017. The prior year financial statements were for the year ended 31 August 2016.

The Company is a wholly owned subsidiary of WH Smith High Street Holdings Limited and of its ultimate parent WH Smith PLC. It is included in the consolidated financial statements of WH Smith PLC which are publicly available. Therefore, the Company is exempt from producing consolidated financial statements under section 400 of the Companies Act 2006. The financial statements have been prepared on the going concern basis as explained in the Strategic report on page 6.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2017.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) IFRS 7, 'Financial Instruments: Disclosures';
- b) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - a. Paragraph 79(a)(iv) of IAS 1;
 - b. Paragraph 73(e) of IAS 16 Property, plant and equipment;
- c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- d) IAS 7, 'Statement of cash flows';
- e) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- f) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where relevant, equivalent disclosures have been given in the group financial statements of WH Smith PLC. The group financial statements of WH Smith PLC are available to the public and can be obtained as set out in Note 16.

Books & Stationers Limited

Notes to the financial statements (continued) **Year ended 31 August 2017**

1. Accounting policies (continued)

Basis of preparation (continued)

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.

New standards adopted in the year

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

- Amendment to IAS 1 Disclosure Initiative
- Annual improvements 2012–2014

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services to customers (which is the most significant revenue stream), together with commission and fee income on concession and franchise arrangements.

Revenue is recognised when the significant risks and rewards of the goods or services provided have transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue excludes discounts, estimated returns, VAT and other sales-related taxes. Revenue on store sales of goods is recognised when goods are sold to the customer. Revenue from gift vouchers and gift cards sold by the Company is recognised on the redemption of the gift voucher or the gift card.

Leases

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

Rentals payable and receivable under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Inventory

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

Cost is calculated to include, where applicable, duties, handling, transport and directly attributable costs including a deduction for applicable supplier income) in bringing the inventories to their present location and condition. Net realisable value is based on estimated normal selling prices less further costs expected to be incurred in selling and distribution. Provisions are made for obsolescence, markdown and shrinkage.

Taxation

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

Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

1. Accounting policies (continued)

Taxation (continued)

a) Current tax

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

b) Deferred tax

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

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

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

Investments in subsidiaries

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

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. The carrying values of tangible fixed assets previously revalued have been retained at their book amount. Depreciation is recorded in the Income statement in Distribution costs. Depreciation is charged so as to write off the costs of assets, other than land, over their estimated useful lives, using the straight-line method, with the annual rates applicable to the principal categories being:

Fixtures and fittings	up to 10 years
Equipment and vehicles	up to 8 years
Short-term leasehold properties	shorter of the lease period and the estimated remaining economic life

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

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

Books & Stationers Limited

Notes to the financial statements (continued) **Year ended 31 August 2017**

1. Accounting policies (continued)

Intangible assets

The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. These intangibles are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method, and is recorded in Distribution costs. The estimated lives are usually a period of up to five years. Other intangible assets, which relate to tenancy rights, are valued at cost and amortised over the period of the lease, and the amortisation is recorded in Administrative expenses, unless the asset can be demonstrated to have an indefinite life. All intangible assets are reviewed for impairment in accordance with IAS 36, Impairment of Assets when there are indications that the carrying value may not be recoverable.

Provisions for liabilities

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

Financial instruments

a) Trade receivables

Trade receivables are measured at initial recognition, do not carry any interest and are stated at their fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is evidence that the asset is impaired.

b) Cash and cash equivalents

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

c) Financial liabilities and equity

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

d) Trade payables

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

e) Equity instruments

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

Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

2. Critical accounting judgements and sources of estimation uncertainty

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

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

a) Intangible assets and property, plant and equipment impairment reviews

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

b) Inventory valuation

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

c) Provisions

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

3. Revenue

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

There is no material difference between the geographical origin and destination of revenue.

4. Operating profit

Operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of owned tangible assets	155,006	173,628
Amortisation of intangible assets	79,407	86,371
Cost of inventory recognised as an expense	3,143,880	3,442,664
Net operating lease charges		
- land and buildings	919,560	895,717
Auditors' fees		
- fees payable to the Company's auditors for the audit of the Company's annual financial statements	1,500	1,500

There are no non-audit fees (2016: £nil). Statutory disclosures in respect of non-audit fees are given in the consolidated financial statements of WH Smith PLC.

Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

5. Employees and staff costs

The Company has no (2016: nil) employees under contracts of service but does utilise the services of employees employed by another Group company, WH Smith Retail Holdings Limited, the costs of which are recharged to the Company as follows:

	2017 £	2016 £
Staff costs	1,010,268	976,870
Wages and salaries	42,092	40,620
Social security costs	5,353	5,213
Other pension costs	1,057,713	1,022,703
	2017 No.	2017 No.
Monthly average number of employees (Retailing)	118	119

6. Directors' remuneration

The remuneration of R J Moorhead is paid by a fellow Group company and no allocation of his services, as director of Books & Stationers Limited and other Group companies, is made. R J Moorhead is a director of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries. Accordingly, no disclosure in respect of the remuneration of R J Moorhead is made. The remuneration of R J Moorhead is included in the directors' emoluments disclosed in the consolidated financial statements of WH Smith PLC.

