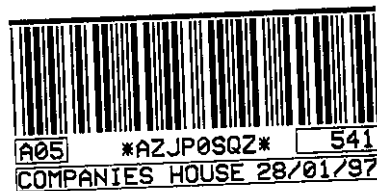


SIGNED COPY

W H SMITH INTERNATIONAL LIMITED
REPORT AND FINANCIAL STATEMENTS
1 JUNE 1996



W H SMITH INTERNATIONAL LIMITED

1 JUNE 1996

COMPANY INFORMATION

DIRECTORS

W Cockburn

J A Napier

SECRETARY

C S Rule

REGISTERED OFFICE

Strand House
7 Holbein Place
LONDON
SW1W 8NR

COMPANY NUMBER

401665 (England)

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
LONDON
EC4A 3TR

W H SMITH INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

FOR THE 52 WEEKS ENDED 1 JUNE 1996

The Directors present their report to shareholders together with the audited financial statements for the 52 weeks ended 1 June 1996.

ACTIVITIES AND FUTURE PROSPECTS

The Company acts as a holding company for interests in Europe. It is a subsidiary of W H Smith Limited, its ultimate parent company being W H Smith Group plc. The Board will continue to manage these investments.

RESULTS

The Company made a profit for the financial period ended 1 June 1996 of £1,527,834 (1995 - profit £746,735).

DIVIDENDS AND TRANSFER FROM RESERVES

The Directors recommend a dividend of £1,535,178. Retained losses of £7,344 have been transferred from reserves.

DIRECTORS

The names of the present Directors of the Company are shown on page 1. Mr P J C Troughton resigned as a Director on 31 July 1995 and Sir Malcolm Field resigned on 31 December 1995. Mr W Cockburn was appointed as a Director on 23 January 1996.

DIRECTORS' SHARE INTERESTS

As the Directors are also Directors of W H Smith Group plc, their interests in the shares and debentures of that company are not required to be recorded in the register of Directors' share interests of this Company.

ELECTIVE RESOLUTIONS

At an Extraordinary General Meeting of the Company held on 27 May 1994, Elective Resolutions were passed dispensing with:

- i) the laying of accounts and reports before the Company in general meeting;
- ii) the holding of annual general meetings; and
- iii) the obligation to appoint auditors annually.

W H SMITH INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

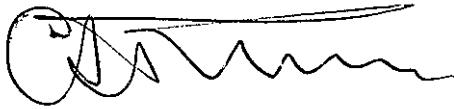
On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

Deloitte & Touche will continue in office as Auditors.

This report was approved by the Board of Directors on

30 August 1996.

By Order of the Board

A handwritten signature in black ink, appearing to be 'C S Rule', with a long horizontal line extending to the right.

C S Rule
Secretary

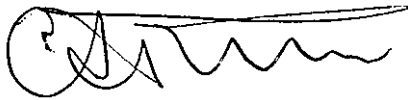
W H SMITH INTERNATIONAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the results for that period. In preparing the financial statements, which are required to be prepared on a going concern basis, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with applicable accounting standards.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company, for maintaining adequate accounting records and for preventing and detecting irregularities including fraud.

By Order of the Board



C S Rule
Secretary

30 August 1996

W H SMITH INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF W H SMITH INTERNATIONAL LIMITED

We have audited the financial statements on pages 6 to 10 which have been prepared under the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 1 June 1996 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

10 September 1996

W H SMITH INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 1 JUNE 1996

| | Note | 52 weeks to 1 June 1996 £ | 53 weeks to 3 June 1995 £ |
|--|------|------------------------------------|------------------------------------|
| Income from shares in subsidiaries | | 1,535,178 | 746,786 |
| Administrative expenses | | (70) | (51) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 1,535,108 | 746,735 |
| Tax on profit on ordinary activities | 3 | <u>(7,274)</u> | <u>-</u> |
| Profit for the financial period | | 1,527,834 | 746,735 |
| Dividends | 4 | <u>(1,535,178)</u> | <u>(746,786)</u> |
| Transfer from reserves | 7 | <u><u>(7,344)</u></u> | <u><u>(51)</u></u> |

The results are all derived from continuing operations.

There are no recognised gains or losses for the current financial period and preceding financial period other than as stated in the profit and loss account.

There are no movements in Equity Shareholders' funds other than the recognised gains and losses for both the current and preceding financial period.