1 Houghton received no remuneration in respect of his services as a director of the Company during the year (2016: £nil).

7. Tax on profit on ordinary activities

Tax expense included in profit and loss:

	2017 £	2016 £
Current tax:		
Current tax on profits for the year	300,520	309,186
Adjustments in respect of prior years	7,412	2,689
	307,932	311,875
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	1,089	(6,555)
Adjustments in respect of prior years	648	(297)
	309,669	305,023
Tax on profit on ordinary activities		

Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

7. Tax on profit on ordinary activities (continued)

Reconciliation of the total tax charge

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK (2017: 19.58%, 2016: 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before taxation	1,530,553	1,500,132
Tax on profit on ordinary activities before taxation at the UK blended rate of corporation tax 19.58% (2016: 20.00%)	299,682	300,026
Expenses not deductible for tax purposes	1,927	2,605
Adjustments in respect of prior years	8,060	2,392
Total tax charge	309,669	305,023

The UK corporation tax rate has been 19 per cent with effect from 1 April 2017. The UK corporation tax rate will reduce to 17 per cent from 1st April 2020. The effects of these changes are included in these financial statements.

8. Investments in subsidiaries

	£
Cost	
At 1 September 2016 and 31 August 2017	1
Provision for Impairment	
At 1 September 2016 and 31 August 2017	-
Net book value	
At 31 August 2016 and 31 August 2017	1

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

As at 31 August 2017 the Company directly owned the entire issued equity share capital of the following company, which is incorporated in Great Britain. The registered address of the company below is Greenbridge Road, Swindon, Wiltshire, SN3 3RX.

Subsidiary	Nature of business	Class of share
Sussex Stationers Limited	Dormant	Ordinary

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

Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

9. Intangible assets

	Tenancy rights £	Software £	Total £
Cost			
At 1 September 2016	880,629	62,865	943,494
Additions	-	10,710	10,710
At 31 August 2017	880,629	73,575	954,204
Accumulated amortisation			
At 1 September 2016	525,376	57,287	582,663
Amortisation charge	73,593	5,814	79,407
At 31 August 2017	598,969	63,101	662,070
Net book value			
At 31 August 2017	281,660	10,474	292,134
At 31 August 2016	355,253	5,578	360,831

Intangible assets relating to tenancy rights and are being amortised over the period of the lease. Other intangible assets relate to software and are being amortised over five years. Amortisation is included within Administrative expenses on the face of the statement of profit or loss and other comprehensive income.

10. Property, plant and equipment

	Short-term leasehold £	Fixtures and fittings £	Equipment and vehicles £	Total £
Cost				
At 1 September 2016	557,813	227,794	735,428	1,521,035
Additions	249,255	46,868	74,748	370,871
Disposals	-	-	(229,498)	(229,498)
At 31 August 2017	807,068	274,662	580,678	1,662,408
Accumulated depreciation				
At 1 September 2016	131,918	81,870	452,835	666,623
Charge for the year	68,065	25,372	61,569	155,006
Disposals	-	-	(229,498)	(229,498)
At 31 August 2017	199,983	107,242	284,906	592,131
Net book value				
At 31 August 2017	607,085	167,420	295,772	1,070,277
At 31 August 2016	425,895	145,924	282,593	854,412

Notes to the financial statements (continued)
Year ended 31 August 2017

	2017 £	2016 £
Amounts falling due within one year:		
Amounts owed by group undertakings	7,914,086	6,513,264
Amounts owed by parent undertaking - Called up share capital not paid	1	1
Other receivables	-	2,797
	<u>7,914,087</u>	<u>6,516,062</u>

12. Trade and other payables

	2017 £	2016 £
Amounts falling due within one year:		
Trade payables	66,152	52,354
Amounts owed to group undertakings	2,131,727	1,822,259
Amounts owed to subsidiary undertakings – Called up share capital not paid	1	1
Corporation tax payable	150,260	154,593
	2,348,140	2,029,207

13. Provisions for liabilities

	Deferred taxation £
The movements on total provisions is as follows:	
At 1 September 2016	5,475
Charged to income	1,089
Prior year adjustments	648
	<hr/>
At 31 August 2017	7,212
	<hr/> <hr/>

	2017 £	2016 £
Analysis of deferred taxation:		
Capital allowances in excess of depreciation	7,212	5,475

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Books & Stationers Limited

Notes to the financial statements (continued) Year ended 31 August 2017

14. Share capital

	2017		2016	
	Number of shares	Nominal value £	Number of shares	Nominal value £
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15. 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.

16. Ultimate parent company

The ultimate parent company and controlling party is WH Smith PLC, a company incorporated in Great Britain 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.

The immediate parent company is WH Smith High Street Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

Copies of both sets of financial statements are available from:

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