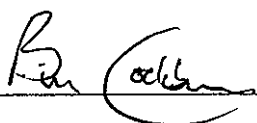
W H SMITH INTERNATIONAL LIMITED

BALANCE SHEET AS AT 1 JUNE 1996

| | Note | <u>1996</u> £ | <u>1995</u> £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Investments | 5 | 68,754 | 68,754 |
| Creditors: Amounts falling due within one year | 6 | (65,245) | (57,901) |
| TOTAL NET ASSETS | | <u>3,509</u> | <u>10,853</u> |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital: | | | |
| Authorised, issued and fully paid Ordinary Shares of £1 each | | 5,000 | 5,000 |
| Profit and loss account | 7 | <u>(1,491)</u> | <u>5,853</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>3,509</u> | <u>10,853</u> |

These financial statements were approved by the Board of Directors on 30 August 1996.

Signed on behalf of the Board of Directors



Director



Director

W H SMITH INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JUNE 1996

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. They are prepared under the historical cost convention.

(b) Basis of preparation

The financial statements are for the 52 weeks to 1 June 1996. Comparative figures are for the 53 weeks to 3 June 1995.

Consolidated financial statements have not been prepared as the Company is itself a wholly owned subsidiary of a company registered in England. A statement of cash flows has not been prepared as in accordance with FRS1, cash flow information has been shown in the Financial Statements of the ultimate parent company.

(c) Investments

Investments in subsidiary companies are stated at cost less any provision for permanent diminution in value.

2 RESULTS FOR THE FINANCIAL PERIOD

There were no Directors' emoluments and there were no employees during the period or in the previous period. Auditors' remuneration is paid by another Group Company.

| 3 | TAX ON PROFIT ON ORDINARY ACTIVITIES | <u>1996</u> £ | <u>1995</u> £ |
|---|--|------------------|------------------|
| | UK Corporation tax at 33% (1995 - 33%) | | |
| | Corporation tax on profit for period | 773,273 | 368,038 |
| | Double taxation relief | <u>(773,273)</u> | <u>(368,038)</u> |
| | | - | - |
| | Adjustment for prior period | <u>7,274</u> | <u>-</u> |
| | | <u>7,274</u> | <u>-</u> |

The tax charge appears high, because the taxable dividend income has been grossed up to include underlying foreign tax credits.

| 4 | DIVIDENDS | <u>1996</u> £ | <u>1995</u> £ |
|---|-----------|------------------|------------------|
| | Final | <u>1,535,178</u> | <u>746,786</u> |

W H SMITH INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

| | | | |
|---|--------------------------|------------------|------------------|
| 5 | FIXED ASSETS INVESTMENTS | <u>1996</u> £ | <u>1995</u> £ |
|---|--------------------------|------------------|------------------|

Shares at cost in Group companies

| | | |
|----------------|---------------|---------------|
| - subsidiaries | <u>68,754</u> | <u>68,754</u> |
|----------------|---------------|---------------|

The principal subsidiary companies are set out in Note 8.

| | | | |
|---|--|------------------|------------------|
| 6 | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | <u>1996</u> £ | <u>1995</u> £ |
|---|--|------------------|------------------|

| | | |
|------------------------------------|---------------|---------------|
| Amounts owed to parent undertaking | <u>65,245</u> | <u>57,901</u> |
|------------------------------------|---------------|---------------|

| | | |
|---|-------------------------|------------------|
| 7 | PROFIT AND LOSS ACCOUNT | <u>1996</u> £ |
|---|-------------------------|------------------|

| | |
|----------------|-------|
| At 4 June 1995 | 5,853 |
|----------------|-------|

| | |
|------------------------------|----------------|
| Loss retained for the period | <u>(7,344)</u> |
|------------------------------|----------------|

| | |
|----------------|----------------|
| At 1 June 1996 | <u>(1,491)</u> |
|----------------|----------------|

8 PRINCIPAL SUBSIDIARY COMPANIES

| | <u>Class of Share</u> | <u>Interest %</u> | <u>Country of incorporation</u> |
|--|---------------------------|-----------------------|-------------------------------------|
| <u>Held directly</u> | | | |
| W H Smith Nederland BV | Ordinary | 100 | Holland |
| <u>Held indirectly</u> | | | |
| W H Smith Amsterdam BV | Ordinary | 100 | Holland |
| W H Smith (Belgium) SA | Ordinary | 100 | Belgium |
| W H Smith (France) SA | Ordinary | 100 | France |
| Lexicon Book Company Ltd | Ordinary | 100 | England |
| W H Smith Singapore Holding PTE Limited | Ordinary | 100 | Singapore |

All the above companies are engaged in the activity of retailing.

W H SMITH INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 ULTIMATE PARENT COMPANY

The ultimate parent company is W H Smith Group plc, a company registered in England.

Copies of the Group financial statements are available from:

The Company Secretary
W H Smith Group plc
Strand House
7 Holbein Place
LONDON SW1W 8NR